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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

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Canada

On behalf of Antigua and Barbuda, The Bahamas, Barbados,
Belize, Canada, Dominica, Grenada, Guyana, Ireland,
Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint
Vincent and the Grenadines

Introduction

On behalf of the Canadian, Irish and Commonwealth Caribbean constituencies at the World Bank and International Monetary Fund, I would like to begin by thanking our good friends and gracious hosts in the United Arab Emirates for providing us with a splendid venue for our meeting. Dubai, which in the space of 40 years has developed into an important international commercial, financial and transportation centre, provides a concrete example of how valuable natural resources can be used to promote economic development that benefits all citizens. Dubai is also a good example of how policies that promote investment and draw on the advantages of the global economy can promote growth and poverty reduction.

Regional Context

Our meeting in Dubai, the first Bank/Fund meetings in the Middle East, comes at a particularly critical time for the region. Iraq is emerging from over two decades of misrule, and we are all concerned that recent steps towards improving the situation in the West Bank and Gaza and Israel should lead to improved security and greater economic stability. A number of countries in the region are economically thriving and taking steps towards greater democratic governance. However, political and social instability in some other Middle Eastern and Central Asian countries has been a key factor in constraining longer-term growth and poverty reduction. In too many parts of the region, poverty and economic stagnation fuel instability.

In Iraq and Afghanistan the need for assistance is particularly urgent. The Iraqi and Afghan peoples now have the opportunity to establish the basis for a more stable, democratic and prosperous future. Our combined and sustained efforts are needed to assist in breaking the cycle of poverty and oppression that have plagued these two countries. The international community must maintain its resolve in support of reconstruction efforts. Our experience in countries emerging from conflict demonstrates that the United Nations, the Bretton Woods institutions and other international institutions have a vital role to play in providing coordination, technical assistance, financing and policy advice.

The recent tragic bombing at the United Nations office in Baghdad, where so many dedicated international professionals—foreign and Iraqi—from the Bank, Fund and the United Nations were injured or lost their lives, does show, however, that we cannot be complacent about the security of our colleagues and the Iraqi people on the front line. On behalf of the Canadian, Irish and Commonwealth Caribbean constituencies at the Bank and Fund, I would like to express my sincere condolences to the families and colleagues of those who were lost.

Sound Policies Are Key to Achieving the Millennium Development Goals

Whether we are talking about the Middle East or about the world's poorest countries in Africa, Asia and Latin America, certain lessons of development experience are clear.

While there is no doubt that individual country circumstances require individual approaches, it is equally clear that sound economic and social policies that promote participatory decision making and democratic governance are critical for development. No country has made rapid progress on development and poverty reduction without creating a policy environment that promotes economic growth. Moreover, to reduce poverty, the benefits from economic growth must accrue to everyone. This means a strong commitment to social investment and to education and health care in particular.

At Monterrey last year, a strong consensus emerged between developing and developed countries on an approach to achieving the Millennium Development Goals based on mutual responsibility and accountability. For developing countries, the Monterrey Consensus means a strong commitment to good governance, including strong anti-corruption measures, the protection of human rights and respect for the rule of law. The Monterrey Consensus also entails sustained implementation of sound economic and social policies. Progress is being made in this area. Aided by Poverty Reduction Strategy Papers (PRSPs), governance and economic and social policy frameworks are improving in an increasing number of developing countries. Performance-based lending through the International Development Association (IDA) and the concessional arms of the regional development banks has helped reinforce this trend. In Canada's case, the Canadian International Development Agency increasingly is underlining the importance of good governance and the ability to use aid effectively in channelling incremental resources to poor countries.

At the same time, the international community must continue to engage with low-income countries where economic and governance frameworks remain weak. The Bank and the Fund have a particularly important role to play as advocates of sound economic policies and stronger governance and providers of assistance for capacity building for the category of countries known as "Low-Income Countries Under Stress."

The Monterrey Consensus, however, is not a one-way street. In addition to its emphasis on better policies in developing countries, it also includes commitments from developed countries in areas such as increased aid, debt relief and more effective development assistance.

