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)

SEVENTY-SEVENTH MEETING
WASHINGTON, DC – APRIL 13, 2008

DC/S/2008-0004(E)

April 13, 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
Statement by

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, April 13, 2008

The global economic environment has featured prominently in a number of discussions this weekend and is extremely relevant to our discussion on the development agenda as well. The risks in the global economy underscore the importance of using our development resources as effectively as possible to support the most vulnerable and to make strong progress towards our development goals.

A strong and effective World Bank Group is an integral part of this, and, on behalf of my constituency, I would like to thank President Zoellick and his management team for their ongoing efforts on a number of important fronts. This includes their work on the International Development Association (IDA) replenishment, the Bank’s long-term strategic directions, options to increase the voice of developing countries and strategies to ensure a sound financial position for the Bank into the future.

I would also like to thank the World Bank and the International Monetary Fund (IMF) for their work to raise awareness and action on development issues of growing concern, including the effect of higher food and oil prices and the recent financial market turbulence on the poorest, the particular challenges facing fragile states and the interconnection between climate change and development. Our discussions this weekend help raise our understanding of these important challenges and how we can move forward in addressing them.

IDA’s 15th Replenishment

The conclusion of the 15th replenishment of IDA (IDA15) in December was a major milestone. The remarkable success of the replenishment clearly reflects the donor community’s confidence in the institution.

For its part, Ireland hosted one of the IDA15 replenishment meetings in Dublin in November 2007 and subsequently committed to provide €90 million to IDA over the next three years. This represents a 29 per cent increase over Ireland’s contribution of €70 million to the 14th replenishment of IDA. Ireland is a strong supporter of IDA as a vehicle for channelling assistance to the poorest countries and as a key actor in the attainment of the Millennium Development Goals.

Canada provided strong support for the replenishment as well, with a commitment to provide C$1.3 billion over the next three years, a 25 per cent increase over Canada’s contribution of C$1.05 billion to the 14th replenishment of IDA. This reflects Canada’s belief that IDA contributions are money well spent and is an acknowledgment of the important enhancements that IDA will be making to further strengthen its support for fragile states, debt sustainability, and results and effectiveness.
Strategic Directions

We welcome President Zoellick’s efforts to renew the Bank’s strategic directions through the adoption of the six strategic themes. The definition of the Bank’s plans under each theme will necessarily be ongoing and iterative, given that the development context will continue to evolve and lessons will be learned as the Bank goes along. However, there should be a clear idea from the outset on what the Bank is trying to achieve with these incremental changes. We believe one important objective is a deep review of the Bank’s business model, including identification of areas where it should be letting other institutions take the lead, according to their comparative advantages, or areas where it is not seeing strong results. The Independent Evaluation Group can play an important role in this respect.

We note the particular importance of the knowledge agenda theme, as it is essential that we keep building our understanding of how to do development better. In this regard, the Government of Canada has been actively supporting the search for innovative development solutions. Canada has worked very closely with other donors, the World Bank, the GAVI Alliance and the World Health Organization to help pioneer the Advance Market Commitment (AMC) mechanism. We feel that the backing of the Bank’s financial and knowledge assets will be important for the success of the initiative, and we look forward to exploring a next AMC for vaccines, following the successful completion of the design work for the AMC for pneumococcal vaccines.

Earlier this year, the Government of Canada also announced a Development Innovation Fund focused on spurring scientific discoveries in global health and other areas of concern to the developing world. Knowledge breakthroughs allowing for new medicines, cleaner drinking water or more efficient farming could dramatically improve the lives of millions in developing countries.

Voice and Representation Reforms

For the World Bank to maintain its relevance and legitimacy, it is crucial that its operations continue to evolve to reflect the changing global context. In this respect, it is important that the Bank have a governance structure that facilitates input from developing countries, as their perspectives are especially important to inform the most effective use of aid resources and to draw attention to emerging issues.

We are therefore very supportive of the Bank’s efforts to enhance the voice and representation of developing country members within its operations. I note that Canada has played a leading role on quota reform at the IMF, and will be equally supportive of efforts to enhance the voice of developing countries at the World Bank.

Given the broader range of reform options at the World Bank, shareholders will need to decide on an appropriate reform package that would best achieve our goal of making the Bank a more effective and responsive development institution. We believe options that improve decision-making processes at the operational level will be particularly important as these can have a more direct impact on the voice of developing country members compared to changes in shareholding and voting power.

Finally, we emphasize the need to have a clear process for shareholder consultation and decision making to ensure that input from all developing country groups are taken into account in the formulation of a reform package.

Sustainable Finances

Another critical challenge for the Bank and its members is to ensure that it remains financially healthy into the long term. A particular consideration is the International Bank for Reconstruction and
Development’s (IBRD’s) financial outlook in the global low interest rate environment. We encourage the Bank and the Executive Board to continue exploring options to make the best use of the IBRD’s capital to ensure that it maintains a financially sustainable position and its ability to contribute out of net income to other important development initiatives.

