



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
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on the
Transfer of Real Resources to Developing Countries)

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Statement by

H.E. Bill Morneau
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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94th Meeting of the Development Committee

**October 8, 2016
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In 2016, global economic growth continues to be uneven and weaker than desired, contributing to a rising tide of protectionist sentiment, especially in advanced economies. In this challenging context, multilateral institutions like the World Bank Group (WBG) have an essential role in supporting a sustainable and inclusive global economy by providing financing and investment, technical assistance and knowledge services to support growth and prosperity. The important work of multilateral institutions can also help to ensure that more people reap the benefits of globalization and sustainable growth. Overcoming the challenges facing global development and poverty reduction will require concerted international efforts, as well as strong cooperation and leadership. There is no doubt that we need to commit to renew the role of multilateralism in development, through an integrated approach as opposed to the traditional thematic clustering and isolated handling of issues and problems as they arise. Multilateralism must also increasingly embrace the concept of Global Public Goods, and promote the effective use of new partnerships with both state and non-state actors. Given its global membership and expertise, the WBG is well placed to play a leading role in this quest. In order to further enhance its already strong contributions to global development, our constituency encourages the WBG to pursue three broad lines of effort over the coming year:

1) Supporting New Partnerships for Development

There are currently over 60 million refugees worldwide, representing the highest number of displaced people at any one time since the end of the Second World War. As the world's premier development institution, the WBG is well placed to play a meaningful role in addressing many of the root causes of forced migration and displacement. Canada is also proud to support these efforts through our commitment of \$20 million to the Global Concessional Financing Facility, an innovative facility which uses donor grants to reduce the cost of financing to countries hosting large numbers of refugees. Further, through the 18th replenishment of the International Development Association (IDA), Ireland and Canada have both been supportive of the creation of a new sub-window to provide support to refugees, and for a significant increase in IDA funds for crisis prevention and response. Our constituency has also increased its focus on the humanitarian and development needs of people in conflict-affected and fragile states, where an estimated 1.5 billion people live. In our engagement with the World Bank, our constituency welcomes the increased emphasis on investment in fragile and conflict affected countries. Looking forward, we are strongly supportive of the WBG's efforts to launch the Global Crisis Response Platform, and its goal of enhancing the WBG's toolkit and coordination mechanisms for rapid response to crises globally.

Our constituency at the WBG includes 11 Caribbean states, each of which face their own unique development challenges, including high unemployment rates, prohibitive energy costs, and vulnerabilities to the impacts of financial de-risking. Our constituency is committed to strengthening policy capacity in Caribbean countries, including through the International Monetary Fund's Caribbean Regional Technical Assistance Centre, of which Canada is the largest donor. The Caribbean region is also highly exposed to natural disasters, with the aftermath of extreme weather events and other disasters placing significant strain on the fiscal systems of affected countries. Our WBG constituency will also advocate for stronger engagement in small island states, and for the implementation of solutions that are tailored to the specific development needs of each of our Caribbean constituency members.

In the wake of the 21st Conference of the Parties (COP-21) last year, the major multilateral development banks (MDBs) committed to dramatically scale up their volume of financing in support of climate change mitigation and adaptation activities. The WBG alone has committed to increasing its climate financing to at least 28 per cent of total financing by 2020. Our constituency is strongly supportive of the ambitious goals outlined in the WBG's Global Climate Change Action Plan and the strong progress to date in expanding the membership of the Carbon Pricing Leadership Coalition. Our constituency supports developing countries in adapting to the adverse effects of climate change, while working towards competitive, low-carbon, climate resilient and environmentally sustainable economies. The WBG is well-placed to help de-risk climate investments, and support the implementation of innovative renewable energy and clean technology projects. We also emphasize the importance of blended finance structures and other efforts to crowd-in private sector financing for climate change.

Canada is also directly supporting ambitious global action on climate change, including through the Prime Minister's COP-21 commitment to provide a historic \$2.65 billion contribution to help developing countries mitigate and adapt to the impacts of climate change. Given its significant expertise and global network, the WBG will be an important partner for Canada in mobilizing climate finance and accelerating the transition to low-carbon growth.

2) Promoting Institutional Effectiveness

Our constituency has also been contributing to efforts to enhance the WBG's development effectiveness and ability to track and report on results, including through the development of a new Environmental and Social Safeguards Framework. Safeguard policies are important in ensuring that the design and implementation of WBG-financed projects include thorough consideration of environmental protections and of the well-being of the world's poorest and most vulnerable. Our constituency believes that the WBG should be a world leader in the development and application of safeguards for the protection of human rights, as well as the rights of indigenous peoples, women and girls, and refugees. The WBG should continue to develop and implement strong standards for labour rights, land acquisition and resettlement, and the protection of biodiversity. We have advocated for the need to provide resources and support to borrowing members to adequately implement the new safeguards framework. These advocacy efforts will ensure that the new safeguards framework contributes to strong development outcomes for World Bank-financed investment projects.