One area where developed countries should be able to make rapid progress in improving aid effectiveness is by aligning their development assistance with national priorities and by improving the coordination and harmonization of their development cooperation activities with developing country partners and with each other. Uncoordinated donor activities that generate a significant reporting burden on developing countries represent a waste of scarce resources. In addition, donor programs that are not aligned with country-owned development strategies, such as PRSPs, continue to impose a donor-driven development vision. In keeping with the principles of local ownership and donor coordination, Canada will firmly situate its country programs within locally owned frameworks identified by developing countries themselves. PRSPs will be particularly important vehicles in this exercise in cases where they embody a legitimate participatory approach.

We have been discussing the issue of donor harmonization within this forum and within the Organisation for Economic Co-operation and Development (OECD) for some time. However, our rhetoric on harmonization often outpaces our actions. The High-Level Forum on Harmonization and the creation within the OECD of a Working Party on Aid Effectiveness and Donor Practices last year have set the stage for improvements. We must ensure that progress is made and felt by our clients in our engagement at the country level. We urge the Bank to continue efforts to simplify and streamline its procedures to promote greater coordination among partners in the field. A critical next step will be the early adoption of indicators of progress on harmonization so we can monitor our progress. In this context, we recognize the important work being done by the OECD/Development Assistance Committee, the New Partnership for Africa's Development and the Economic Commission for Africa in developing a framework to follow up and monitor commitments embodied in the Monterrey Consensus.

We also recognized in Monterrey that good policies in developing countries are not enough to guarantee that the Millennium Development Goals will be met. Increased external financial support is an important part of the Monterrey Consensus, and donors have committed to increase aid volumes by US\$16 billion annually by 2006. In support of this effort, Canada has committed to increasing our International Development Assistance by 8 per cent over the next two years.

Voice and Participation

Another key lesson from our experience with development cooperation is that national ownership of the development agenda by developing countries themselves is critical to the success of development programs. This is no less true for the success of Bank- and Fund-supported programs. More effective developing country voice and participation in the Bank and Fund policy deliberations is critical to ensuring that programs take into account individual country circumstances and are realistic and sustainable.

At our April meeting, the Chairman called on the Executive Boards of the two institutions to develop options for enhancing developing and transition country voice and participation that could garner broad support. In the period since April, it has become clear that there is a strong consensus among Bank and Fund members that further capacity-building measures are needed to enhance developing and transition country voice within the two institutions.

We welcome the steps that have already been taken to bolster both human and physical resources in developing country Executive Directors' offices. However, many developing country governments still lack the capacity to develop and communicate their policy positions effectively. As the Development Committee background paper makes clear, there are deficiencies in a number of areas that need to be addressed—from the lack of physical communications infrastructure to the dearth of policy staff with a good understanding of Bank and Fund policy and program processes.

To address the latter issue, we welcome the proposal by World Bank African Executive Directors to establish a secondment program at the World Bank that would see secondees rotated through the Bank at six-month intervals. We would encourage Bank management to widen the scope of the proposed program to include candidates from other developing countries. A secondment program would bring immediate benefits to both sponsoring developing country ministries and to the World Bank, in terms of strengthening developing country understanding of Bank policies and programs and in developing closer future working relations between seconded officials and Bank staff. Secondments would also bring benefits to the Bank in terms of developing a greater understanding among staff of key issues in poor developing countries.

Secondments, however, can be only one aspect of what must be a broader range of capacity-building initiatives. Other means of strengthening both the technical infrastructure and the analytic capacity in developing countries also need to be explored. In the case of the Bank, thought might be given as to how existing professional programs, such as the Junior Professional Associates (JPA) program, might increase their efforts to recruit candidates from the developing world. The JPA program offers individuals a very valuable two-year practical window into the workings of the institution through a variety of short-term assignments at headquarters. This is especially useful for young professionals from developing countries who may be considering the challenges of building their careers in their home countries. Unfortunately, to date very few JPA inductees come from African countries.

Beyond capacity building, there are two other areas where practical steps can be taken to strengthen developing country voice and participation. First, borrower representatives need a strong and consistent voice within the context of the IDA replenishment negotiations. We welcome the decision taken during the 13th replenishment to include borrower representatives, for the first time, in the discussion of the policy aspects of the replenishment. However, we note that, in practice, the participation of borrower representatives has often been sporadic. As we move closer to the beginning of the 14th replenishment negotiations, more attention will be needed to select borrower representatives and alternate representatives who will be able to remain engaged throughout the replenishment process.

