Spring Meetings Statement by Martin Lousteau
Minister of Economy and Production of Argentina
Developing Committee – World Bank
Washington, D.C., April 13, 2008

Recent Market Developments

Improving the lives of the world's poor is at the core of the World Bank Group's mission. Despite the success in terms of overall poverty alleviation in recent years, midpoint stocktaking of progress made toward achieving the Millennium Development Goals (MDGs) by 2015 depicts a crude and unsatisfactory picture where the challenges ahead outnumber the achievements made so far. Indeed, it is clear that based on current trends, a majority of countries will fall short of most of the MDGs. Therefore, 2008 must signal a turning point in renewing the focus on the MDGs by setting a clear agenda to put countries back on track. In fact, despite the challenges that actually threat the global economy, most of the MDGs remain achievable for most countries.

The need to accelerate progress reaffirms our support to the vision President Zoellick set forth for this institution and to the six strategic themes, which we deem a better substitute for the current two-pillar strategy and a strategic framework to guide the Bank's day-to-day work. But implementation is paramount. The Bank needs to be more flexible, effective and responsive to the needs of its clients by offering them the best possible lending terms and high quality advisory services, partnering with them and supporting their development policies, and recognizing that there is no single template for development. Otherwise, it risks losing relevance. In our view, many steps were taken in this direction, like the recent decision on loan pricing, the streamlining of lending procedures and the new local currency lending instruments. I encourage Management to keep on moving in this direction, while acknowledging that there is still a considerable agenda that remains pending. Given the huge development needs, World Bank Group financial support and advisory services to developing countries must increase.

During the last decade, many low and middle-income countries enjoyed significant per capita growth, which laid the foundations for poverty reduction. The Global Monitoring Report 2008 underscores the fact that if current GDP trends continue, the MDG 1 (eradicate extreme poverty) will most likely be achieved before 2015. It is no surprise that the largest drops in poverty rates took place in the countries with the strongest economic growth. As a matter of fact, growth is a prerequisite for poverty reduction, as well as investing in health, education and the environment, which are embedded in the MDGs. As a knowledge institution, I believe it is important that the Bank carefully assess how these significant drops in poverty rates have been achieved and identify those policies that contributed to these results, without losing sight of the particularities of the countries involved.

Notwithstanding the abovementioned achievement, attention must be paid to the potential consequences on growth prospects and poverty on the developing world that could derive from the recent financial turmoil that is affecting developed countries economies.

Nobody is in a position to assure that this financial meltdown will not affect the global economy, reducing aggregate demand and global trade.

The good news is that developing countries are better prepared to face the crisis than in the past. Improved fundamentals and a more balanced growth pattern, as well as a sound institutional and policy environment, explain this phenomenon.

However, a severe slowdown of the world economy may have adverse effects on many developing countries -among others, increase in social inequality. Therefore, the Bank must intensify its efforts to support those countries in their attempts to improve resilience of their economies to avoid major setbacks that may erode the progress achieved so far. The Bank should increase its capabilities to respond quickly by providing counter cyclical immediate financial support to affected countries and be prepared to help developing countries address the social development agenda emerging from the crisis. More broadly, it must work together with other IFIs on redesigning or strengthening the international financial architecture to prevent future crises, and must encourage members to adopt those propositions.

Equitable Globalization

The international development community must ensure that globalization proceeds equitably. Yet, despite economic growth, we are witnessing worrying signs of increased inequality, which entails a very complex socio-economic problem. The objective of an inclusive and sustainable globalization should be well served if we seriously take into consideration the issue of equitable distribution of the benefits of growth, both within and between countries. Therefore, worldwide reduction of income disparities should be one of the World Bank Group's highest priorities for the following main reasons: (i) it is a moral imperative and a necessary condition for successful globalization; (ii) income inequality is an increasing problem (as suggested in the Global Economic Prospects 2007, inequality may worsen in as many as two-thirds of countries in the coming quarter century); and (iii) higher inequality poses significant risks on growth and poverty alleviation.

