Canada at the IMF and World Bank

2008

Report on Operations Under
the Bretton Woods and
Related Agreements Act

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Department of Finance
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Ministère des Finances
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Foreword by the Minister of Finance

I am pleased to present to members of Parliament and the Canadian public the Department of Finance's 2008 report *Canada at the IMF and World Bank—Report on Operations Under the Bretton Woods and Related Agreements Act*. This report summarizes the leading role Canada has once again played in the ongoing transformation of both international financial institutions over the past year, and the challenges that remain amidst continuing international economic uncertainty.

The role the International Monetary Fund (IMF) and the World Bank Group play in the global economy is vital, and this will be particularly true during the current synchronized global recession and the worst financial market crisis since the Great Depression. As 2008 came to a close, economic forecasts were being revised downward to project global growth at its lowest level since the Second World War—the very economic downturn that led to the creation of the Bretton Woods institutions.

At such an uncertain time, it is in every nation's interest that we have strong and effective international institutions and that national authorities commit to work together to overcome collective challenges and mitigate risks. In this respect, Canada has continued to play a positive role: our country was a pioneer of the joint IMF-World Bank Financial Sector Assessment Program, which helps to strengthen national financial systems, and we took one of the largest share cuts of any country in the recent IMF governance reform exercise to ensure greater representation for dynamic emerging economies. Since becoming Finance Minister in 2006, at international meetings and in the pages of the *Financial Times*, I have repeatedly stressed that effective global integration requires the full participation of emerging economies at the global decision-making table, as well as the commitment of all countries to live up to our collective responsibility to promote global stability and sustainable growth.

Canada has played a recognized leadership role in the global economy in good times and we will continue to do so as the world enters a more difficult economic period. As a highly open economy, this significant level of international engagement is essential to achieve our own domestic prosperity. This report is evidence of Canada's ongoing determination to pursue ambitious short- and long-term priorities for the IMF and World Bank, and to be accountable for our commitments. While the report continues to be organized under the themes of Governance and Accountability, Institutional Effectiveness, and Sustainable Poverty Reduction and Growth, it outlines a number of new Canadian objectives, in light of the recent global financial crisis and economic downturn.

As the international economy winds its way through an unstable time, the report being tabled today demonstrates Canada's unwavering commitment to strong and representative international financial institutions. The world can continue to count on Canada to lead in global efforts to make the IMF and World Bank more legitimate, more effective and more accountable.

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance

Acronyms Used in This Report

ADF	African Development Fund
AFRITAC	Africa Regional Technical Assistance Centre
AMC	Advance Market Commitment
CAO	Compliance Advisor Ombudsman
CAPTAC	Central America-Panama Technical Assistance Centre
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CAS	Country Assistance Strategy
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CIF	Climate Investment Funds
DSF	Debt Sustainability Framework
DTCs	developing and transition countries
DC	Development Committee
ESAP	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
FPA	Fiduciary Principles Accord
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
FY	fiscal year
G7	Group of Seven
G8	Group of Eight
G20	Group of Twenty
GAVI	Global Alliance for Vaccines and Immunization
GDP	gross domestic product
GEF	Global Environment Facility
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GFRP	Global Food Response Program
GFSR	*Global Financial Stability Report*
GRA	General Resources Account
HIPC	heavily indebted poor country
HNPSP	Health, Nutrition and Population Sector Program
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IFC	International Finance Corporation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INT	Department of Institutional Integrity

LIC	low-income country
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
NCBP	Non-Concessional Borrowing Policy
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
PBA	Performance-Based Allocation
PDMAS	Programme de Développement des Marchés Agricoles du Sénégal (Development Program for Agricultural Markets in Senegal)
PRDP	Palestinian Reform and Development Plan
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Analysis
QAG	Quality Assurance Group
R&D	research and development
RTAC	Regional Technical Assistance Centre
SAF	Structural Adjustment Facility
SBA	Stand-By Arrangement
SDR	Special Drawing Right
SFCCD	Strategic Framework on Climate Change and Development
SLF	Short-Term Liquidity Facility
SSP	Statement of Surveillance Priorities
SWF	Sovereign Wealth Fund
TF	Transfer Fund
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group
WEO	*World Economic Outlook*

Executive Summary

2008 was a pivotal year for the global economy. The different crises that have destabilized developed, emerging and developing countries have highlighted the need for strong and effective international institutions. As the International Monetary Fund's (IMF's) ninth largest shareholder and the World Bank's seventh largest shareholder, Canada has played a central role in shaping outcomes related to international financial stability and global poverty reduction.

Building on significant improvements made to last year's report, this year's Report on Operations Under the Bretton Woods and Related Agreements Act aims to provide Canadians with an understanding of how the Government of Canada is contributing to international efforts to help ensure that the IMF and World Bank can fulfill their mandates to the best extent possible. The 2008 report has three main components:

1. A basic introduction to the IMF and World Bank Group, including information on how they operate, what they do, and how Canada participates in their governance (see the sections "Canada and the Bretton Woods Institutions: Mandates and Operations," "An Introduction to the International Monetary Fund" and "An Introduction to the World Bank Group").
2. A section on the key developments in 2008 at the IMF and the World Bank summarizing Canada's role in the institutions' response to the financial and food and fuel crises (see the section "Canada at the Bretton Woods Institutions: What Happened in 2008").
3. A section on Canada's short- and medium-term priorities which describes Canada's progress on the 2007 report's priorities and planned actions, as well as measures to be taken in the next three years to continue working on these priorities (see the section "2008 Report on Canada's Commitments at the Bretton Woods Institutions").

Key Developments in 2008

Developments in financial markets and the high degree of volatility in the prices of food staples and fuel were key issues in 2008. Accordingly, activities at both the IMF and World Bank mainly focused on addressing the challenges created or exacerbated by these crises.

In the second half of 2008, the IMF's actions focused on emergency financing, reform of fund lending facilities, drawing lessons from the crises, coordinating efforts and advancing surveillance reforms. The Canadian government played an important role in contributing to the Fund's work in all these areas. More specifically, Canada supported all new financing commitments to countries affected by the global financial crisis; pushed for a broad review of the IMF's lending role and facilities; and engaged vigorously in restoring stability to the international financial system through such initiatives as the Group of Twenty (G20) Action Plan.

In light of the financial and food and fuel crises in 2008, the World Bank Group's efforts centered on boosting lending, increasing the speed of disbursements to low-income countries, amplifying private sector support, enhancing investment guarantees, augmenting agricultural investment and launching risk management tools. Canada strongly endorses the World Bank Group's practical responses to the pressing challenges brought on by the crises.

Canada's involvement in the Bretton Woods Institutions' responses to the financial and food and fuel crises is discussed in detail in the section "Canada at the Bretton Woods Institutions: What Happened in 2008."

Canada's Priorities at the Bretton Woods Institutions

In the 2007 report, the Government outlined in detail Canada's short- and medium-term priorities for engagement at the IMF and World Bank. This year's report provides the first opportunity to review Canada's progress and challenges in pursuing these priorities.

Among Canada's main achievements at the IMF in 2008 was the central role it played in the conclusion of the two-year negotiation of reforms to "quota and voice," aimed at making the Fund more legitimate and representative. Canada also realized its goal of promoting budget reforms resulting in a more cost-effective IMF that practices good financial governance. Regarding the IMF's surveillance role, Canadian officials worked hard in 2008 to support the development of a new Statement of Surveillance Priorities, which lays out a clear focus for monitoring and promotes greater Fund accountability for the quality of its surveillance. Finally, through recent efforts by Canada and other countries, the IMF has become an increasingly transparent institution. For example, in 2008 the IMF responded to Canadian calls for greater transparency by improving and making public its database on lending programs.

In 2008 Canada supported steps by the World Bank Group to increase financial support for post-conflict countries, to reconcile resource needs and sources within a flat real budget for 2009, and to show leadership in innovative development initiatives. Also, significant progress was made on Canada's goal of promoting closer working relationships between the World Bank Group's different organizations. Finally, in 2008, through the efforts of Canada and other countries, the World Bank Group became a more equitable organization, completing the first phase of reforms regarding voice and participation, which increased the voting power of the least developed countries.

However, there was limited progress on some priorities outlined in 2007. For example, while the IMF has made efforts to strengthen it surveillance role, there is still a lot to accomplish in the integration of economic and financial sector analysis and the willingness of IMF members to heed Fund advice. In addition, at the World Bank Group, limited progress was made in expanding the Advance Market Commitment concept to other global public goods. This highlights the difficulties in moving an agenda forward in institutions where Canada is only one of 24 voices at the Executive Boards.

More remains to be done to make progress on Canada's short- and medium-term priorities, which, as last year, are grouped under three broad themes:

1. Governance and Accountability—Playing a leadership role in pushing for innovations in the governance and accountability structures of the Bretton Woods Institutions.
2. Institutional Effectiveness—Encouraging both institutions to deliver on their core mandates as effectively as possible.
3. Sustainable Poverty Reduction and Growth—Supporting the IMF and World Bank Group's efforts to ensure that the growth and stability they help foster today will have a lasting effect over the long term.

In light of the extraordinary financial crisis, a fundamental rethink of how Canada can pursue its priorities at the IMF and World Bank Group has taken place. Consequently, while the above themes remain valid, many actions that Canada committed to in 2007 had to be modified. Canada's progress on its short- and medium-term priorities, along with new actions for 2009–2011, are described in the section "2008 Report on Canada's Commitments at the Bretton Woods Institutions." Anticipated timelines, ranging from one to three years, are listed for each action and subsequent reports will continue to assess further progress against these priorities.

Canada and the Bretton Woods Institutions: Mandates and Operations

The IMF and the World Bank

- While the IMF and the World Bank were both founded at the Bretton Woods conference in 1944, they are separate institutions.
- The IMF aims to maintain a stable international monetary system, in order to facilitate international trade and investment and bring prosperity to all the world's economies.
- The World Bank provides support to developing countries and is committed to poverty reduction.
- Their complementary mandates contribute to sustainable economic growth and the reduction of global poverty.

The IMF and World Bank were founded at the United Nations Monetary Conference held at Bretton Woods, New Hampshire, in 1944. They were created to promote reconstruction following the devastation of the Second World War and to establish the basis for a stable world monetary system that would sustain growth and prosperity. Together they are informally known as the Bretton Woods Institutions.

Canada is the ninth largest member of the IMF and the seventh largest member of the World Bank, out of a total membership of 185 in both institutions. These strong membership positions give Canada an important voice in the two leading international institutions devoted to promoting international financial stability and poverty reduction. Canada's status as a member and leading donor also contributes to Canada's strong position on the international stage.

The IMF and World Bank are governed by their member countries. The management and staff of each institution are accountable to their members through their respective Boards of Governors and Boards of Executive Directors. They also report on their performance to members and the general public through annual reports, policy documents, country reports and analytical studies.

The IMF and World Bank each have a separate Board of Governors, comprising 185 Governors representing each member country. Each Board is the highest authority governing these institutions. They are responsible for core institutional decisions and meet once a year at the IMF and World Bank Annual Meetings. The Minister of Finance is Canada's Governor for both the IMF and the Bank.