Second, further decentralization of the Bank's country bureaus to the regions will improve the depth and scope of the dialogue between Bank country teams and developing country authorities. Decentralization is fundamental to the Bank's efforts to fulfill its commitment to greater harmonization and to its efforts to align Bank programs in support of country-owned development strategies. At the Executive Board level, we have to ensure that the programming proposals we consider fully reflect local realities and include the concerns of civil society and other actors. Ultimately, a better working relationship between developing countries and the Bank and Fund will strengthen country ownership of Bank/Fund-supported programs and will reflect well on the governance structure of the two institutions.

Water as a Critical Development Resource

As we meet here, on the edge of the desert, we cannot but be conscious of the vital importance of water. People in the Arabian Peninsula treat and conserve water as a valued resource. It is hard for us, coming from lake-strewn Canada, misty Ireland and the tropical showers of the Caribbean, to imagine how women in Africa must toil daily to overcome the shortage of available, potable water. We know, however, that many must walk great distances to draw from often limited and unsafe supplies. Clean water—and water which is easily available to all—is a fundamental necessity that is still denied to far too many in the developing world. Yet we know that this water could be provided with relatively simple technology and at relatively modest cost. Water is indeed one area where funds invested can yield many times their value in terms of improved health and quality of life.

Trade

With the failure of the Cancun Ministerial Meeting to reach a consensus on a number of key issues, there is now a need for trade negotiators to return to Geneva to continue their efforts, based on the Doha Declaration and the work that was achieved at Cancun. More concentrated efforts must be made to level the playing field in agricultural trade and to ensure that developing countries are better integrated into the global trading system. For many developing countries trade is much more important than development cooperation funding in generating the resources necessary to achieve the Millennium Development Goals. We are all in agreement that an equitable, open and rules-based international trading system would enable developing countries to tackle the root causes of poverty.

Canada and Caribbean countries share the view that we can best achieve the integration of developing countries into the global trading system by making real progress on an agenda for the reform of agricultural trade. Agriculture is a sector of vital importance to developing countries. We must focus on eliminating export subsidies, substantially reducing trade-distorting domestic support and making meaningful improvements in market access for all agricultural and food products. The need to achieve consensus on this issue is one key challenge in the months to come.

My Caribbean constituency is particularly concerned about the declining terms of trade for developing country exports. While there are recent signs of recovery in some commodity prices, the outlook for agricultural prices is not encouraging. The unit price of seven of their main exports fell significantly between 1995 and 2000. Declining terms of trade, in the midst of reduced preferential market access for some commodities, represent a major challenge for these countries. Finally, we must ensure that these small countries, which are already integrated in the global trading system, can continue to share in the benefits of the emerging trading regime.

At the same time, for developing countries to become fully integrated into the world trading system, they too will have to open their markets to truly reap the benefits of the trading system. This will involve some difficult choices.

Developed countries need to demonstrate a more constructive approach to the trade agenda. While furthering progress in agriculture and improving market access for goods and services, we need to work harder to reach agreement on a range of Special and Differential Treatment provisions that ensure that trade reform benefits the poor in developing countries. We also need to bolster our collective effort to provide effective and targeted technical assistance for building trade capacity in developing countries. Many poorer developing countries still lack the resources and skills to participate effectively in international trade negotiations. In support of capacity-building efforts, Canada recently announced an increase in its contribution for trade capacity building.

But no one country can do enough to address all of the existing capacity problems. Both the Bank and Fund will continue to have an important role to play for the foreseeable future in providing policy advice and in building this trading capacity. Moreover, both institutions should continue to play a strong role as advocates for poorer developing countries in international fora. Trade issues need to be given greater prominence in Bank- and Fund-supported programs in poorer developing countries. In particular, we need to make increased use of Poverty and Social Impact Assessments of trade policy. While we are pleased that the Bank's lending for trade capacity building has doubled over the 1998–2003 period, the absolute value of these operations still remains low relative to Bank interventions in other sectors.

Looking Forward

Under the Monterrey Consensus we achieved an unprecedented agreement on the measures that we all must take to achieve the Millennium Development Goals. Less than 15 years remain until 2015, and it is clear that we must strengthen our joint efforts. The public expects nothing less.