



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)



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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**

The heightened geopolitical and economic uncertainty currently facing the world was a major focus of our discussions in the International Monetary and Financial Committee yesterday. These uncertainties represent particular difficulties for the poorest developing countries as they work towards achieving the Millennium Development Goals (MDGs). Our challenge is to maintain our commitment to the objectives of Monterrey and Johannesburg and work in partnership with developing countries to find ways to establish a stronger basis for future economic growth and poverty reduction. Helping them participate more fully in the global economy must be a key element of our approach.

## **Working Together to Support Growth and Poverty Reduction**

Capacity for economic growth, along with adequate social investment, is the fundamental driver of poverty reduction. The current sluggishness in the global economy only reinforces the need for us to focus our efforts on eliminating barriers to growth and boosting competitiveness in the developing world. The task is daunting—many of the world's poorest countries, particularly those in Africa, will have to double their current gross domestic product growth rates if they are to achieve the MDGs. And for the small Caribbean economies of our constituency, the current global economic slowdown, volatility in oil prices, falling investment and dislocation in the tourism sector threaten to undo progress in reform and poverty reduction. At Monterrey, Johannesburg and within this committee, we have all recognized that achieving the MDGs requires stronger partnerships—with each other, with international institutions and with civil society. Moreover, our partnerships must reflect mutual responsibility and accountability for the results of our actions.

In many developing countries, weak governance has been one of the most fundamental obstacles to longer-term growth and poverty reduction as well as to the effectiveness of development assistance. Indeed, a fundamental principle of Monterrey and the New Partnership for Africa's Development (NEPAD) is a strong commitment by developing countries to improve governance. Effective, transparent and accountable state institutions, strong regulatory frameworks, substantial investment in physical and human capital and the entrenchment of the rule of law are essential for sustained growth. However, the recent World Bank Operations Evaluation Department review of the Heavily Indebted Poor Countries Initiative (HIPC Initiative) and the International Development Association's (IDA's) 2002 Country Policy and Institutional Assessment exercise suggest that significant governance shortcomings persist in many developing countries. As Poverty Reduction Strategy Papers (PRSPs) become the primary statement of national development strategies, it is essential that they pay much greater attention to strengthening institutions, eliminating corruption and building a better environment for investment and private sector development.

Developed countries must also take greater responsibility for development. At Monterrey we recognized that both increased volumes and increased efficiency in the use of external financial resources are required to set developing countries on a path to sustainable growth, development and poverty reduction. Canada has acted by increasing the volume

of its assistance by 8 per cent annually, while Ireland, as Taoiseach Bertie Ahern recalled in his recent lecture to the World Bank, has committed itself to reaching the United Nations (UN) target for Official Development Assistance of 0.7 per cent of gross national income by 2007.

Moreover, recognizing the importance of debt relief to development and poverty reduction, Canada has recently contributed an additional \$75 million to the HIPC Trust Fund—one of the first donor contributions to address the remaining HIPC financing gap. Under its debt initiative, Canada has in place a debt service moratorium for eligible HIPCs and offers 100-per-cent debt forgiveness on outstanding debts at the completion point. Ireland supports 100-per-cent debt relief for HIPCs financed by bilateral donors. We believe that debt relief provided in addition to the HIPC Initiative should not be included in the calculation of “topping up” assistance. Furthermore, we believe that greater efforts are needed to address the problem of some creditors continuing to choose not to participate in the HIPC Initiative.

At the same time, bilateral and multilateral donors still have considerable work to do themselves to harmonize and streamline their processes and procedures in support of developing country strategies in order to boost aid effectiveness, reduce transactions costs and foster local ownership. To this end, we support the ongoing work of the multilateral development banks to improve coordination; and we particularly welcome moves within the World Bank to change its working practices to allow it to channel more of its resources through coordinated mechanisms at the developing country level. Canada strongly supports the results of the recent Rome High-Level Forum on Harmonization, which includes best practice principles developed by the Organisation for Economic Co-operation and Development’s Development Assistance Committee.

Canada will accelerate its own harmonization efforts. Ireland, together with other donors, is turning its commitments under the Rome High-Level Forum into reality through its participation in the Harmonization in Practice initiative in Zambia. We are encouraged that multilateral institutions, donors and developing countries are increasingly focusing on PRSPs and using joint policy processes such as Sector Wide Approaches at the country level.