The Boards of Governors have two sub-committees: the International Monetary and Financial Committee (IMFC),[1] which advises on global monetary and financial issues for the IMF, and the Development Committee (DC),[2] which advises on critical development issues for both the IMF and World Bank. IMFC and DC Meetings are held twice a year during the IMF and World Bank Spring Meetings and Annual Meetings. Twenty-four Governors sit on each committee. When participating in the IMFC and DC, Canada's Minister of Finance represents a constituency that includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana,[3] Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

1 Reports to the IMF's Board of Governors.

2 Reports to the IMF and World Bank's Boards of Governors.

3 The constituency includes Guyana for the DC only.

Table 1
Canadian Influence at the IMF and World Bank

The Canadian government makes its views known through a number of channels:

Governor's statements at the International Monetary and Financial Committee and Development Committee Meetings	See Annexes 1 and 2
Policy advice to the Executive Director	Described in the section "2008 Report on Canada's Commitments at the Bretton Woods Institutions"
Contributions to Multi-Donor Trust Funds	See Annex 10

The Boards of Governors delegate the day-to-day running of the IMF and World Bank to Executive Boards. The IMF Executive Board has 24 full-time Executive Directors. Following recent voice and participation reforms, the World Bank will have 25 full-time Executive Directors. The Executive Boards reside in Washington, DC, and meet several times each week. Each Executive Director typically represents a constituency, which corresponds with IMFC and DC constituencies.

The Executive Directors that represent Canada are employees of the IMF and World Bank, and are elected by the Governors of their constituents every two years, traditionally based on a nomination made by the Canadian Governor. Mr. Michael Horgan has represented our constituency at the IMF since August 2008 and Mr. Samy Watson has represented our constituency at the World Bank since November 2006. The Government of Canada provides advice to the Executive Directors and their staff, which they draw upon in developing positions for discussions at the Executive Board. Executive Directors also receive advice from other country members in their constituency and apply their own judgment as officers of the institutions.

Governors are typically asked to vote on specific resolutions and other matters requiring their approval, either at the Annual Meetings of the Boards of Governors or by mail at other times throughout the year. In contrast, most decisions by the Executive Boards are adopted in a spirit of consensus and formal recorded votes are rare (though, when a vote is taken, the Executive Director casts the votes of the entire constituency).

The voting power of members is mainly a function of their relative economic strength. A small share of a member's voting power is also determined by basic votes, which are distributed equally among all members. Canada's current voting share at the IMF and World Bank is 2.89 per cent and 2.78 per cent,[4] respectively.

Within the Government of Canada, the Department of Finance coordinates Canada's policy advice on IMF and World Bank issues, consulting closely with other government departments and agencies, particularly the Bank of Canada, the Canadian International Development Agency (CIDA) and the Department of Foreign Affairs and International Trade. The Governor of the Bank of Canada, Mark Carney, is Canada's Alternate Governor at the IMF, and CIDA President Margaret Biggs is Canada's Alternate Governor at the World Bank.

[4] As a shareholder of the International Bank for Reconstruction and Development, Canada has a voting share of 2.78 per cent. Canada's contribution to the International Development Association represents 2.96 per cent.

It is important to note that while Canada has a number of avenues through which it can influence IMF and World Bank policies, it is one of 185 members. Canada is also part of a constituency and, as a result, while it can provide advice to the Executive Directors, they will also take into account the views of all of the members of our constituency. The Executive Directors will also consider all constituency members' funding obligations to the institutions in developing positions on matters before the Board.

Outreach in 2008

Canada's Executive Directors at the IMF and World Bank met with a variety of stakeholders, including governmental and civil society organizations and those pursuing business opportunities at the respective institutions.

In 2008, the IMF Executive Director and his staff met with many Canadian, Irish and Caribbean officials and civil society organizations, often alongside their counterparts from the Executive Director's Office at the World Bank. These meetings included representatives from the Brookings Institution, the Peterson Institute for International Economics, Trócaire, the Halifax Initiative, Results-Résultats Canada, the Social Justice Committee and Transparency International. Staff from the IMF Executive Director's Office also met with delegations from the Canadian Forces College and the Centre for International Governance Innovation. The IMF Executive Director also co-chaired the Second Annual Ideas Conference in Kingston, Jamaica.

In 2008, the World Bank Executive Director's Office met with representatives from Canadian and international civil society, including Debt and Development Coalition Ireland, Results-Résultats Canada, Oxfam International, ActionAid International, the Halifax Initiative and the Social Justice Committee of Montreal. Staff from the Executive Director's office also met with students from the Canadian Forces College.

An Introduction to the International Monetary Fund

The IMF works to safeguard the stability of the international monetary system while promoting sustainable economic growth and raising global living standards.

The primary responsibilities of the IMF are to:

- Promote international monetary cooperation.
- Facilitate the expansion and balanced growth of international trade.
- Promote exchange rate stability.
- Assist in maintaining a multilateral system of payments.
- Provide resources to members experiencing balance of payments difficulties.

Balance of Payments

The balance of payments is a summary of the economic transactions—including transactions in goods, services, income, transfers and financial assets and liabilities—between the residents of a country and non-residents over a specific period of time, usually a year.

Membership and Governance Structure

Headquartered in Washington, DC, the IMF is governed by and accountable to the governments of its 185 member countries. Each of the 185 member countries appoints one Governor and one Alternate Governor, usually the Minister of Finance and/or the Governor of the central bank, to the Board of Governors.

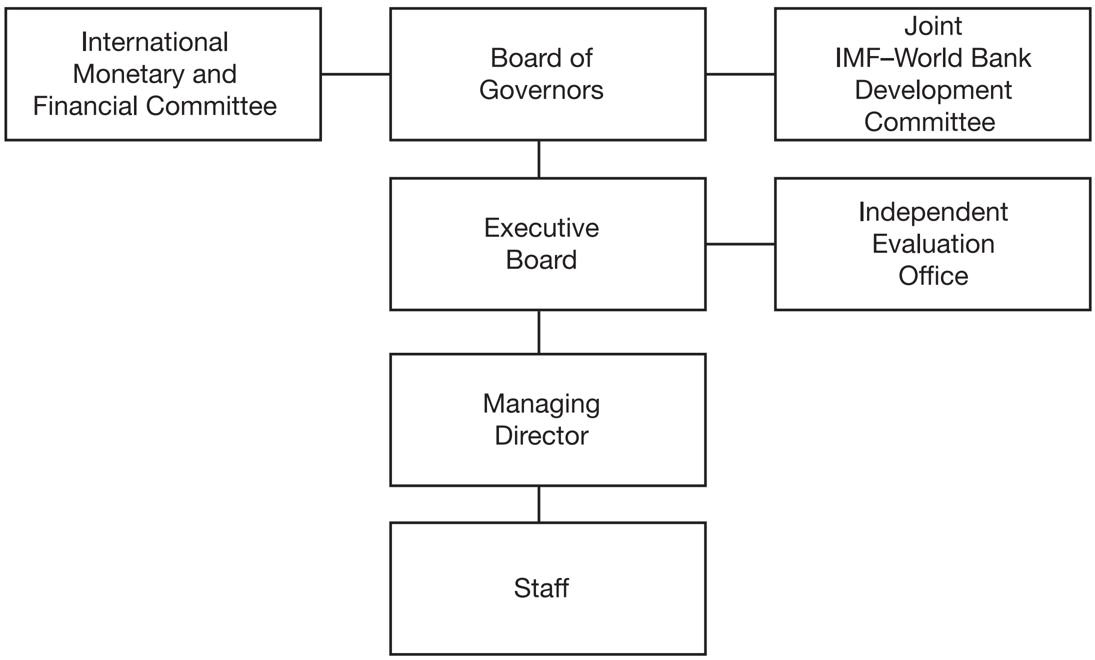
The relationship between the IMF Board of Governors, the International Monetary and Financial Committee, the joint IMF-World Bank Development Committee and the IMF Executive Board is described in the section "Canada and the Bretton Woods Institutions: Mandates and Operations" and is illustrated in Figure 1.

The Managing Director is nominated and appointed by the Executive Board for a renewable five-year term. The Managing Director serves as chair of the Executive Board and chief of the operating staff of the IMF. The present Managing Director, Mr. Dominique Strauss-Kahn, took office on November 1, 2007.

IMF staff members are appointed by the Managing Director and are solely responsible to the IMF. As of April 30, 2008, the IMF employed 2,586 staff (from 145 member countries). Efforts are made to hire qualified nationals from the largest possible number of members. In April 2008, the Board approved a budgetary envelope that will deliver $100 million in annual savings in real terms over the next three years, and implies a downsizing of staff of 380 over the same period. This downsizing was accomplished largely through a voluntary separation process that will take effect during FY2009–2011.

The Independent Evaluation Office (IEO) conducts independent evaluations of IMF policies and activities. The IEO is fully independent of IMF management and operates at arm's length from the Executive Board. The Director of the IEO is selected by the Executive Board for a renewable four-year term, and IEO staff is recruited from both inside and outside the IMF.

Figure 1
IMF Organizational Chart



What the IMF Does

IMF activities focus on three primary areas, all aimed at promoting a prosperous global economy by contributing to international monetary stability:

- **Surveillance:** Promoting financial and macroeconomic stability and growth through surveillance activities and policy advice that can help members prevent or resolve financial crises, sustain strong economic growth and alleviate poverty.
- **Program support:** Providing temporary financing and policy support to member countries to help them address balance of payments and/or fundamental macroeconomic problems.
- **Capacity building:** Providing technical assistance and training to help countries build the expertise and institutions they need to implement sound economic policies.

A Brief History of the IMF

1945—Canada and 28 other governments sign the IMF Articles of Agreement.

1947—IMF begins operations; first loan drawn by France.

1971—United States informs IMF that it will no longer freely buy and sell gold to settle international transactions; the established US dollar-gold fixed exchange rate system (Bretton Woods System) collapses.

1974—IMF adopts "Guidelines for the Management of Floating Exchange Rates."

1976—IMF establishes Trust Fund to provide balance of payments assistance to developing country members with profits from the sale of gold.

1977—To adapt to the new world of largely floating exchange rates, IMF Executive Board adopts the "1977 Decision" to guide IMF surveillance of member economies and exchange rate policies.

1986—IMF establishes Structural Adjustment Facility, later replaced by the Enhanced Structural Adjustment Facility (1987) and the Poverty Reduction and Growth Facility (1999), to provide balance of payments assistance on concessional terms to low-income developing countries.

1993—Systematic Transformation Facility established to assist countries of the former U.S.S.R. that face balance of payments difficulties arising from the transformation from a planned to a market economy.

1996—IMF endorses joint debt relief initiative for heavily indebted poor countries (HIPC Initiative).

2007—IMF Executive Board adopts a new Decision (to replace the 1977 Decision) that will serve as a modern guide for strengthened bilateral surveillance of member economies and exchange rate policies.

2008— IMF Executive Board endorses a package of governance reforms including a new quota formula and targeted quota increases for developing countries based on this formula.

Surveillance—Oversight of the Global Economy

The IMF identifies risks to global economic and financial stability through the surveillance of national, regional and global economic developments. Article IV of the IMF Articles of Agreement requires the Fund to undertake regular consultations with each member country on economic conditions and policies. Through its regular Article IV consultations with each member, the IMF identifies policy strengths and weaknesses and provides advice on necessary corrective measures. Under Article IV, each member country agrees to seek to pursue policies conducive to the stability of the international monetary system, and global growth and prosperity. The Article IV consultations consist of regular (usually annual) staff visits with government and central bank officials. Additionally, IMF staff generally meets with legislators and representatives from the financial sector, industry, trade unions and academia to broaden its exposure to ongoing policy debates and promote better understanding of IMF views with stakeholders. Following these consultations, staff prepares a report, which is considered by the IMF's Executive Board. In almost all cases, the staff report is published, along with a summary of Executive Directors' views as expressed in the Board discussion.