Under our constituency's chairmanship, the WBG's board has made meaningful progress over the last year in developing a dynamic formula to guide a future International Bank for Reconstruction and Development (IBRD) shareholding reallocation. Executive Directors have reported to Governors on the outcomes of these discussions and we will now move into the second phase of negotiations for an IBRD shareholding realignment. These discussions will include several challenging issues, including the development of rules to protect the smallest poor countries from dilution, and a review of voice and representation on a country-by-country basis rather than by country groupings. The implementation of the IBRD shareholding

realignment will be important to ensure that the WBG is representative of its membership and remains relevant as a global development cooperative.

The Forward Look exercise has given the WBG's Board and management an opportunity to explore a wide range of options to enhance the institution's contribution to accomplishing the 2030 Agenda for Sustainable Development and the WBG's own twin goals of poverty reduction and the promotion of global shared prosperity. The Forward Look exercise has provided a useful forum to reflect on the role of the WBG in financing global development, and to explore new ways to improve its effectiveness. Our constituency has emphasized the importance of the WBG using existing resources as efficiently as possible through balance sheet optimization and has also pushed for a greater focus on mobilization, both from the private sector and other development actors.

In the context of upcoming discussions around increasing the WBG's financing capacity, our constituency will continue to encourage WBG management to bring forward a comprehensive package of financial options to augment the institution's capital base. Alongside efforts to increase the WBG's financial resources, discussions should also establish a clear and transparent set of reform commitments which WBG management will undertake. These reforms should include ongoing efforts to address the unique economic and social development challenges facing small island states, a planning process for annual lending volumes, as well as increased efforts to make investments that mobilize additional funds for development.

3) Mobilizing Resources for Global Development

Public sector resources alone will not be sufficient to deliver on the significant financing needs required to achieve the Sustainable Development Goals. As a result, governments and MDBs will need to find new ways to mobilize domestic resources and to develop partnerships with the private sector and civil society to scale up the volume of financing available. The WBG has been a global leader in designing instruments to mobilize private capital for a wide variety of development purposes, including investment financing, risk management tools and disaster insurance products.

Canada has been working closely with the WBG to support the development of new financial structures that have the potential to catalyze private investment in developing country infrastructure. Developing countries face an estimated infrastructure financing gap of over US\$1 trillion per year, and scaling up infrastructure investment is critical to create the conditions for sustainable and inclusive economic growth. High quality infrastructure is also important for regional and global connectivity, and facilitates the movement of people, goods and ideas. MDBs, and the WBG in particular, are well placed to play an important convening role by creating innovative instruments which mobilize private funds by de-risking infrastructure investments, creating opportunities for private co-financing, and supporting the development of a pipeline of bankable projects.

Canada has been highly supportive of the International Finance Corporation's efforts to create new facilities that mobilize private capital for investment in developing country infrastructure, and has challenged the G20 to support MDBs' work in this regard. Canada also supports the MDBs Joint Declaration of Aspirations on Actions to Support Infrastructure Investment, which articulates quantitative ambitions for high quality infrastructure and actionable steps that MDBs can implement to crowd-in private investors.

Our constituency continues to strongly advocate for the WBG and the other MDBs to make more efficient use of their existing capital. More efficient use of MDB balance sheets has the potential to unlock hundreds of billions in additional resources for international development financing. Meaningful work in this area has already occurred at the WBG, including implementing an exposure exchange agreement with other MDBs, and proposing changes to IDA's funding model to allow for limited non-concessional market

borrowing. However, more can be done, and in September 2016, G20 Leaders and Finance Ministers reiterated their call for further work on MDB balance sheet optimization measures.

Balance sheet optimization should be an integral part of upcoming discussions on the capital needs of the WBG, and of the International Bank for Reconstruction and Development (IBRD) in particular. While an increase in the share capital of the WBG will likely be a central element of funding support, our constituency will continue to advocate for the WBG to leverage its existing resources as fully as possible before seeking additional capital from shareholders. The WBG's capacity to grow its balance sheet through retained earnings is important, and our constituency is a strong supporter of a formula based approach for the annual net income allocation exercise at IBRD. Such an approach would allow shareholders to strike a balance between funding development priorities while also helping to grow the IBRD's balance sheet internally.

The 18th replenishment of IDA will conclude in December 2016, with both Canada and Ireland intending to continue to make meaningful financial contributions to this important vehicle for global poverty reduction. To date, discussions on IDA's financial framework have focused on IDA's innovative proposal to leverage its large equity base in order to increase the total volume of development resources available for the poorest and most vulnerable countries. Throughout these discussions, our constituency has been one of the leading voices in encouraging the WBG to explore more ambitious leveraging options while ensuring that a significant portion of new resources are provided to the world's poorest countries on concessional terms. We will also use the remaining time in the replenishment process to work with other like-minded donors to advance policy proposals with the potential to make IDA more responsive to the needs of its clients and more efficient as a financial institution.