**Increases in Oil and Food Prices**

As part of our discussions today, we looked at the rise in global oil and food prices, which has become an important development concern. As highlighted in the *Global Monitoring Report*, average food prices have gone up 15 per cent over the past year and oil prices have tripled in US dollars over the past five years. If we continue to see high prices for these vital goods, the impact on the most vulnerable segments of the population is likely to be severe.

In this respect, support from the Bretton Woods Institutions will be very important. The IMF’s Exogenous Shocks Facility can provide balance of payments support for countries facing significant price increases for their major imports. Likewise, the World Bank and the regional development banks can work together to finance programming to mitigate the impact on the poorest and help countries pursue policies that reduce their vulnerability to these price shocks through agricultural growth and energy efficiency and diversification. We note that the IBRD has recently enhanced its Deferred Drawdown Option on Development Policy Loans to better help countries during adverse events, such as price shocks.

**Fragile States**

Fragile states also present a major development challenge. With 35 per cent of the world’s poor concentrated in fragile states—a share that is expected to grow in the future—concerted efforts by the international community to reduce poverty and foster sustained growth in these countries will be critical. Successful interventions will not only improve the lives of the people living in these countries, but will also help preserve stability in the surrounding regions.

The Government of Canada has made fragile states a focus for its own bilateral aid, with large programs in countries such as Afghanistan, Sudan and Haiti. As part of these efforts, Canada has been providing support through a number of World Bank trust funds, including the Afghanistan Reconstruction Trust Fund, where Canadian contributions have totalled C$466 million to date. Through this fund and other channels, the World Bank continues to make a strong contribution to donor coordination in Afghanistan, as well as to anti-corruption and counter-narcotic efforts.

The World Bank has made considerable improvements in its support for fragile states over the last few years, including the introduction of IDA grants and exceptional financing for countries emerging from conflict, more field presence and a rapid response system. We are very pleased with the additional enhancements agreed during the IDA15 replenishment, including more exceptional financing and a framework to clear the arrears of post-conflict countries. The IMF can play an important complementary role, focused on helping these states re-establish and maintain macroeconomic stability that is supported by strong fiscal management.

Fragile states present a particularly difficult context for development work. Close coordination between the World Bank, the IMF, the United Nations (UN), regional institutions and other organizations will be essential. To this end, we are supportive of the Bank’s commitment to align its efforts with the organizing principles established by the Organisation for Economic Co-operation and Development, and we encourage donors to adopt coherent government-wide approaches to addressing fragile states issues.
Climate Change

Climate change is also a critical development issue, and the World Bank has an important part to play in tackling this challenge. We note that climate change is expected to be a particular challenge for least-developed countries and small island developing states. The Bank’s convening power is a key asset in bringing together developed, developing and emerging market countries, and the private sector, for collective action. In this regard, there are major challenges that will require ongoing discussion by all parties, including the appropriate roles and responsibilities for each, and how to provide new financing and programming without adding to the complexity of the aid system and duplicating efforts.

Regarding the Bank’s specific role, it is well placed to help its clients move toward a low-carbon growth path and to adopt appropriate adaptation measures. As a first step, the Bank can assist countries in mainstreaming climate change considerations into their Poverty Reduction Strategy Papers. With many donors aligning themselves to these poverty reduction strategies, there is great potential to scale up financing for climate change adaptation and mitigation efforts.

The Bank also has a role in establishing broader risk-sharing measures to help developing countries deal with the effect of increased climate variability. A good example is the Caribbean Catastrophe Risk Insurance Facility, to which Canada has contributed C$20 million and Ireland has contributed US$2.4 million. Another example is the Global Facility for Disaster Reduction and Recovery, which aims to enhance local capacity for disaster prevention and emergency preparedness in developing countries. Lessons learned from these initiatives can inform the design of other adaptation measures.

Finally, the Bank can also facilitate the adoption of clean energy technologies, by leveraging Bank resources as well as funds from regional development banks, carbon finance and other sources.

Gender Equality

The Bank has a critical role in advancing gender equality and women’s empowerment globally. The World Bank Group Gender Action Plan, Gender Equality as Smart Economics, is a critical step in acknowledging the link between gender equality and economic growth. We are particularly pleased that under this action plan, the Bank is now working to identify gender indicators that may be included in the Doing Business reports. We consider it essential that the Bank do what is necessary to integrate gender concerns across its operations, and urge the Bank to devote the appropriate human and financial resources to achieve this goal.

Crime and Violence

Exacerbation of male underachievement and young male economic and social marginalization is an important gender issue that must be addressed in order to realize development progress. These are major factors underlying the increase in crime and violence in the Caribbean and worldwide, which in turn undermines efforts to improve governance, investment climates and regional integration.

The report on crime and violence in the Caribbean, released by the World Bank and the UN Office on Drugs and Crime last May, presents some startling figures that underscore just how inextricably tied this issue is to development. For example, estimates suggest that reducing the homicide rate in the Caribbean by one-third could more than double the region’s rate of per capita economic growth.

We commend the Bank for its role in highlighting and helping to address this challenge and encourage countries to take advantage of the Bank's expertise in this area. Moreover, we encourage the Bank and
bilateral donors, including through joint trust funds, to examine means to support programs designed to address the significant challenges facing male youth.