Summary of Article IV Obligations

Article IV of the IMF Articles of Agreement sets the "rules of the game" that each member country has voluntarily committed to abide by to ensure the smooth functioning of the international monetary system. Each member country is obligated to:

- Pursue economic and financial policies that promote orderly economic growth with reasonable price stability.
- Promote a stable monetary system by fostering orderly underlying economic and financial conditions.
- Avoid manipulating exchange rates or the international monetary system to prevent effective balance of payments adjustment or gain an unfair competitive advantage over other members.
- Facilitate the information necessary for the Fund to exercise firm surveillance over the exchange rate policies of members.

In return, the IMF is bound to adopt specific principles for the guidance of all members with respect to exchange rate policies consistent with the above, but that respect the domestic social and political policies and circumstances of members.

Recognizing the growing importance of regional linkages, the IMF has placed an increased emphasis on regional surveillance and possible spillovers from national economic policies. For example, the IMF holds discussions with representatives of currency unions, such as the Eastern Caribbean Central Bank, and produces semi-annual regional economic outlooks that discuss recent economic developments and prospects for countries in various regions.

In addition to its bilateral consultations with members under Article IV, the IMF conducts important regional and multilateral surveillance of developments in the overall global economy and financial and monetary system. The main products of IMF multilateral surveillance are the semi-annual *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR). A few times a year, the IMF also publishes *Regional Economic Outlook* reports that discuss recent economic developments and prospects for countries in various regions. All of these reports foster discussion at the Executive Board and with capitals, and are subsequently published.[5] The Executive Board also holds regular informal discussions on world economic and financial market developments.

Capacity Building

Technical assistance is another core function of the IMF. The IMF offers technical assistance in its areas of expertise such as macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange systems, financial sector reform and statistical capacity building.

[5] For the October 2008 WEO see www.imf.org/external/pubs/ft/weo/2008/02/index.htm and for the October 2008 GFSR see www.imf.org/External/Pubs/FT/GFSR/2008/02/index.htm.

Table 2
Regional Technical Assistance Centres (RTACs)

Centre Name (Location) Year Opened	Beneficiary Countries and Territories
Pacific RTAC (Suva, Fiji) 1993	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.
Caribbean RTAC (Bridgetown, Barbados) 2001	Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Cayman Islands, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos, and Virgin Islands.
East AFRITAC—Africa Regional Technical Assistance Centre (Dar es Salaam) 2002	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda.
West AFRITAC (Bamako, Mali) 2003	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo.
Middle East RTAC (Beirut, Lebanon) 2004	Islamic Republic of Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syrian Arab Republic, West Bank and Gaza, and Republic of Yemen.
Central AFRITAC (Libreville, Gabon) 2007	Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, and Gabon.
Central America-Panama TAC (Guatemala) Opening planned for 2009	Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

In collaboration with member countries, the IMF delivers technical assistance through missions from headquarters, short-term expert assignments, long-term resident advisors and regional centres. In addition to the IMF Institute, based in Washington, DC, seven regional training institutes for country officials and six RTACs deliver more accessible and regionally tailored programming to member countries across the globe. The Fund is planning to open four new centres: two in Africa, one in Central America and one in Central Asia.

Canada is a major contributor to the IMF training programs, including the provision of support for the Africa Regional Technical Assistance Centres, the Caribbean Regional Technical Assistance Centre, the Financial Sector Reform and Strengthening Initiative and the Iraq Technical Assistance Program. In addition, in 2008, Canada pledged to support the establishment and operation of a new technical assistance centre: the Central America-Panama Technical Assistance Centre. Improving the technical capacity of member countries is fundamental to promoting sound monetary and macroeconomic policies and enabling effective IMF surveillance.

Program Support—Lending and Policy Advice

The IMF provides program support to its members through a variety of financial and policy instruments to help countries with balance of payments problems. Each mechanism is tailored to a member country's particular circumstances.

The IMF works much like a credit union. Although the IMF has only limited resources of its own, it has access to a large pool of liquid resources provided by its members, comprising convertible national currencies, Special Drawing Rights (SDRs), and other widely used international currencies. It makes these resources available to help members finance temporary balance of payments problems.

When requested to do so, members provide resources to the IMF in amounts determined by quotas reflecting each country's relative economic weight in the global economy. A country's quota in turn helps determine the amount of IMF resources that it may access should it experience economic difficulties. At the end of September 2008, the total quota for the Fund's 185 members stood at SDR 217.4 billion (about US$327.4 billion).[6] Canada's contribution to this total is presently SDR 6.37 billion (about US$9.6 billion).[7] Canada's quota represents 2.93 per cent of total quota assigned and corresponds to the maximum amount that it would be asked to lend to the IMF, from its international reserves, to assist other members experiencing financial difficulties.

Special Drawing Right (SDR)

An SDR is the international reserve asset created by the IMF to supplement the existing official reserves of member countries. The SDR serves as the unit of account of the IMF and its value is based on a basket of key international currencies.

A member country may seek an IMF financial program in response to a serious balance of payments or fiscal problem. In these cases, the IMF provides financing to allow the country to purchase needed imports or bolster its foreign exchange reserves. The member country obtains access to the general resources of the IMF by purchasing (drawing) other members' currencies with an equivalent amount of its own currency. A member repays the IMF by repurchasing its own currency with other members' currencies over a specified period of time, with interest. In this way, a member country borrows from other members, with the IMF as an intermediary.

Members providing the resources lent to a country facing balance of payments difficulties receive a competitive rate of interest on the resources they have provided. The interest rate approximates the return members would have received on alternative safe and liquid investments. As members receive interest, and do not provide grants to finance the Fund's general operations, membership in the IMF does not entail a direct budgetary cost.

6 www.imf.org/external/np/exr/facts/quotas.htm.

7 www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=130&date1key=2009-02-04.

Members requesting financial assistance reach an agreement with the IMF staff on a set of economic measures and reforms aimed at removing the underlying source of the country's balance of payments difficulty. The details of this integrated economic program (often referred to as conditionality) and the amount and duration of financing are then approved by the Executive Board. Typically, IMF financial assistance is provided in stages, or tranches, with the release of each tranche accompanied by verification that the country is continuing to follow the agreed economic program, and is meeting agreed policy conditions.

Depending on the prospective size and duration of the problem, these measures are agreed to as part of a Stand-By Arrangement, which typically lasts one to two years, or an Extended Fund Facility, which generally runs for three years. Short-term financing for balance of payments difficulties related to crises of market confidence is also available through the Supplemental Reserve Facility. Moreover, members affected by a natural disaster or emerging from a conflict can access IMF facilities on an expedited basis under the emergency access policy. Finally, in response to the 2008 financial crisis, the IMF has approved the creation of a Short-Term Liquidity Facility. It is a quick-disbursing financing instrument for countries with strong economic policies that are facing temporary liquidity problems in global capital markets.

Over the past decade, the IMF has developed new instruments to strengthen its support to low-income member countries. Below market rate (concessional) financing to low-income developing countries is made available through the Poverty Reduction and Growth Facility (PRGF) in the form of low-interest loans with extended repayment periods. The Exogenous Shocks Facility (ESF), established in 2006, provides timely concessional support to low-income countries that are facing a balance of payments problem resulting from exogenous shocks, such as a spike in energy prices or a significant deterioration in terms of trade. The interest rate on PRGF and ESF loans is 0.5 per cent, and loans are repaid over a period of 10 years, with 5½ years' grace.

A Policy Support Instrument (PSI) is available to members that do not need or want IMF financial assistance but voluntarily request IMF endorsement and continued monitoring of their policies. A PSI signals IMF support for a member country's policies, helping to inform the decisions of private and public creditors, official donors and the general public. Canada was a strong advocate of the development of this instrument, which was introduced in late 2005. As of 2008, Cape Verde, Mozambique, Nigeria, Senegal, Tanzania and Uganda have benefited from PSI arrangements.

Table 3
IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions
Credit Tranches and Extended Fund Facility		
Stand-By Arrangements (1952)	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	Adopt policies that provide confidence that the members' balance of payments difficulties will be resolved within a reasonable period.
Extended Fund Facility (1974)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt a 3-year program with a structural agenda and an annual detailed statement of policies for the next 12 months.
Special Facilities		
Supplemental Reserve Facility (1997)	Short-term assistance for balance of payments difficulties related to crises of market confidence.	Available only in the context of Stand-By or Extended Arrangements with an associated program and with strengthened policies to address loss of market confidence. Although amounts provided can be larger than those under a regular Stand-By Arrangement, interest is charged at a penalty rate to encourage early repayment.
Compensatory Financing Facility (1963)	Medium-term assistance for temporary export shortfalls or cereal import excesses.	Available only when the shortfall/excess is largely beyond the control of the authorities and a member has an arrangement with upper credit tranche conditionality, or when its balance of payments position excluding the shortfall/excess is satisfactory.
Emergency assistance—natural disasters (1962) and post-conflict (1995)	Assistance for balance of payments difficulties related to natural disasters or the aftermath of civil unrest, political turmoil or international armed conflict.	Minimal conditions are applied, consisting of reasonable efforts to overcome balance of payments difficulties with a focus on institutional and administrative capacity building to pave the way toward an upper credit tranche arrangement or PRGF.
Short-Term Liquidity Facility (2008)	Large, upfront, quick-disbursing, short-term financing to help countries with strong policies and a good track record address temporary liquidity problems in capital markets.	Financing is made available without the standard phasing and loan conditions of more traditional IMF arrangements. However, borrowers are expected to certify that they are committed to maintaining strong macroeconomic policies.