Our ability to demonstrate to our publics that aid works is critical to mobilizing additional bilateral resources for development assistance. One of the most important lessons of our collective experience with development assistance is that it is most effective when targeted to those countries that are pursuing good economic and social policies. Canada, therefore, strongly endorses IDA’s performance-based allocation and believes that other multilateral and bilateral institutions need to create a much stronger link between good policies on the ground and assistance volumes.

Having a better picture of the results of our development efforts is also important for demonstrating that aid works. The Canada/Ireland/Commonwealth Caribbean constituency welcomes the recent efforts of the World Bank and other multilateral development banks, in close cooperation with the UN system, to strengthen their measuring and monitoring of development results. We also welcome the Bank’s recent

initiative to provide us with regular monitoring reports on the actions that developing and developed countries are taking to achieve the MDGs. We expect, however, that the Bank will continue to coordinate this work closely with that of the UN agencies that have been charged with leading the international effort to monitor MDG progress.

### **Trade Must Be a Key Element of Growth and Poverty Reduction**

Improving developing countries' ability to participate equitably in the global trading system is one of the most critical factors in improving their economic growth prospects. It is clear that development assistance alone will not be enough to help developing countries grow out of poverty and achieve the MDGs. Reducing barriers to trade has the potential to boost economic growth in developing country economies and help ensure sustainable poverty reduction.

We must ensure that the Doha Round truly is a "Development Round." We need to make real progress in the area of market access for a broad range of goods. In this context, as of January 1, 2003, Canada has eliminated tariffs and quotas on almost all imports from least developed countries. But improving market access must proceed hand in hand with the elimination of trade-distorting subsidies. The direct costs of agricultural subsidies, in particular, dwarf developed country aid transfers to the developing world. But even more seriously, they distort agricultural markets in both developing and developed countries. Beyond agriculture, we need to improve disciplines on the use of subsidies and trade remedy measures to ensure that market access is not undermined. And these issues should not be seen only in "North-South" terms. Developing countries themselves frequently maintain high barriers to the regional and "South-South" trade that should be an important catalyst for future growth.

These measures alone, however, cannot guarantee that developing countries will be able to reap the benefits of more open markets. Many developing countries, especially the poorest, lack the capacity both to participate effectively in multilateral trade negotiations and to capitalize on market liberalization. The World Bank, working with other multilateral and bilateral organizations, has an important role to play through the provision of technical assistance in the area of trade infrastructure and capacity building. In the context of NEPAD, Canada is working with African countries and with multilateral organizations to increase African trade capacity and strengthen Africa's role in multilateral trade negotiations. We welcome the Bank's increased focus on trade research and policy analysis. However, it must ensure, through mainstreaming trade issues in Country Assistance Strategies and working with developing countries to enhance the trade focus of PRSPs, that this work is translated into actions and results within developing countries. In particular, we would urge the Bank to take further action to address trade capacity building, including improving follow-up work on diagnostic trade integration studies undertaken in the context of the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

## **Post-Conflict Reconstruction in Iraq**

Economic and social stability are key to longer-term political stability. It is important that the international community come together quickly on the important task of helping the Iraqi people rebuild their economy and society. International institutions have an important role to play in this process and we would encourage their participation.

## **Enhancing Developing Countries' Voice in International Financial Institutions**

Before closing, I would like to turn briefly to the issue of enhancing developing countries' voice in the Bretton Woods institutions. We have long recognized the importance of country ownership in the success of development policies. More effective participation of developing countries in the work of the Bank and Fund would both improve policy-making and strengthen developing country ownership of the institutions' policies.

There are a number of practical steps that the Bank and Fund can take immediately to enhance developing countries' voice. Building on proposals from African Executive Directors, we would encourage the Bank and Fund to direct financial resources and technical assistance at improving the ability of both developing country Executive Directors' offices and officials in the capitals they represent to analyze and respond to key Bank/Fund issues. Over the medium and longer term, Bank and Fund members will need to reflect on a number of more complex proposals that could broaden developing country representation on the Executive Boards of the two institutions.

## **Conclusion**

In today's difficult global economic climate, the challenges of promoting developing country economic growth and poverty reduction are immense. But Monterrey has strengthened our mandate and increased the resources needed to attack global poverty. This will not be a short-term project. We need to take up this challenge today, mindful of the lessons of past experience, recognizing that sound economic and social policies and good governance form the basis for longer-term prosperity.