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on the
Transfer of Real Resources to Developing Countries)



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October 12, 2008

Statement by

Mr. James M. Flaherty
Minister of Finance
Canada

**on behalf of Antigua and Barbuda, The Bahamas, Barbados,
Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,
St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines**

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**The Honourable Jim Flaherty
Minister of Finance
Canada**

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

Washington, DC, October 12, 2008

As the global economic environment becomes more uncertain, with decelerating global growth prospects, financial market turbulence and heightened inflationary pressures, the need for strong international cooperation becomes more critical. In this respect, a credible, effective and legitimate global institution like the World Bank that can help support and sustain this cooperation is a tremendous asset.

The World Bank has two strengths that are especially relevant in this context.

The first is the high level of advice and financing that it can provide to developing countries to help them in these uncertain times. Keeping in mind that the relatively high growth rates achieved by developing countries over the last few years were realized in a period of low inflation, international access to capital and strong demand, maintaining growth and making progress towards development goals in the current environment will be more challenging.

The effects of the current economic turbulence may be starting to be felt in emerging markets, and over the coming months may begin to reach the lower-income countries, many of which have already been hit by the food and fuel price crisis over the last few months. In this period of uncertainty, the World Bank can play a role in helping developing countries through some of the effects, including protection for the most vulnerable segments of the population, as well as with ongoing efforts to put in place strong institutional and regulatory frameworks so that countries can be more resilient in the future.

The World Bank's second important strength is its ability to bring the international community together to tackle global issues. A clear example is the World Bank's response to the higher food and fuel prices over the last few months—it was a central force in raising international awareness of the issue and catalyzing collective action. We would like to congratulate President Zoellick and his staff for the quality of their work and their strong leadership on this complex, but urgent, issue.

Climate change is another global issue on which the Bank is playing an important role in terms of helping to broaden our understanding of the effects on development, encouraging international dialogue on appropriate actions, and developing a strategic framework to guide its operational responses and how it works with international, regional, national and local actors.

These strengths have made the World Bank an important asset for the international community as both a development partner and a global convenor. However, its ability to play these roles into the future depends to a great extent on how much credibility and legitimacy it maintains. The Bank needs to maintain full credibility as a development *partner* that respects its client countries' development priorities, and full legitimacy as a *global* institution in which developing countries, countries with economies in transition and developed countries are all properly represented, in order to maintain its capacity to lead. For these reasons, the Bank's voice and participation reform exercise is very important for the institution's continued success.

Food and Fuel Prices

High global food and fuel prices continue to be a critical development concern, and we commend the Bank and the International Monetary Fund (IMF) for drawing early attention to the crisis and helping to place it high on the international agenda.

This crisis requires a rapid and effective response. In this regard, we welcome the prompt action taken by the Bank to facilitate a coordinated and multi-faceted response. With offices in more than 100 countries, the Bank is well positioned to integrate a response to the food crisis directly into existing country programs, aligning with the country's priorities in harmonization with other donors.

Likewise, we are pleased with the prompt action by the Fund to provide advice, technical support and in some cases funding through Poverty Reduction and Growth Facility programs. We also welcome recent reforms to the Exogenous Shocks Facility to make it a more effective crisis response tool.

We note that with regard to our small island states members, many of which are designated as middle-income countries and are heavily indebted, increasing food and fuel prices will undoubtedly aggravate their debt positions and further exacerbate social issues. We urge the Bank to examine options available to these vulnerable states, specifically in regard to: analysis of their debt situations and potential remedies; supporting their response to rising food and energy prices; and help in accessing donor resources.

Action is not only needed to relieve the immediate effects of the current food crisis. As the recent High Level Event on the Millennium Development Goals (MDGs) noted, the first MDG, to reduce hunger by half, is unlikely to be met by 2015. Thus, food security is an ongoing and serious problem that must not be forgotten once the current crisis is no longer at the top of the international agenda. As an illustration of the size of the challenge, it is expected that food production in Sub-Saharan Africa will need to double or even triple over the next few years to meet local demand.

In this context, we encourage the World Bank to focus on investments to promote sustainable forms of agricultural production, especially those that would benefit smallholder farmers who are most in need of support. It is especially crucial to ensure that programs are designed to be equitable and to meet the needs of the most vulnerable, often women and girls. Another key part

of the solution will be to foster innovations for increased agricultural productivity, including through public-private partnerships.

Accra and Doha

This is an important year for major development initiatives on Aid Effectiveness and Financing for Development. These represent two further examples of international dialogues in which the World Bank has a considerable role as a development partner and global institution.

The third High Level Forum on Aid Effectiveness was held in September in Accra, Ghana, as a follow-up to the 2005 Paris Declaration on Aid Effectiveness. The World Bank has been an important participant in this effort, helping to set the agenda, identify good practices, monitor implementation and lead by example. We commend the Bank for its progress to date, especially on decentralization of staff and decision making, and for developing a new action plan for the areas in which it needs to step up efforts. In particular, we look forward to an agreement between the World Bank and the United Nations on easier and quicker collaboration in the context of fragile and post-conflict situations. We also look forward to the World Bank's support in implementing the new Agenda for Action agreed in Accra.

An international conference on Financing for Development will be held in Doha in November to review the implementation of the 2002 Monterrey Consensus. In this context, one key challenge for developing countries is to align their different sources of finance, including domestic resources, aid and debt relief, towards a common set of development goals and, to this end, strong country-owned development strategies are essential. We urge the World Bank and IMF to continue working with their client countries, and other partners and stakeholders, to promote and strengthen country-owned strategies and their use as the platform for coordinating efforts. The World Bank will also have an important supporting role in ensuring that the outcome of the Doha Conference reflects a balance between the respective responsibilities and commitments of both donors and developing countries.

World Bank Reform

Another significant element of the Monterrey Consensus was the IMF and World Bank's commitment to enhance the participation of developing and transition countries in their decision-making processes. This is an important objective, and we are pleased with the agreement achieved on quota and voice at the IMF last spring. Similarly, we are pleased with the discussion and work to date on the World Bank's voice and participation reform exercise, and we will continue to support and participate in these efforts.

Adjustments to increase the voting power and shareholding of developing and transition countries and an additional seat for Africa at the Executive Board are important components of voice reform, and we look forward to agreements on these options. We believe that further measures to improve focus and communication within the Executive Board are equally important, and in this regard we look forward to the World Bank's management and the Executive Board elaborating a set of specific reforms. We are also pleased with the steps the Bank has taken to improve the voice of developing and transition countries in their operational

work, such as the appointment of more developing country nationals to senior management positions and the decentralization of their operations. We encourage the Bank to continue to explore what more can be done in this regard.

Stronger engagement of developing and transition countries in the World Bank's decision making will yield many benefits. Strong participation of all members at the Board of Governors and the Executive Board will be a key backdrop for the Bank becoming an even better platform to support dialogue and collective action on global issues. It can help improve the design of new sector strategies and instruments as developing and transition countries bring lessons learned from their own country programs to the table. Finally, more voice for the Bank's client countries at the operational level will help with the success of lending programs by ensuring that projects are properly tailored to country contexts and that governments have a true sense of ownership and accountability over them.

A strong multilateral system is a tremendous asset for the international community, especially in times of economic uncertainty when international dialogue and cooperation become even more important. As a global convenor and major development partner, the World Bank plays a big role in this regard and we continue to support its work.