Table 3
IMF Lending Facilities *(cont'd)*

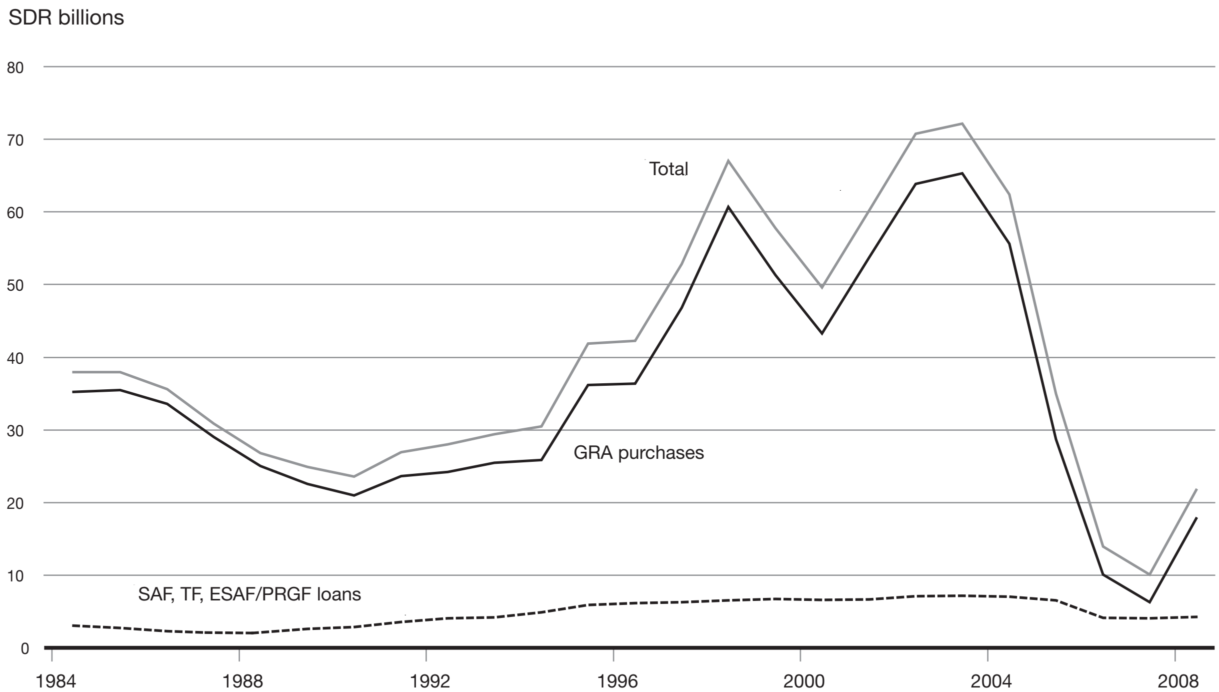
Facilities for Low-Income Members		
Poverty Reduction and Growth Facility (1999)	Longer-term assistance for deep-seated balance of payments difficulties of a structural nature; aimed at sustained poverty-reducing growth.	Adopt 3-year PRGF arrangements based on a Poverty Reduction Strategy Paper prepared by the country in a participatory process and integrating macroeconomic, structural and poverty reduction policies.
Exogenous Shocks Facility (2006)	Short-term assistance to address a temporary balance of payments need arising from an exogenous shock (e.g. a spike in energy prices).	Adopt a 1-2 year program involving macroeconomic adjustments allowing the country to adjust to the shock and structural reform is considered important for adjustment to the shock, or mitigating the impact of future shocks.

Source: www.imf.org.

IMF Lending Activity in 2008

A relatively benign global economic and financial environment in recent years drove a substantial reduction in demand for borrowing from the IMF. However, with the onset of the global credit crunch and financial crisis, particularly in the latter half of 2008, demand for borrowing has surged dramatically (see Chart 1). Many developing and emerging market countries, primarily in Eastern Europe, benefited during recent years from massive foreign capital inflows, which funded large current account deficits, but these inflows have drastically diminished or reversed, creating large balance of payments funding gaps. The IMF's Stand-By Arrangement (SBA) loans to Hungary (SDR 10.5 billion) and Ukraine (SDR 11 billion) were the largest since an SDR 12.8 billion SBA loan to Turkey in 2002 (see Chart 2).

Chart 1
IMF Credit Outstanding for All Members, 1984–2008

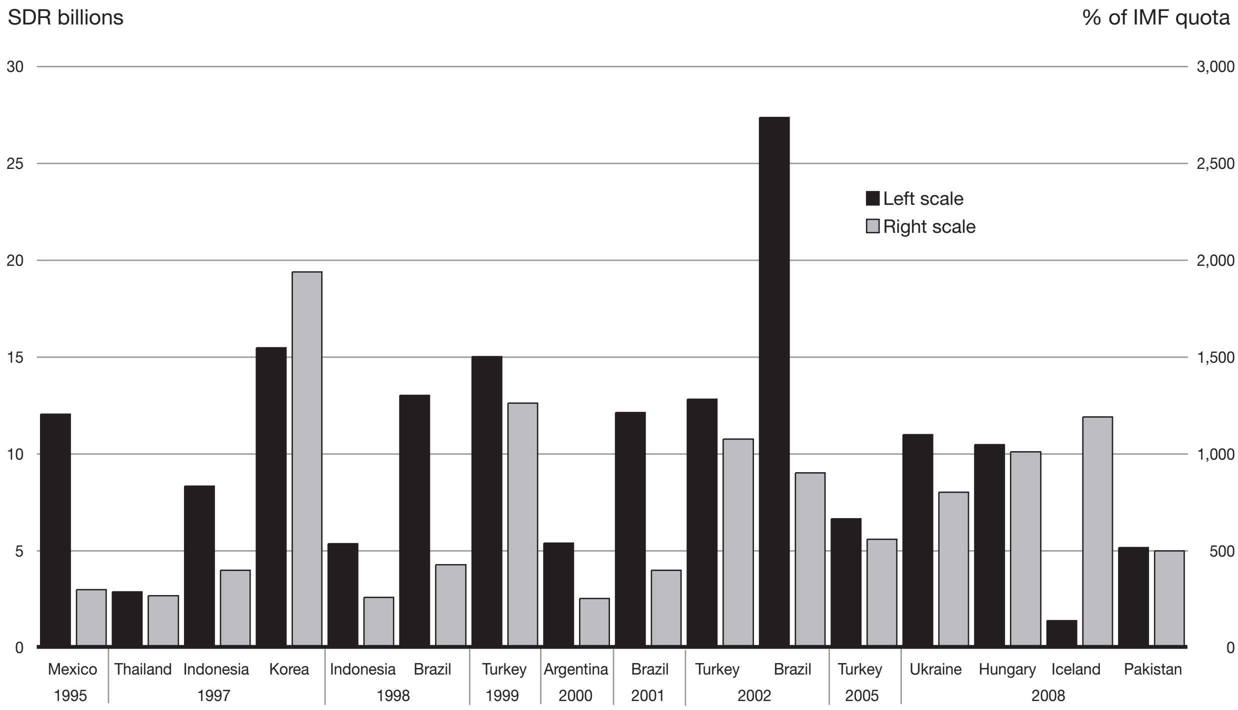


Notes: GRA = General Resources Account; SAF = Structural Adjustment Facility; TF = Transfer Fund; ESAF = Enhanced Structural Adjustment Facility; PRGF = Poverty Reduction and Growth Facility.
Source: www.imf.org/external/fin.htm.

Increased IMF lending activity in 2008 includes:

- Georgia, Honduras, Hungary, Iceland, Latvia, Pakistan, Seychelles and Ukraine have received IMF SBA loans, while the Kyrgyz Republic, Malawi and Senegal have received ESF loans, altogether totalling over SDR 30.3 billion.
- In terms of concessional lending, the Executive Board approved nine new PRGF arrangements during 2008 (totalling SDR 499.9 million) for Armenia, Burundi, Djibouti, Republic of Congo, Liberia, Mali, Niger, Togo and Zambia.

Chart 2
Large Approved IMF Lending Amounts, 1995–2008



Note: These lending arrangements include total lending amounts made available, including cases where lending arrangements were extended beyond initial stand-by facility time lines. Also, amounts show the total amounts of lending made available: not all of these funds were fully drawn upon.

Source: www.imf.org/external/fin.htm.

IMF IEO Evaluations in 2008

The IEO completed one evaluation report in 2008 addressing a topic that is important to Canada and vital to the work of the Fund: corporate governance. While this evaluation is retrospective, it provides insightful analysis and presents well-considered recommendations for improving the work of the IMF.

The report, entitled *Governance of the IMF: An Evaluation*,[8] examines the effectiveness, efficiency, accountability and voice of IMF governance mechanisms. In recent years, the Government and the Bank of Canada have been key players in prompting corporate governance improvements through messaging at the Executive Board and discussions with staff and the IEO, but also publicly. Former Bank Governor David Dodge also focused on the issue in his speeches, and the Bank has undertaken research and outreach on the issue. Overall, the report indicates that effectiveness has been the strongest aspect of Fund governance while accountability and voice have been its weakest aspects. The key findings of the evaluation include:

- There is a lack of clarity on the respective roles of the different governance bodies, and in particular between the Board and management.

[8] See www.ieo-imf.org/eval/complete/eval_05212008.html.

- The Fund needs more systematic ministerial involvement, and the IMFC lacks a mandate for setting strategic directions.
- The Board's effectiveness is hindered by excessive focus on executive, rather than supervisory, functions.

The report's recommendations include:

- Clarify the roles and responsibilities of each of the different governance bodies with a view to minimizing overlap and addressing possible gaps.
- Activate the Council of Ministers, provided for in the Articles of Agreement, as the ultimate decision-making body for the institution.
- Reorient the Executive Board's activities from executive day-to-day operational activities towards a supervisory role.
- Establish a framework to hold management accountable for its performance.

In order to enhance IMF effectiveness for the benefit of all stakeholders, the Fund must take a coherent and comprehensive approach to governance reform. Canada supports the report's findings regarding both the gaps (e.g. accountability) and ambiguities (e.g. in roles and responsibilities) in the Fund's governance structure. In particular, the Government supports the development of a framework to hold management accountable and has been promoting a re-invigoration of the IMFC. In Canada's view, the Board also needs to be strengthened by focusing more on strategic issues and policy implementation within the institution. Canada was a big proponent of the IEO report and pushed at the Executive Board for a systemic follow-up to the many issues raised. In light of this pressure from Canada and some other like-minded members, a Joint Committee of management and the Executive Board is being formed to follow up on IMF corporate governance issues, including the role of the Executive Board. The Government will continue to push for progress based on the principle that good corporate governance is critical to institutional effectiveness, accountability and representativeness.

Canada and the IMF

As one of 185 member countries, Canada plays an important collaborative role with our international partners to ensure that the IMF has the tools it needs to fulfill its mandate of promoting international monetary and financial stability. A healthy global economy helps create more jobs for Canadians, promotes stable prices for goods and services, and improves our standard of living. Canada's participation at the IMF encourages international cooperation, sustainable economic growth and better living standards for citizens across the globe.

As a result of the relatively large size of the Canadian economy, and its openness to international trade, Canada has a significant voting share at the IMF (see Table 4). As a result, a Canadian has historically held a seat on the Executive Board, which is composed of 5 appointed member countries and 19 elected member countries and constituencies. Canada's seat on the Executive Board represents a constituency that includes Ireland and member countries from the Commonwealth Caribbean. Although Canada's voting share at the IMF is 2.89 per cent, the Executive Director casts the votes of all members of the constituency, for a total of 3.64 per cent. In the event of a vote, the Executive Directors of multi-country constituencies must cast all of the votes of their members as a block.

Table 4
Voting Shares of the 12 Largest Members of the IMF

Country	% of Total Voting Shares
United States	16.77
Japan	6.02
Germany	5.88
United Kingdom	4.86
France	4.86
China	3.66
Italy	3.19
Saudi Arabia	3.16
Canada	2.89
Russia	2.69
Netherlands	2.34
Belgium	2.09

Office of the IMF Executive Director for the Canadian, Irish and Caribbean Constituency

Executive Director	Michael Horgan (Canada)
Alternate Executive Director	Stephen O'Sullivan (Ireland)
Senior Advisor	Glenn Purves (Canada)
Senior Advisor	Murna Morgan (Jamaica)
Senior Advisor	Pierre St. Amant (Canada)
Advisor	Shawn Ladd (Canada)
Advisor	Peter McGoldrick (Ireland)
Administrative Assistant	Catherine Byrne (Ireland)
Administrative Assistant	Basia Manitius (Canada)
Phone/fax	202-623-7778/202-623-4712
Address	11-112, 700 – 19th Street N.W., Washington, DC 20431, USA

Canada's Voting Record in 2008

Since the vast majority of decisions at the IMF are taken on a consensus basis, formal votes by Governors and the Executive Board are rare. Canada attempts to influence the development of policy proposals before they are brought to the Board (through informal discussion with staff and management) or to influence other members of the Executive Board before or during the course of Board deliberations. Below is Canada's position on the three resolutions taken by the Board of Governors in 2008. As well, the Executive Director representing Canada, Ireland and the Caribbean recorded one abstention in 2008.

