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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On behalf of my constituency, I would like to take this opportunity to welcome Robert Zoellick as the new President of the World Bank. He takes his post at an important juncture for the Bank. I am confident that the wealth of experience and knowledge that Mr. Zoellick brings to the job, and the clear commitment of Bank management and staff, will ensure that the Bank can effectively deliver on its development mandate.

Today, we focused much of our discussion on defining the future role of the World Bank. In our view, there are two aspects that must be addressed as we move forward in our discussions on a strategic direction for the Bank. First, shareholders and the Bank must work together to ensure an appropriately focused role. Second, the governance structure of the Bank must enhance its accountability and effectiveness. These efforts can only succeed if underpinned by strong financial stewardship, now and in the future.

A Focused Role for the World Bank

Important progress is already being achieved. In particular, we welcome President Zoellick’s articulation of key priorities for the Bank going forward, underpinned by the thoughtful analysis in the Long-Term Strategic Exercise. Clearly, the opportunities and challenges the President has identified are important ones for the institution. However, the challenge remains to translate these broad priorities, as well as the Bank’s detailed sector strategies, into an overarching vision for the World Bank Group. We urge the President to work closely with the Executive Board to ensure that the long-term strategy is finalized and implemented in a timely manner.

The Bank’s strategic direction must be aligned with its core competencies and comparative advantages. On this, we would stress four key points:

- First, a challenge for the Bank going forward will be to implement its strategy in such a way that it has relevance at the country level. In particular, the Bank must strike a balance between its country-owned development strategy—which is absolutely critical for results on the ground—and the need to focus its support in areas where it has a comparative advantage. This will be particularly challenging as the Bank expands its role in global issues. For our part, shareholders need to recognize that the Bank has to be more selective in its efforts, focusing on the areas where it will have the greatest impact.

- Second, more needs to be done to ensure that donors coordinate efforts on the basis of a single country-led strategy. To this end, the Bank needs to continue to work on building partnerships with other donors and, particularly when it comes to fragile states, the UN system. This involves determining the best division of...
labour, and in this respect, the Bank should better define its strengths and weaknesses in relation to others. It is equally important that the institutions that make up the World Bank Group work together to support the overall objective of poverty reduction. In this vein, we are pleased with the US$1.75-billion transfer from the International Finance Corporation (IFC) to help the International Development Association (IDA) increase its efforts with regard to private sector development, as developing a strong private sector is the key to sustained growth.

- Third, the Bank needs to give further consideration to innovative ways to mobilize and leverage private sector investment. This is particularly important as the Bank explores its role in the provision of global public goods, including in the areas of health and climate change. The magnitude of the financial challenge these issues present is beyond the scope of what governments can provide on their own, and we cannot expect to succeed unless that challenge is also taken up in the marketplace.

- Finally, delivering results is paramount. The collection of accurate, timely, useful statistics is essential to gaining an accurate understanding of progress achieved and the challenges that remain. As national capacity to gather and assess statistics is critical to our efforts to monitor results, we must continue to support the Bank’s Statistical Capacity Building Program. Measuring for results presents an even greater challenge in the context of global public goods.

We would also like to take this opportunity to commend the Bank for important work in several areas.

Fragile states: The Bank’s work in fragile states reinforces the work of bilateral donors, such as Canada and Ireland, in a number of countries, including Afghanistan, Haiti and Sudan. Its support for fragile states aptly integrates emerging best practices, including the provision of longer-term financial assistance through IDA15. The prospect of renewed cooperation with the UN system, based on a clear division of labour, is a welcome step. Canada and Ireland are major supporters of the Afghanistan Reconstruction Trust Fund (ARTF), and we believe it is a model of “best practice” for structuring and managing trust funds in post-conflict situations. We share a need to ensure that the ARTF’s strong development results are not only achieved, but also better communicated to Afghans and external stakeholders.

IDA: We recognize the International Development Association’s unique role in creating an enabling environment, or platform, which supports the successful delivery of other bilateral and vertical programs. Canada, Ireland and the Caribbean strongly support the Bank in its work to help the poorest countries. We consider contributions to IDA to be money well spent. In this regard, we welcome the recent commitments by the IFC and the International Bank for Reconstruction and Development (IBRD) to transfer US$3.5 billion to IDA15. We look forward to the IDA Deputies’ meeting to be held in Dublin, Ireland, next month and a successful IDA15 replenishment.

Small states: Efforts to advance the development agenda cannot overlook the particular challenges facing small states, particularly in the Caribbean region. The Caribbean Catastrophe Risk Insurance Facility Trust Fund and the Canada-Caribbean remittance corridor study are two important initiatives for this region. However, crime and violence has emerged as a major development issue, not just for this region but, as the recent UN-HABITAT report asserts, worldwide. The trend, particularly among male youth, is on the rise and undermines efforts to
improve governance, investment climates and regional integration. The international community needs to take a fresh and deeper look at this issue.

**Good Governance and Accountability**

In redefining and focusing its strategic direction, the Bank must recognize that governance matters and it must evolve with changes in the international economy to ensure a legitimate and credible World Bank. Shareholders must begin a serious discussion on how to move this agenda forward, as well as a process with predefined timelines.

The issue of voice has been a long-standing concern at the World Bank, just as it has been at the International Monetary Fund (IMF). While there are links between the IMF and World Bank shareholding structures, discussions on World Bank reform must take into account differences in the ownership structures, as well as the differing roles played by these two institutions in the global community.

We are open to a package that would include at least a doubling of basic votes as a way of enhancing the voting power of the Bank’s smallest and poorest members. However, to ensure that all developing members can benefit, we would also support proposals to introduce selective capital increases. It will be important to ensure that any adjustments to shareholdings continue to be primarily based on each member’s weight in the global economy. Moreover, we must be sensitive to the need to preserve the IBRD’s ability to borrow at the lowest interest rate spreads from international capital markets.

But voice and reform would benefit from a multifaceted approach that goes beyond basic votes and capital increases. We would be open to exploring ways to ensure that clear demonstrations of members’ strong and consistent support to the Bank, such as through IDA contributions and other Official Development Assistance spending related to the Bank, are more fully recognized in the institution. In this respect, we would encourage developing countries to take up their full subscriptions to IDA. The institution also needs to review how best to attract qualified developing country candidates to senior management appointments. On this point, I would congratulate the Bank on its recent appointment of Ngozi Okonjo-Iweala as a Managing Director.

**Strong Financial Stewardship**

Underlying all of our efforts is the need for solid financial stewardship, which is essential to ensure a strong World Bank going forward. The Bank’s business model must evolve if it is to continue to meet the demands of its members and provide services that effectively address a spectrum of development needs. To this end, I would urge consideration of a full review of the Bank’s longer-term financial situation. This should be with a view to finding significant efficiencies, as well as a better understanding of the growing demands on net income and the potential to leverage Bank resources to meet development needs. Such a review should be treated as an important component of the Long-Term Strategic Exercise.