High Commodity Prices

The sharp increase in international food prices poses important challenges and opportunities for both importing and exporting countries.

There is an immediate need to place the so-called "forgotten" MDG of combating hunger and malnutrition at the center of the development agenda, especially given its detrimental impact on other MDGs. Additional donor resources are urgently needed for food supply programs to meet emergency calls. The Bank can support countries in the design of safety nets and alternative mechanisms to make access to food more effective.

For exporting countries, one of the main challenges of high commodity prices has to do with the issue of income distribution. In analyzing policy responses to cushion the impact of high international food prices on the population (especially on the poor, who spend a great bulk of their income on food), particular attention should be paid to (i) achieving a healthy balance between exports of food and domestic supply, (ii) protecting the most affected and vulnerable segments of the population; (iii) ensuring an equitable distribution of the windfall benefits derived from high international prices and solidifying the macro accounts; and (iv) boosting agricultural productivity, especially by supporting small and medium producers who are the ones that need help the most.

In this vein, through more financing and advisory services, the Bank has an important role in backing emergency measures and helping countries increase agricultural production and the competitiveness of this sector.

In our view, the Bank should strongly advocate for a successful outcome of the Doha Round. One of the major problems of the international trading system is the persistent asymmetry in the degree of liberalization between industrial and agricultural products.

Overcoming Poverty in the Poorest Countries, Particularly Africa. Fragile Situations and Post-Conflict States

The high priority given to Sub-Saharan Africa and fragile states by the Bank and the development community in general is totally justified on the grounds that they are lagging behind in achieving all MDGs, including the MDG on extreme poverty. The situation is even more serious in the case of fragile states and, therefore, success in meeting the MDGs will highly depend on progress in those states. The immense development needs of this group of countries call for concrete and urgent action from the development community. Some of the areas we deem of particular importance to put these countries back on track are the following:

1) **Core development aid**: Given that the private sector is incapable of fully funding the existing investment needs, and in order to meet the targets, core development aid must pick up the pace in accordance with donors' commitments to **scale up aid**. In addition, effectiveness of aid flows should be enhanced through better harmonization and alignment. Of course, foreign aid alone will not suffice but increased flows from donors will play a major catalytic role.

2) **Institutional capacity and improved macroeconomic management** (to accelerate growth, create attractive conditions for long-term investments, and reduce vulnerabilities to external shocks).

3) **Improved competitiveness** (e.g, increasing investments in infrastructure, which is a key obstacle to growth)

4) **Regional integration** (to stimulate south-south flows of trade and investment)

5) **Human development and social protection**: there is a clear need for urgent, stronger and more consistent support to advancing in achieving human development goals, especially in the areas of education and health, where the focus should be on both delivery and quality.

Given its global reach, financial and knowledge resources, and its advantageous coordinating and convening role, the World Bank Group is the development institution best positioned to help leverage private and public resources to this group of countries.

<u>Voice and Participation of Developing Countries in the World Bank</u>

In order to increase its legitimacy and credibility as a major global player in the field of development, the Bank needs a comprehensive reform that seeks a fairer voice and representation for all Bank members. This goal can only be achieved by increasing the voice and representation of developing countries collectively and by ensuring that any increase in shareholdings and voting power in favor of underrepresented developing countries is not at the expense of other developing countries.

I would like to conclude by reiterating my support to the six strategic themes and to the vision President Zoellick set forth for this institution. In my view, they represent the right strategic framework to attain the objective of an inclusive and sustainable globalization, and they will contribute to giving strategic focus to the Bank's day-to-day work. However, they are only a starting point: we need to move from general strategic directions to concrete steps.

We are meeting at a time of turmoil in global financial markets. Its potential impact on growth and poverty alleviation in developing countries is yet to be determined. The Bank and the IFIs in general should not only draw important policy lessons from the crisis, but they must also help countries enhance their resilience and stand ready to support them in case the crisis worsens, putting in jeopardy the progress achieved so far.