Voting Record of the Canadian Governor in 2008

- In April 2008, Canada's Governor approved the landmark reforms to quota and voice and amendments to the Articles of Agreement to implement the new income model for the IMF. Canada played a central role in the IMF reform effort and strongly supports the agreements aimed at strengthening the legitimacy and credibility of the IMF.
- In July 2008, Canada's Governor abstained on the proposal to increase the salaries for the Executive Directors at the IMF due to Canadian views on the need for the IMF to further control its expenses.
- In September 2008, Canada's Governor approved a change to the policy for reimbursement of Governors' expenses to attend Annual Meetings. This change was aimed at reducing Fund expenses, as part of budget reforms approved earlier in 2008. Canada never sought reimbursement for expenses to attend Annual Meetings.

Voting Record of the Executive Directors Representing Canada in 2008

(Only Oppositions or Abstentions Listed)

- In January 2008, Canada's Executive Director at the IMF abstained on some elements of the vote to approve the completion of the final review of the Dominican Republic's Stand-By Arrangement due to concerns regarding payment arrears on a loan that had, unintentionally, not been reported to the Fund.

An Introduction to the World Bank Group

The World Bank Group is made up of five complementary but distinct entities: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). Each institution plays a unique but complementary role in promoting global poverty reduction.

Figure 2
Five Agencies—One Group

The overarching mission of the World Bank Group is to reduce global poverty, focusing on the achievement of the Millennium Development Goals (MDGs). These MDGs set concrete targets for the elimination of poverty and sustained development and provide the Bank and other donors with common targets and yardsticks for measuring results. The Bank concentrates on fostering a climate conducive for investment, job creation and sustainable growth. It also seeks to empower the less fortunate, through the provision of health services, education and other social services, to enable them to participate in development.

The Millennium Development Goals

- End extreme poverty and hunger.
- Make sure all children receive a primary education.
- Promote equal rights for women and give them power to help themselves.
- Improve the health of pregnant women and mothers.
- Reduce child death rates.
- Tackle HIV/AIDS, malaria and other diseases.
- Protect the environment and natural resources.
- Develop an international partnership for development.

Together, the IBRD and IDA are often referred to as "the World Bank." They focus on lending and contributing to development projects that help to reduce poverty. Funding from the IBRD and IDA goes to sectors such as education, health, infrastructure, environment and agriculture. The IFC and MIGA support private sector investment in developing countries.

World Bank Group Agencies[9]

IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

- Established: 1944
- Members: 185
- Mission: Broad poverty reduction
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, analytical and advisory services
- Size: US$13.5 billion in new commitments, 2008

9 All figures and activities in this section are for the World Bank's 2008 fiscal year (July 1, 2007 to June 30, 2008).

Established in 1944, the IBRD is the original institution of the World Bank Group and its main lending agency, providing loans to middle-income and creditworthy low-income countries with per capita incomes of less than US$17 per day.

The IBRD raises most of its funds in the world's financial markets by selling AAA-rated World Bank bonds. It lends these funds to its client countries at a rate of interest that is much lower than the rate they could secure on their own. The IBRD is able to borrow at attractive rates because it is backed by capital commitments from its member countries.

Chart 3
Total IBRD Lending By Region, 2008
(% share of US$13.5 billion)

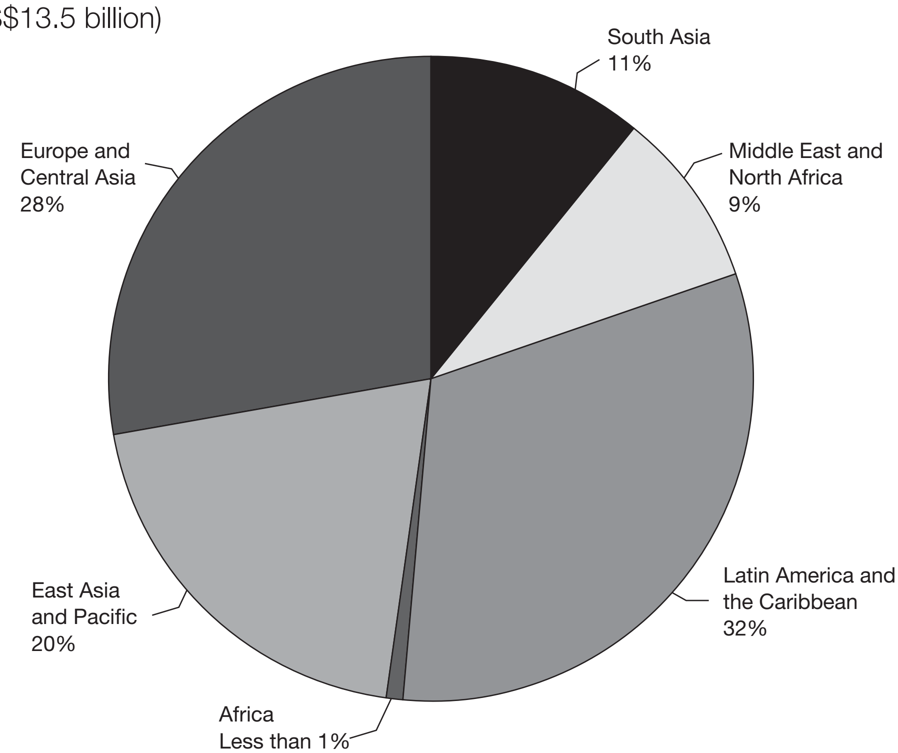
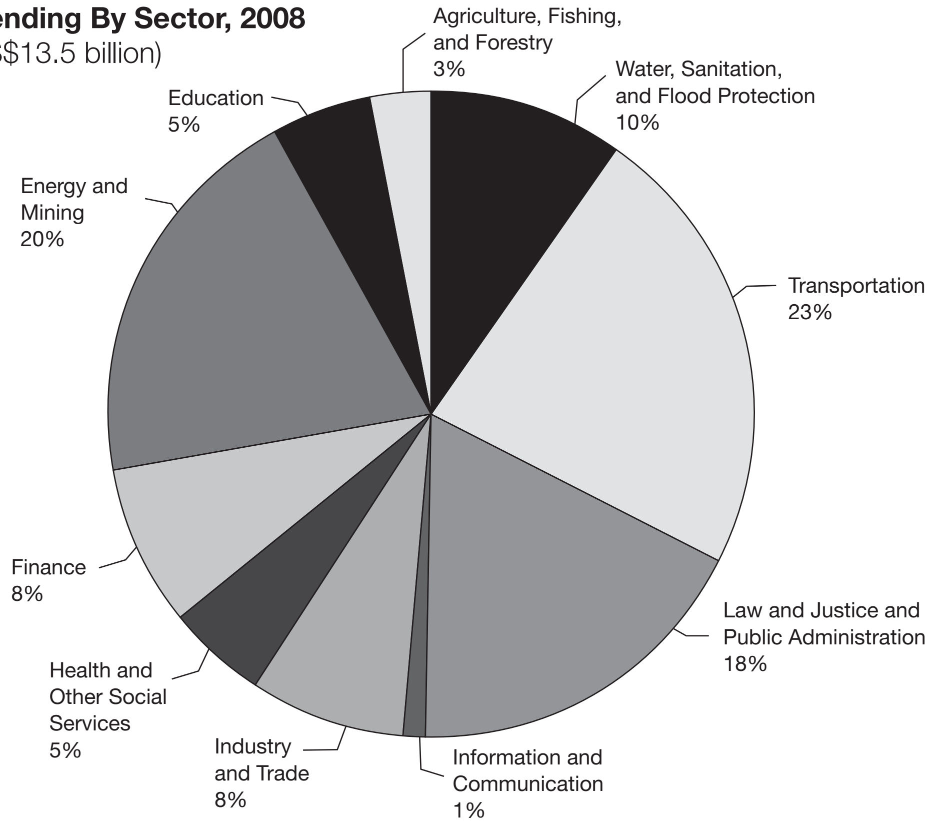


Chart 4
Total IBRD Lending By Sector, 2008
(% share of US$13.5 billion)



The IBRD does not seek to maximize profit; rather, it aims to earn enough to ensure its financial strength and to sustain its development activities. In 2008, the IBRD raised US$19 billion on world capital markets and committed US$13.5 billion to 99 projects in developing countries.

Latin America and the Caribbean receive the largest portion of IBRD funding (32 per cent in 2008), followed by Europe and Central Asia. IBRD lending for infrastructure (transportation, energy and mining, and water, sanitation, and flood protection) accounted for approximately 53 per cent of total lending in 2008.

IDA—International Development Association

IDA at a Glance

- Established: 1960
- Members: 168
- Mission: Broad poverty reduction
- Clients: Poorest countries
- Tools: Interest-free loans, grants, analytical and advisory services
- Size: US$11.2 billion in new commitments, 2008

In the 1950s, it became clear that the poorest developing countries could not afford to borrow needed capital on the terms offered by the IBRD. In response, IDA was set up to lend to very poor countries at zero interest. IDA lending now accounts for approximately one-third of World Bank Group financing and is focused on countries with annual per capita income of less than US$3 per day. IDA offers 35- and 40-year interest-free loans and grants and represents the largest source of development financing for these countries.

New IDA commitments are financed through donor contributions, annual transfers from IBRD and IFC net income, and IDA's own internal resources (i.e. principal repayment on past loans). Donor contributions make up the largest component of IDA's finances, and a replenishment is held every three years to mobilize new donor pledges for the coming period.

In FY2008, the largest share of IDA resources were committed to Africa, which received US$5.7 billion, or 50 per cent of total IDA commitments. South Asia also received a large share of total funding, with US$2.8 billion in new commitments. Vietnam and India were the largest single recipients of IDA funding. Sectorally, public administration, infrastructure, health, education and agriculture were major focuses for IDA financing.

