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-EIGHTH MEETING
BALI, INDONESIA – OCTOBER 13, 2018

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October 13, 2018

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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98th Meeting of the Development Committee

October 13, 2018
Bali, Indonesia

As we meet for the 98th meeting of the Development Committee, in Bali, Indonesia, our constituency would like to extend our gratitude to the Government of Indonesia for hosting the Annual Meetings, during these difficult times and offer our condolences to the survivors and the families of victims of the Sulawesi earthquake and tsunami.

Our constituency would like to commend the World Bank for its research on the impact of new technologies. This work captures well how the faster pace of change caused by the large-scale adoption of technologies is raising the bar for what development assistance must achieve. In this context, the pursuit of shared prosperity and the eradication of poverty must adapt to the changing nature of work and the prospects of technological disruption. These changing dynamics are aptly described in the World Development Report and were also echoed at the G7 Ministerial meeting on the Jobs of the Future, pointing to their relevance in all countries regardless of their level of development. Reflecting this convergence in priorities, the World Bank and the International Monetary Fund’s (IMF) work on the Bali Fintech Agenda, a framework to assist countries in adapting to the deployment of Fintech, is a resource that can be useful in all countries.

The adoption of technologies creates opportunities for developing countries to achieve substantial development gains. For example, Fintech can help deploy innovative finance products to improve financial inclusion, such as microinsurance purchased through wireless networks. Yet, there is a risk that the faster pace of change and the increasingly complex nature of economies could leave the poorest and most vulnerable populations even further behind, which must be avoided. We consider that the World Bank’s Human Capital Project provides a compelling multilateral response which can position the Bank’s clients to thrive regardless of disruption.

Our constituency welcomes the thought leadership demonstrated by the World Bank in considering how technology can influence its clients’ ability to fight poverty in an inclusive manner, for instance by prioritizing the needs of women and girls, and the poorest and most vulnerable. As many multilateral development banks’ (MDBs) operations also have to adapt, we consider that the World Bank’s thought leadership, if actively shared through open dissemination and open data, could improve the impact of MDBs by enabling them to work together as a system.

Human Capital Project

This year’s World Development Report re-emphasized the compelling case for investing in human capital development. After all, individuals having the skills to thrive amid the disruption caused by technological developments is key to build successful and inclusive societies. Our constituency welcomes the World
Bank’s proposal for the Human Capital Project, which considers all core building blocks of human capital development such as health, education, nutrition, social protection and infrastructure as well as the linkages between them to ensure that opportunities arising from technology are broadly shared.

Our constituency is optimistic about the potential for the Human Capital Project to increase both the financial support and the quality of interventions in human capital development. Human capital investments are challenging in that they can entail high costs and take time to translate into tangible economic benefits, which can discourage countries from allocating adequate support. After all, it can take 50 years for a workforce to fully turn over. Even with sufficient resources, there is still a risk that interventions fail to bear fruit, emphasizing the importance of capacity building and impact measurement in order to marshal resources to support approaches that are proven to work. Among those, our constituency views interventions centered on the empowerment of women and girls as having high potential to increase the impact the World Bank’s overall project portfolio. We therefore encourage the World Bank to seize all opportunities to further the objectives of its Gender Strategy as part of the HCP’s implementation.

The development of the Human Capital Index will contribute to the development of a sophisticated evidence base, which will help raise awareness of the economic opportunities foregone by inadequate support for human capital. The Index will also help track progress over time. The Human Capital Project’s emphasis on research and the measurement of results will help to improve the effectiveness of aid. Given the large community of development stakeholders active in human capital development, our constituency encourages the World Bank to widely disseminate the result of interventions, including underlying data. We believe greater information sharing will improve coordination and coherence in the development system, an objective of the Eminent Persons’ Group on Global Finance Governance which we fully support.

**Debt Sustainability**

Investments in human capital development require fiscal space in order to be sustained over the longer term. The ability of lower income countries to make these investments can be hampered by the low levels of domestic resource mobilization and the diversion of public finances to servicing high debt burdens. Our constituency is concerned that debt distress can become a threat to sustainable and inclusive growth as the burden of debt crises typically fall on the most vulnerable segments of society and can reverse important development gains. Advances in education, health and household economic stability, particularly as these impact women and girls, must not be put at risk.

Given these elevated risks, our constituency welcomes coordinated action on the part of international financial institutions (IFIs) in responding to the rapid rise in debt vulnerabilities, including in countries having previously benefitted from the Highly Indebted Poor Country Initiative. We are supportive of the multi-pronged approach proposed by the IMF and the World Bank which includes improved monitoring of debt vulnerabilities, enhanced early warning systems, support for structural reforms to help reduce debt vulnerabilities and mobilize domestic resources, improved debt data transparency, and increased debt management capacity building and outreach to creditors and borrowers to raise awareness of debt issues. Our constituency also wishes to express its support for the upcoming review of the International Development Association (IDA) Non-Concessional Borrowing Policy.

Our constituency considers that creditors must also do their part to reduce debt vulnerabilities. In particular, this includes working to increase transparency on all lending activities to prevent an unforeseen buildup of debt liabilities. All official creditors must also commit to meeting best practices for sustainable lending, including adhering to the G20’s Operational Guidelines for Sustainable Financing. We also strongly encourage major emerging creditors to join existing international fora for creditor information sharing and coordination, such as the Paris Club. Ultimately, improved transparency and coordination will benefit both lenders and borrowers. The World Bank and the International Monetary Fund should continue to support this critical work.
Our constituency is particularly vulnerable to climate change. Climate shocks, like the hurricanes the Caribbean experienced last year, can exacerbate debt vulnerabilities and lead to costly sovereign debt crises. For this reason, we urge the IMF and World Bank to continue to develop resilient debt instruments for SIDS vulnerable to climate change. These innovative debt instruments, combined with climate risk insurance such as Caribbean Catastrophe Risk Insurance Facility, can support faster recovery in the aftermath of natural disasters. This would allow vulnerable countries to focus on addressing urgent recovery and reconstruction needs, rather than debt negotiations, after a natural disaster.

Our constituency would like to welcome Tuvalu to the International Finance Corporation’s membership and highlight the potential of interventions focused on private sector development to build resilience in small states without adding to their debt burdens.

**Other Priorities for the Year Ahead**

As officials gather in Bali ahead of the mid-term review of IDA’s 18th replenishment, our constituency encourages the World Bank to consider how best to consolidate the progress achieved in IDA18 into the next replenishment. In particular, we would invite the Bank to continue to work on innovative financing options to better use the equity that has built up on IDA’s balance sheet towards development objectives. While IDA 18 has increased the resources available to small states, we note that small states continue to be challenged in accessing these funds and in implementing projects due to constrained capacity at the local level. As the World Bank proceeds with Trust Fund reform and the implementation of its umbrella approach to consolidate trust funds, we encourage it to reflect on how its findings can facilitate access to small states to its core financing. For example, the World Bank could join forces with other MDBs to offer umbrella platforms for small states, including the Caribbean. Finally, the World Bank must maintain its commitment to advances in gender equality in all of its policies and activities.