



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)

NINETY-NINTH MEETING
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April 13, 2019

Statement by

The Honourable 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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99th Meeting of the Development Committee

**April 13, 2019
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As the Development Committee gathers for the World Bank and International Monetary Fund 2019 Spring Meetings, the global economic outlook continues to face important uncertainties. Global economic growth is expected to taper and downside risks, including trade tensions, geopolitical risks and financial market stresses, could create challenges for many economies. The nature and timing of any resolution of these issues are difficult to predict. Yet, these conditions will likely cause more difficulties for emerging markets and low-income countries and could cause setbacks in achieving development progress in these countries. These risks are particularly elevated in countries facing debt sustainability issues.

In this context, a concerted multilateral response delivered through the World Bank Group's (WBG) financing and advisory services will be crucial in assisting client countries to continue to progress against the twin goals of eradicating extreme poverty and boosting shared prosperity. The capital increase package, which we agreed to last year, will help better resource the WBG to play its counter-cyclical function and advance the Sustainable Development Goals. That said, the Bank's resources will continue to be limited in view of the major challenges it must help its clients overcome. We continue to recommend that the WBG considers all avenues to collaborate and coordinate its assistance with other multilateral development banks (MDBs), working together as a system to increase their impact.

Eager to set its premier development assistance partner on a path towards a growing volume of operations and increased development impact, Canada has already fully subscribed and paid for the shares offered as part of the International Bank for Reconstruction and Development capital increases. Our constituency would like to encourage other countries to submit their resolutions for the International Finance Corporation's (IFC) capital increase so the policy priorities agreed to as part of the capital package can be implemented by IFC without delay.

Capital Increase Implementation

Our constituency welcomes the capital increase's implementation update and is optimistic about the progress made to date on the capital increase's policy and financial commitments. In particular, our constituency continues to consider that progress on gender equality and climate action, with a focus on the poorest and the most vulnerable, is required to ensure that economic growth works for everyone. The importance of progressing against these priorities is also reflected in our constituency's international assistance development policies such as Canada's Feminist International Assistance Policy and Ireland's new policy for international development.

Emboldened by the rallying call to reach those furthest behind first, our constituency would like to highlight the launch of “A Better World”, Ireland’s new policy for international development. The policy commits to scaling up resources and capacity across four policy priorities, including on gender equality, reducing humanitarian need, climate action, and strengthening governance. The emphasis in the new policy is to update Ireland’s traditional focus on ‘the poorest of the poor’ to focus on the pledge of the Sustainable Development Goals to reach ‘the furthest behind first’. There is a commitment to intensify work in three clusters of interventions where Ireland has proven expertise: protection, food and people. The policy also recognizes the importance of a refreshed approach to development cooperation. Strengthening global partnerships will be a central element in Ireland’s engagement on policy-making internationally.

Given the importance of fostering inclusive societies, we welcome the World Bank’s commitments on gender, including increasing the share of IBRD operations narrowing gender gaps, improving financial inclusion and advancing women’s economic empowerment. With a continued focus on the measurement and reporting on results, our constituency believes that the WBG must continue to push the envelope on gender and progress towards providing a stronger voice for women in decision-making as the empowerment of women and girls is the most effective way to improve development outcomes as they are powerful agents of changes as highlighted in Canada’s Feminist International Assistance Policy. This includes progressing towards parity at the boards of International Financial Institutions such as the World Bank, in line with my commitment as Canada’s Minister of Finance and International Gender Champion. In this regard, we fully support the ongoing work by the WBG’s Working Group on Gender Diversity at the Board, to continue to enhance and promote gender diversity at the Board.

We welcome the increases in climate change targets for IBRD and IFC and the new funding commitments made towards both mitigation and adaptation, and look forward to the implementation of the Bank’s new Adaptation Action Plan. That said, if targets continue to be consistently exceeded by the WBG, we would welcome the WBG reviewing its target to be more ambitious to reflect the Paris Agreement objectives. As our constituency is particularly impacted by climate change, we encourage the Bank to adopt innovative mechanisms such as state-contingent debt instruments, which could reduce the burden of debt servicing in the event of disasters. These innovative debt instruments, combined with climate risk insurance such as Caribbean Catastrophe Risk Insurance Facility, and other Bank instruments including the Catastrophe Deferred Drawdown Option (CAT-DDO) and the contingent emergency response component (CERC) can support faster recovery in the aftermath of natural disasters. We would also encourage measures to facilitate access to funding for small islands developing states, which are often challenged by the complexity and fragmentation of the donor landscape in accessing assistance. The Trust Fund reforms currently underway at the WBG and the regional platforms recommended by the Eminent Persons Group (EPG) could be developed to help SIDS overcome these challenges and promote resilience.

Early progress in implementing the capital increase’s financial commitments will contribute to the Bank’s strength over the long-term. As the WBG proceeds with the implementation of the financial sustainability framework, our constituency would like to emphasize the importance of marshalling shareholders’ paid-in capital towards increased volumes of assistance as opposed to prudential buffer. Our constituency encourages the WBG to mitigate the impact of a buffer on its headroom by pursuing balance sheet optimization measures to free up capital and transfer risks off its balance sheet. The recommendations of the EPG highlighted the significant scope for system-wide approaches to reduce, manage and diversify risks which the Bank could pursue to mobilize greater resources for development through the creation of an infrastructure asset class and increased use of other financial instruments such as guarantees.

Mainstreaming Disruptive Technologies

Our constituency is supportive of the Bank enhancing its capacity with respect to digital transformation and its ability to support its clients in a manner that will ensure its interventions continue to be impactful, now and in the longer-term. We also encourage the Bank to thoroughly think through how its work on

technology can best be linked to its poverty reduction and inclusiveness mandate. As technology can bring significant benefits, it can also create risks of excluding populations such as the poor, women and seniors, which are more likely to lack the skills and training necessary to fully harness the benefit of technologies. We remain concerned that demand for technical skills could exacerbate the gender divide and further increase income inequality within countries. In this context, we would like to encourage the WBG to prioritize interventions centered on the education of women and girls as part of the implementation of the Human Capital Project. Overall, we welcome the Bank's increased attention to disruptive technologies as a means to achieving inclusive development.

IDA19 Replenishment

Looking ahead to the 19th IDA Replenishment process, our constituency will continue to encourage the Bank to consider innovative solutions to further optimize the use of IDA's balance sheet and mobilize private sector resources through IDA's Private Sector Window. We will also continue to encourage the Bank to increase its level of ambition to promote gender equality, with a special focus on expanding IDA's work to address gender-based violence beyond fragile contexts. As the World Bank is increasingly active in fragile contexts, we welcome its collaboration with the UN System, especially as the Bank develops a Fragility, Conflict, and Violence Strategy.

As the issue of debt sustainability is an area of serious concern in low-income and lower middle income countries, our constituency will also be particularly interested in ensuring that IDA has the right set of policies and tools to help support stronger debt sustainability and transparency practices by borrowing countries. Finally, our constituency welcomes the recent changes to the criteria surrounding IDA's small island economies exception and hope that other potential adjustments to better support small island developing states – especially in response to crises – can be considered as part of the IDA19 process. Due to our constituency's ongoing climate vulnerabilities, we wish to highlight the continued importance of ambitious climate action.

As a last word, we would like to congratulate Mr. David Malpass in his new role and look forward to working with him. We also wish to thank Ms. Kristalina Georgieva for her leadership as Interim President over the recent months.