Chart 5
Total IDA Lending By Region, 2008
(% share of US$11.2 billion)

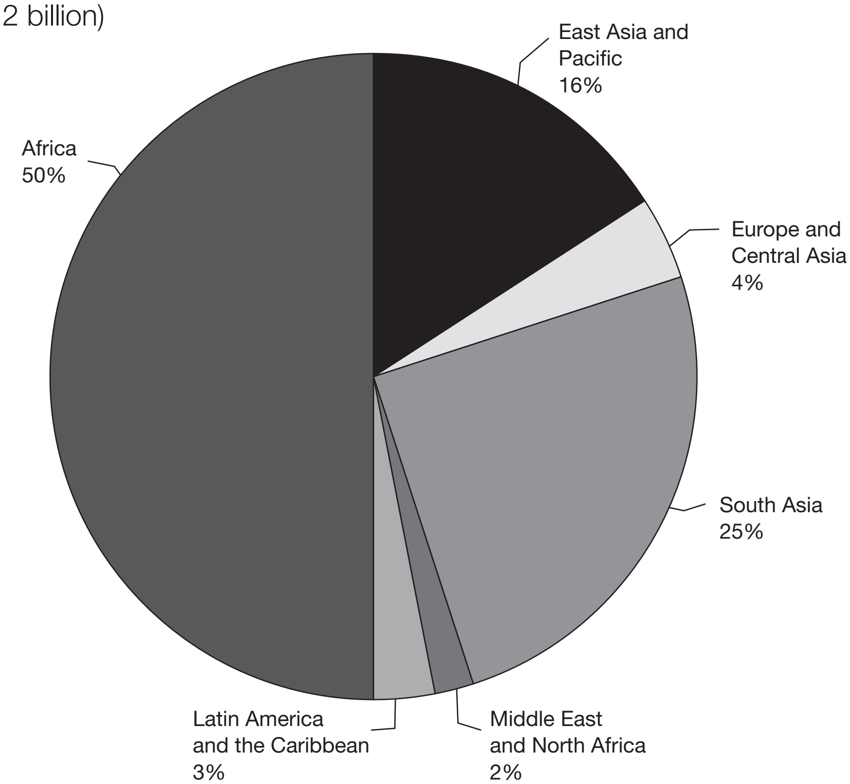
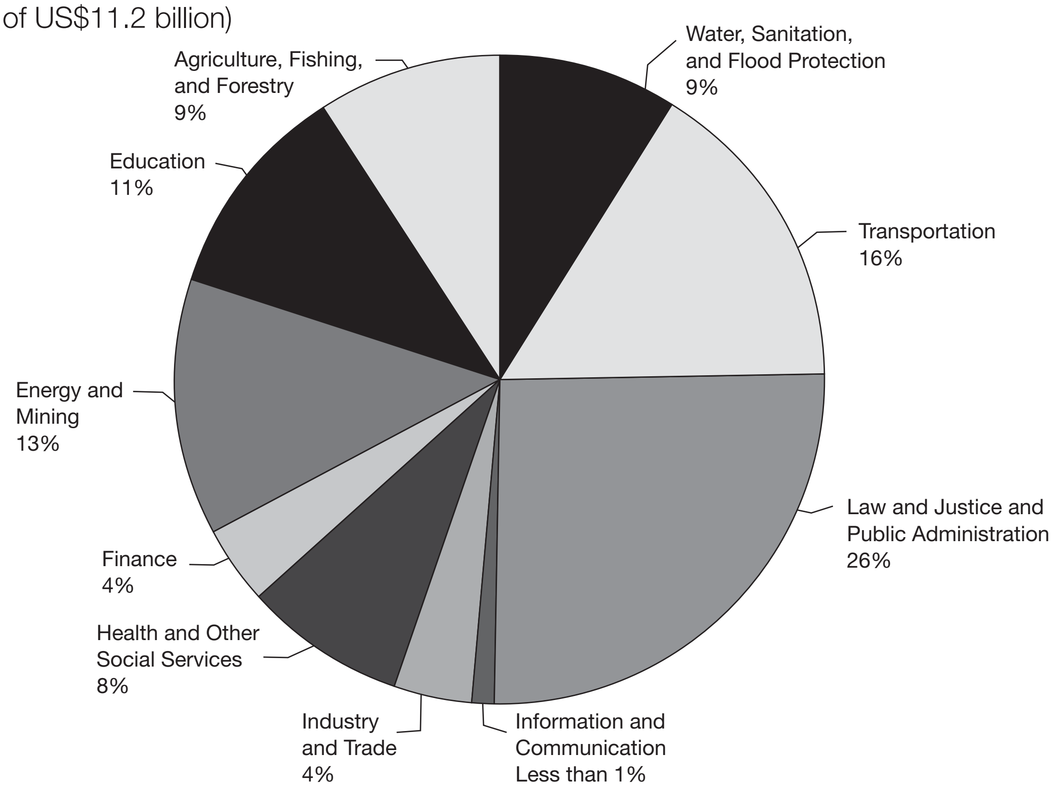


Chart 6
Total IDA Lending By Sector, 2008
(% share of US$11.2 billion)



Supporting Developing Countries' Priorities

Development programs are most successful when the country has a true sense of ownership and is deeply involved in their design and execution.

Over the last decade, the World Bank has made progress in focusing its lending on borrower countries' development priorities. IDA borrowers begin by setting out their vision for their country's development in a Poverty Reduction Strategy Paper (PRSP). These documents describe the policies and programs they would put in place to promote growth and reduce poverty, as well as associated external financing needs, and are prepared through a participatory process involving civil society and development partners.

Using the PRSP as its starting point, the World Bank works with the country and other stakeholders to prepare a Country Assistance Strategy (CAS). The CAS identifies the key areas where the Bank Group's assistance can have the biggest impact on poverty reduction and sets out a selective program of Bank Group support, including the level and composition of financial, advisory and/or technical support.

Canada is very supportive of the efforts the Bank has made to advance the country-led development model. Canada encourages it to continue helping client countries build the institutional capacity to properly define and implement national strategies and to promote truly participatory processes for the development of the PRSP, involving all interested stakeholders.

IFC—International Finance Corporation

IFC at a Glance

- Established: 1956
- Members: 179
- Mission: Promote private sector investment
- Clients: Businesses in developing countries where there is limited access to capital
- Tools: Commercial-rate loans, equity investments, resource mobilization, advisory services
- Size: US$11.4 billion in new commitments, 2008

The IFC works with the private sector in developing countries to reduce poverty and encourage sustainable economic growth. It provides financing for private sector projects, assists in mobilizing financing in international financial markets, and provides advice and technical assistance to businesses and governments. The IFC's mandate stipulates that it provide financing only where sufficient private capital cannot be obtained from other sources on reasonable terms. The IFC is now the largest multilateral source of loan and equity financing for private sector projects in the developing world.

The IFC collaborates and coordinates with the IBRD, IDA, MIGA and other organizations, though it is legally and financially autonomous, with its own share capital, management and staff.

In 2008, the IFC committed $11.4 billion in new investments. Its portfolio grew 28 per cent to US$32.4 billion from US$25.4 billion the previous year. New commitments in East Asia and the Pacific increased by 73 per cent to US$1.6 billion. New commitments in Latin America and the Caribbean rose by 65 per cent to US$2.9 billion, while new commitments in Europe and Central Asia increased by 50 per cent to US$2.7 billion. In contrast, the three regions that received the largest new commitments last year saw minimal enhancements this year. New commitments in the Middle East and North Africa increased by 18 per cent to US$1.4 billion, while new commitments in South Asia were up 18 per cent to US$1.3 billion. New commitments in Sub-Saharan Africa remained steady at US$1.4 billion.

Chart 7
New IFC Investments by Region, 2008
(% share of US$11.4 billion)

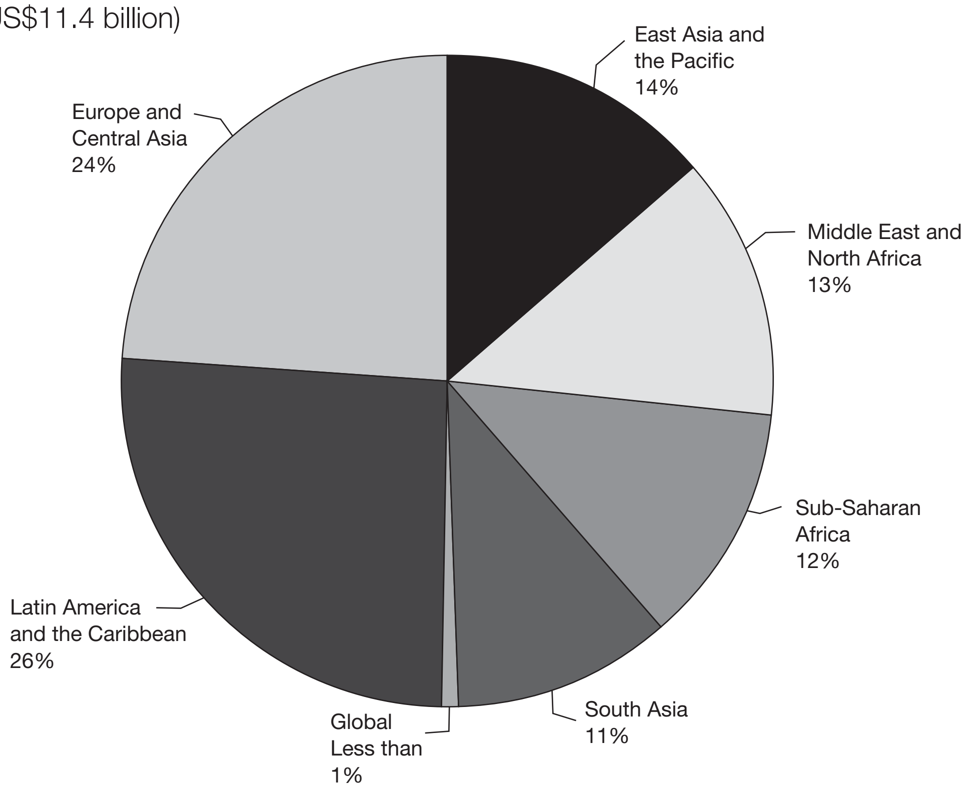
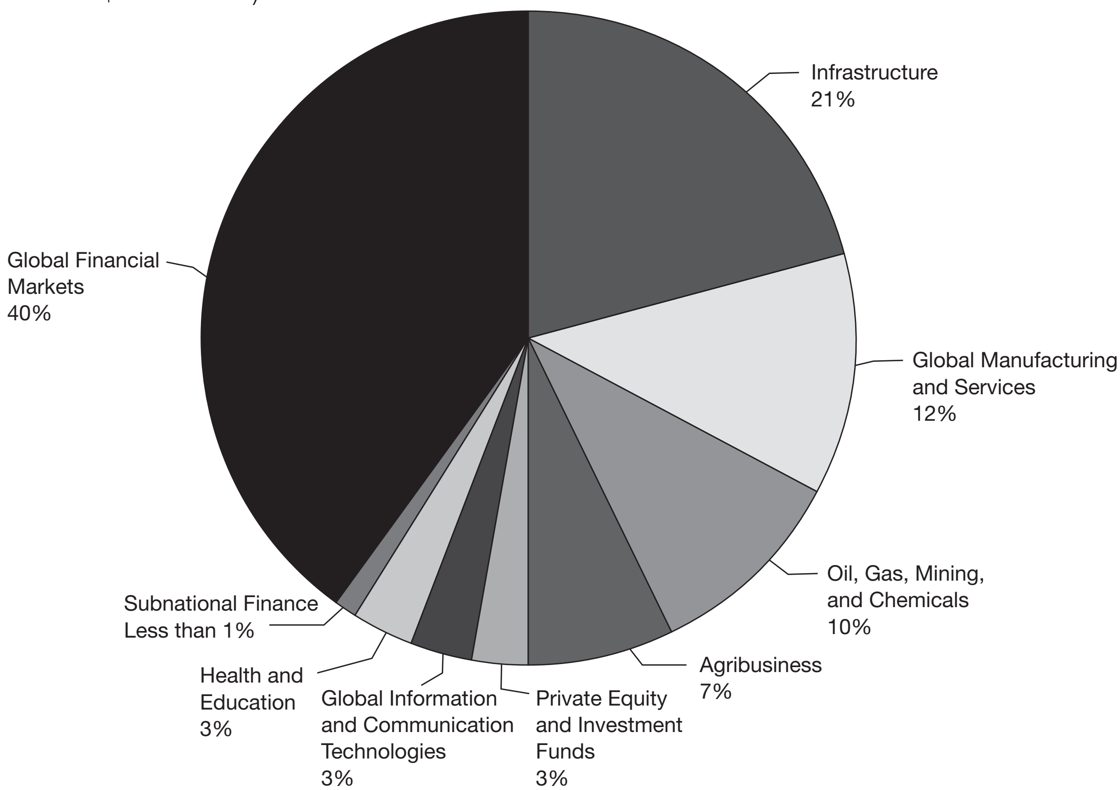


Chart 8
New IFC Investments by Sector 2008
(% share of US$11.4 billion)



MIGA—Multilateral Investment Guarantee Agency

MIGA at a Glance

- Established: 1988
- Members: 173
- Mission: Promote foreign direct investment in developing countries
- Clients: Investors and lenders
- Tools: Political risk insurance, advisory and legal services
- Size: US$2.1 billion issued in risk guarantees, 2008

MIGA encourages foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks. MIGA also provides technical support to help developing countries promote investment opportunities and uses its legal services to reduce possible barriers to investment.

