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Statement by the Hon. **LEONARD M. GOOD**,  
Alternate Governor of the Bank for **CANADA**,  
at the Joint Annual Discussion

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It is customary at these meetings to describe one's domestic economic progress. Canada is doing very well.

- The overarching objective of the Canadian government's policy agenda since 1993 has been to achieve strong long-term economic growth to ensure higher standards of living and quality of life for all Canadians. The last few years are an example of what the Canadian economy can achieve on a sustained basis.
- Since 1997, Canada has matched the strong performance of the United States in growth in real gross domestic product per capita. And our job creation has outpaced that in all other G-7 countries.
- Real GDP growth accelerated to 4.5 percent in 1999, more than a full percentage point faster than in 1998 and the strongest pace in the G-7. The economy continued to grow strongly in the first half of 2000. The Canadian economy has now expanded for 20 consecutive quarters, the longest uninterrupted run since the mid-1960s.
- Canada's strong economic performance has been reflected in a healthy labour market. The unemployment rate has been brought down from near 10 percent at the end of 1996 to 6.6 percent in May and June-its lowest level since March 1976. In August, the unemployment rate was 7.1 percent.
- Domestic inflation pressures remain subdued, although "headline" inflation has picked up somewhat mainly due to the strong increase in world oil prices. Canada's current account balance has moved into surplus, buoyed by the improvement in international economic conditions; improved competitiveness, reflecting strengthening productivity growth and low inflation; and an improvement in the terms of trade.
- Much of the resurgence in our economic performance in recent years is due to the sound economic and fiscal policies Canada has put in place-eliminating the deficit, putting the debt-to-GDP ratio on a strong downward track and maintaining low inflation. Further, these policies provide a strong foundation for achieving the kind of future economic performance that is the key to Canada's prosperity.

I would like to use my limited remaining time to make some points about the current status of development co-operation.

We are at a significant juncture in our history. With the end of the Cold War just over 10 years ago, a window of opportunity has opened for those of us in the business of development. We are able to step back from the ideological divide that characterized the post-war period, and pursue development co-operation as it was meant to be --- with a single-minded focus on development effectiveness and poverty reduction.

As we all know there has been some progress in the developing world over the last 50 years:

- Between 1970 and 1997, the average life expectancy at birth for all developing countries rose from 55 to 65 years.
- Over the same period, their percentage of adults in developing countries considered literate rose from just under 50 percent to approximately 70 percent; during this time, the gap between women and men, and girls and boys, began to narrow.
- About 70 percent of the population in the developing world has access to safe water, compared to 30 percent in 1970.

Most of the credit for this progress lies with developing countries themselves.

We also know that challenges remain.

- Half of the planet's 6 billion people live on an income of less than US\$2/day, with 1.3 billion living on less than US\$1/day.
- Seventy countries have average incomes below their 1980s levels, and the poorest 20 percent of the world's population receive only 1.2 percent of world income.
- Over 30,000 children die each day from largely preventable diseases. Poor nutrition contributes to over half these deaths.
- Over 20 percent of school-aged children are still out of school. Of this number, two-thirds are girls.

With the end of the Cold War we now have a chance to approach these challenges differently. First we must acknowledge that we made some mistakes in our approaches to development in the last 50 years:

- Our approach was often unbalanced, focussing on economics to the exclusion of social, institutional, and political realities.
- We had unrealistic expectations that countries could effect a double transformation - political and economic - in a very short space of time.

- There was limited coordination among donors, and too much concern for showing the flag and working in “popular” areas.
- Most significantly, aid was excessively donor driven.

But we have learned a few things, and what we’ve learned is reflected in the principles set out in “Shaping the 21st Century”, and the World Bank’s Comprehensive Development Framework.

Specifically, we are now more aware of the importance of a comprehensive and balanced approach to development:

- getting the macro framework right but recognising social and political impacts
- ensuring that social and institutional development go hand in hand with economic development
- we now have more realistic expectations about the timeframes in which we can expect results
- we acknowledge greater donor coordination and coherence
- and recognize that developing countries must drive their own development strategies

We are now trying out the programming approaches, CDF, PRSPs, SWAPs and SIPs, that implement these principles.

We are finding that they are not easy and imply changes for the way in which IFIs and bilaterals do business.

According to the Bank's recently released CDF progress report, discussed at the meeting of the Development Committee on Monday, the 13 CDF pilots are progressing but at different rates. Likewise, many HIPC countries are moving ahead on PRSPs, although issues of time, conditionality, and capacity require attention.

Donors have made some first steps as well. There is widespread, though not universal, intellectual commitment to the CDF principles. But at the programming level there are some real challenges.

There are significant implications for bilateral donors of the new programming approaches and instruments. Canada’s development cooperation agency, CIDA, has only recently begun to understand and pursue the changes required.

We are at the moment involved in only a small number of sector wide approaches and we have much to learn in this area. We have not yet seriously explored the full implications of the so-called "common pool" for our domestic accountability framework. Untying,

under discussion at the OECD, is not moving forward at the pace which we are demanding of the PRSP process.

The effort on donor co-ordination that lies at the heart of the CDF principles is barely underway. It is not enough to collaborate at the project level; donor coordination must deal with every stage of assistance --- diagnosis, setting of targets and objectives, procurement and financial reporting, monitoring and evaluation of results.

Let me share with you a few of the targets that we have set for ourselves in CIDA for the coming year. We will carefully study the "country owned" diagnosis and vision statements contained in CDFs and PRSPs, not only in our role as responsible members of the World Bank Executive Board, but as a way to set the guiding principles and policy context for our own bilateral programming.

From among the growing number of CDF and PRSP countries, we will look to select 2 or 3 pilot cases, where we can commit extra resources and effort, stretch our own operational policy and procedures, and pursue more rigorous co-ordination with other donors. In short, to begin to "move the yardsticks" as Minister Martin has suggested in his DC statement.

While there are some difficulties in implementing this sensible but non-traditional approach to development co-operation, Canada believes in these principles and would like to see us all move towards implementing them.

Our constituency here at the Bank, which includes donor countries - Canada and Ireland - and 11 Caribbean countries of which a number are borrowers, is convinced of the merits of this coherent, co-ordinated, balanced, realistic, politically sensitive, and country-driven approach to development.