In 2008, the total amount of guarantees issued for projects in MIGA's developing member countries reached US$2.1 billion. This represents the fourth consecutive year of steady growth in guarantees issued by the agency.

Of the new guarantees issued, US$690 million went to projects in IDA-eligible countries and US$99 million went to projects in conflict-affected countries.

Chart 9
Total MIGA Risk Guarantees Issued by Region, 2008
(% share of US$2.1 billion)

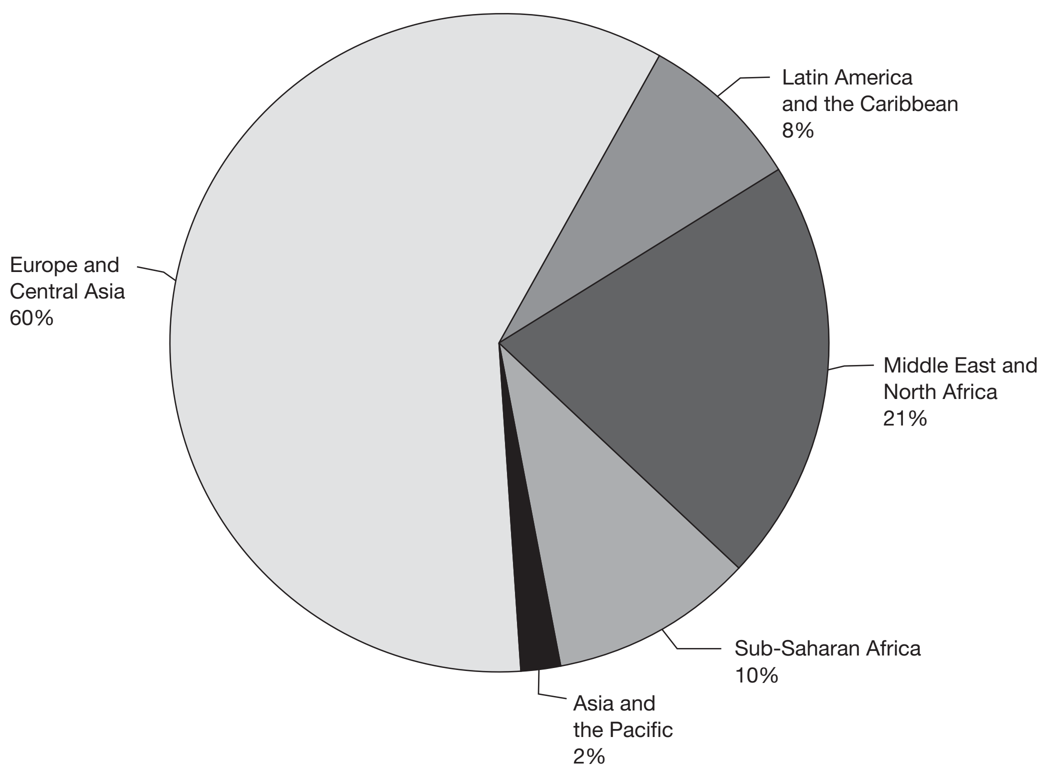
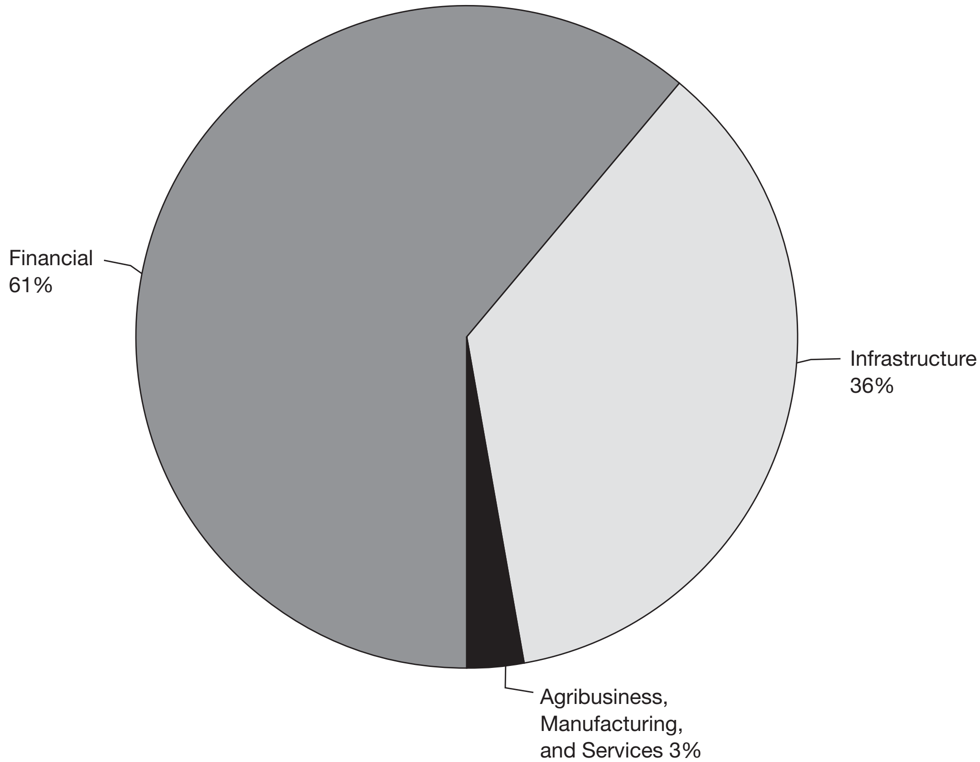


Chart 10
Total MIGA Risk Guaranteess Issued by Sector, 2008
(% share of US$2.1 billion)



ICSID—International Centre for Settlement of Investment Disputes

ICSID at a Glance

- Established: 1966
- Members: 143
- Mission: Investment dispute resolution mechanism

ICSID provides a conciliation and arbitration mechanism for investment disputes between member countries and private investors. Canada is not currently a member of ICSID. However, in 2008, Canada passed Bill C-9, An Act to implement the Convention on the Settlement of Investment Disputes between States and Nationals of other States, which has received Royal Assent. The act will come into force on a day to be fixed by order of the Governor in Council. ICSID membership would provide Canadian investors with an additional mechanism for the resolution of investment disputes pursued under international arbitration.

The World Bank Group's Internal Checks and Balances

The World Bank Group has in place several bodies to ensure that its activities are achieving results, are carried out with integrity, and are working for the benefit of the vulnerable and disadvantaged in developing countries.

The Independent Evaluation Group (IEG)

The IEG is an independent unit within the World Bank Group reporting directly to the Bank's Executive Board. The IEG assesses the development impact of IBRD, IDA, IFC and MIGA programs. Its goals are to provide an objective assessment of their work, provide accountability in the achievement of the Bank's objectives and ensure that the Bank learns from its experiences. In 2008, the IEG conducted nine evaluations of individual Bank projects, one country-level evaluation, two sector evaluations and four corporate reviews. These reports are available online at www.worldbank.org/ieg.

Quality Assurance Group (QAG)

QAG's primary objective is to promote increased internal accountability at the Bank by providing staff with credible, timely feedback on operational performance and identifying systemic issues affecting operational performance. It highlights the skills and resources needed to ensure high-quality work and uses lessons learned to support staff training. QAG's home page is located at http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/QAG/0,,pagePK:109619~theSitePK:109609,00.html.

Compliance Advisor Ombudsman (CAO)

The Office of the CAO is committed to enhancing the development impact and sustainability of IFC and MIGA projects by responding quickly and effectively to complaints from affected communities. It also supports the IFC and MIGA in improving the social and environmental outcomes of their work and fostering a high level of accountability. The CAO has received 99 complaints since 2000, including 19 in 2008. The CAO's Annual Report can be accessed at http://www.cao-ombudsman.org/html-english/documents/CAOAnnualReport2008_English.pdf.

The Inspection Panel

The primary purpose of the Inspection Panel is to address the concerns of people who may be affected by IBRD and IDA projects and to ensure that the Bank adheres to its operational policies and procedures during the design, preparation and implementation phases of projects. The Panel is appointed by and reports directly to the Executive Board. In 2008, it completed two investigations and received six new requests for inspection. The Panel's Annual Report can be accessed at http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/Insp_Panel_2008Final-LowRes.pdf.

Department of Institutional Integrity (INT)

INT investigates allegations of fraud and corruption in Bank Group operations as well as allegations of staff misconduct, and reports its findings directly to the President. INT also assists in preventative efforts to protect Bank Group funds and ensure they are used for intended purposes. More information on the Department of Institutional Integrity can be found at http://go.worldbank.org/1ZEK9VGAR0.

Canada and the World Bank

The World Bank is governed by 185 member countries. Each owns shares of World Bank stock and thus holds decision-making power. Every World Bank member state appoints a Governor to represent it on the Board of Governors, the highest authority governing the Bank. Canada's Governor is the Minister of Finance.

The Governors are responsible for core institutional decisions, such as admitting or suspending members, increasing or decreasing the Bank's authorized capital stock, determining the distribution of net income, and reviewing financial statements and budgets.

They delegate responsibility for the day-to-day running of the organization to 24 full-time Executive Directors, located at the Bank's headquarters in Washington, DC. Executive Directors are appointed for terms of two years. In November 2006, Mr. Samy Watson was elected to represent the constituency which includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. Governments within the constituency provide advice to the Executive Director on issues discussed at the Executive Board. The Executive Director considers this advice in forming his positions and applies his own judgment as an officer of the World Bank.

The Executive Board usually makes decisions by consensus. In the event of a formal vote, however, the relative voting power of individual Executive Directors is based on the shares held by the constituencies they represent.

Voting power at the Bank is mainly a function of the shareholdings held by a country, which in effect means that voting power reflects the relative economic strength of individual members. A small share of a member's voting power is also determined by basic votes, which are distributed equally among all members.

Table 5

Voting Shares of the 12 Largest Members of the World Bank (IBRD)

Country	% of Total Voting Shares
United States	16.38
Japan	7.86
Germany	4.49
United Kingdom	4.30
France	4.30
China[1]	2.78
Canada	2.78
Italy	2.78
India	2.78
Russia	2.78
Saudi Arabia	2.78
Netherlands	2.21

[1] China has slightly more votes than Canada, Italy, India, Russia and Saudi Arabia.

Canada is the seventh largest shareholder at the Bank, having contributed a total of US$5.5 billion in capital subscriptions to the IBRD, IFC and MIGA and US$6.4 billion in donor contributions to IDA. Canada's voting power ranges from 2.51 per cent to 3.39 per cent within the Bank's different institutions.

Table 6
Canada's Capital Subscriptions, Contributions and Voting Power as of June 30, 2008

	IBRD	IDA	IFC	MIGA
	(US$ millions, unless otherwise indicated)			
Capital subscription	5,403.8	–	81.3	56.5
Amount paid in	334.9	6,366.6[1]	81.3	10.7
Amount callable	5,068.9	–	–	45.8
Subscription share (%)	2.85	3.60	3.44	2.99
Voting power (%)	2.78	2.76	3.39	2.50

Sources: World Bank, IFC and MIGA 2008 Annual Reports.

[1] Represents Canada's cumulative contributions.

Members of the Executive Director's Office at the World Bank

Executive Director	Samy Watson (Canada)
Alternate Executive Director	Ishmael Lightbourne (the Bahamas)
Senior Advisor	Terry Winsor (Canada)
Senior Advisor	François Pagé (Canada)
Senior Advisor	Donal Cahalane (Ireland)
Senior Advisor	Cal MacWilliam (Canada)
Advisor	Robert Chiew (Canada)
Advisor	Carl Oliver (the Bahamas)
Advisor	Anne Donegan (Ireland)
Executive Assistant	Monique Piette
Program Assistant	Monica Morris
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Address	MC-12-175, 1818 H Street N.W. Washington, DC 20433, USA

IDA Replenishments

Every three years, IDA funds are replenished through donor contributions. The replenishment provides another opportunity for Canada to influence policy, as during this process IDA and its donors discuss policy directions for the upcoming period. Governors from each donor country appoint an IDA Deputy to represent them at these discussions, which conclude with a round of donor pledges for the replenishment of the association's finances. Canada's IDA Deputy is Mr. John Davies, Director of the International Finance and Development Division of the Department of Finance.

The Benefits of World Bank Membership

Membership at the World Bank provides significant benefits to Canada, including:

- An important voice in the leading international institution for global poverty reduction and development.
- A vehicle to contribute to development in low-income and emerging countries beyond that which can be achieved through our bilateral programs.
- Participation in an institution that shares our priorities with respect to effectiveness and results, is a key partner for Canada in fragile states, and leads the international community's efforts on debt sustainability.
- An opportunity to partner with the Bank on its research and policy work, which enriches our own understanding of international development.
- Business opportunities for Canadian companies and individuals, through its transparent and fair procurement system.
- The opportunity for closer ties with the countries with which we share a constituency, including a better understanding of their global development priorities and the unique development context in the Caribbean.

Canada's Voting Record in 2008

Canada and other shareholders typically raise questions or concerns about specific Bank operations before they get to the Executive Board. As a result, decisions at the Board are generally taken by consensus. Executive Directors may, however, abstain or vote against projects or policies in consultation with their constituencies. In 2008, the Executive Director representing Canada supported all policies and projects approved by the Board, with one exception, as detailed below.

Voting Record of the Executive Director Representing Canada in 2008

(Only Oppositions or Abstentions Listed)

- In January 2008, Canada's Executive Director at the World Bank abstained on the Executive Board decision to increase the amount of debt relief provided to Guinea-Bissau during the interim period of the Heavily Indebted Poor Countries (HIPC) Initiative. While it was recognized that all shareholders wished to be supportive of Guinea-Bissau's reform efforts and did not want the country to fall into arrears to IDA, Canada and other donors felt that Guinea-Bissau had not demonstrated a strong enough commitment to good governance nor to sound macroeconomic programs to warrant the requested increase in debt relief. Furthermore, Guinea-Bissau did not qualify for a Poverty Reduction Growth Strategy from the IMF, a required program under the HIPC Initiative.
- Canada is of the view that the existing criterion within the HIPC Initiative framework ensures that good performance (i.e. sound macroeconomic policies, good governance and a commitment to poverty reduction) is a prerequisite for substantial sums of debt cancellation. The HIPC framework provides strong incentives for countries to pursue sound economic reforms, and this incentive structure must remain robust. As such, Canada's Executive Director approved of a one-year extension in the provision of interim debt relief, but not to the amount requested at the Board discussion, as we felt that it was too large given Guinea-Bissau's performance. While Guinea-Bissau does not owe Canada any bilateral debt, we expressed the view that further progress could be made and hoped that the country would return within one year with stronger evidence of its commitment to good governance and macroeconomic stability.

Similarly, the Board of Governors is asked to vote on a number of resolutions throughout the year. Below are Canada's positions on the five resolutions taken in 2008.

Voting Record of the Canadian Governor in 2008

- Canada supported the fifteenth replenishment of IDA resources (IDA15). IDA is the arm of the World Bank that provides financing to the poorest countries.
- Canada supported Lithuania's membership request to join IDA.
- Canada supported Latvia's request to change from a Part II member to a Part I member of IDA.
- Canada abstained from voting on a proposed transfer of US$55 million from the IBRD surplus to replenish the Trust Fund for Gaza and West Bank due to Canada's legal and foreign policy position.
- Canada supported the transfer of US$200 million from the IBRD surplus to the Food Crisis Response Trust Fund.

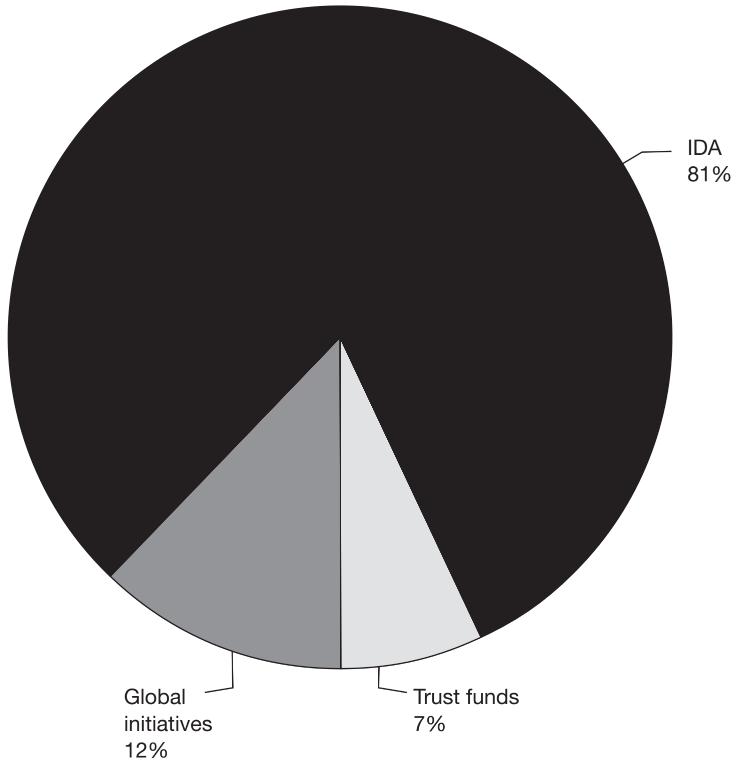
Canada's Financial Contributions in 2008

Canada is an important provider of donor funding for the World Bank Group. In 2008, Canada made the following contributions:

- **IDA:** In January 2008, Canada made its third and last payment of $318 million, as pledged under the IDA14 agreement. Also, in February 2008, Canada made a one-time cash payment of $34 million for IDA15. Finally, in December 2008, Canada issued its first demand note for IDA15 for $384 million.[10]
- **Multi-Donor Trust Funds (MDTFs):** Canada also makes use of World Bank–administered MDTFs, where the World Bank manages funds on behalf of multiple donors. Annex 10 shows Canada's contributions over the past few years. These trust funds have been set up to mobilize donor resources to address key strategic development priorities at the country level. Canada contributed $67 million to World Bank MDTFs from April 1 to December 31, 2008.
- **Global initiatives:** The World Bank also acts as a financial administrator for a number of global initiatives, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunization (GAVI), the Global Environment Facility (GEF), the Advance Market Commitment (AMC) and the Consultative Group on International Agricultural Research (CGIAR). Canada contributed $110 million to these initiatives from April 1 to December 31, 2008.

[10] Canada provided a one-time cash payment of $34.3 million to cover its share of the costs of IDA's new arrears clearance framework agreed as part of the IDA15 replenishment. Canada's first demand note issuance under IDA15 was made in December 2008 instead of the anticipated timeline of January 2009, as the IDA15 replenishment became effective earlier than anticipated and IDA requested an early note issuance, as permitted under the terms of the replenishment resolution. The encashment of this demand note is scheduled for April 2009.

Chart 11
Canada's Financial Contributions in 2008
(% share of $913 million)



The Official Development Assistance Accountability Act

The new Official Development Assistance Accountability Act came into force on June 28, 2008. The act applies to all federal departments providing official development assistance, including the Department of Finance. At a practical level for the Department, the act relates to Canada's operations at the Bretton Woods Institutions.

The act lays out three conditions that must be satisfied for international assistance to be considered as official development assistance under the act. These conditions are that assistance:

- Contributes to poverty reduction.
- Takes into account the perspectives of the poor.
- Is consistent with international human rights standards.

As part of the Department of Finance's implementation of the act, Web consultations were held from December 5 to 31, 2008, to invite input from the Canadian public, civil society organizations, governments and international agencies on whether the Department's international assistance payments meet the three conditions listed above. Comments were also solicited on how the consultation process could be improved in future years.

Comments received helped to inform the Department's internal analysis of eligibility for official development assistance. The comments will also feed into the Department's contribution to the annual report on the Official Development Assistance Accountability Act, which will be submitted to Parliament beginning in the fall of 2009 and issued by the Minister of International Cooperation. A number of useful comments focused on how future consultations could be improved through better scheduling, improved information sharing, broader solicitation of comments from stakeholders, greater transparency and more advanced notice of consultations. The Department of Finance has shared the feedback received with partner departments to help inform their consultations under the act.

To facilitate transparency, the act also requires the Minister of Finance to provide information related to Canada's engagement with the Bretton Woods Institutions. *Canada at the IMF and World Bank* provides this information. Over the last three years, the Government has significantly improved the scope and depth of this report to enhance transparency and communication with the Canadian public. The report now sets out Canada's priorities in a clear manner, reports on progress, and provides other information on Canada's financial contributions to the World Bank and IMF.

Canada at the Bretton Woods Institutions: What Happened in 2008

2008 was a challenging year, with a global food and fuel crisis and a significant global financial crisis. The responses of the IMF and the World Bank Group to these crises demonstrate that they are an important asset for the international community; in both crises, these institutions played a major role in helping their members cope with shocks through financing and policy advice, and provided a platform for international collective action. This section summarizes the actions of the IMF and World Bank Group, and Canada's role in shaping these responses.

The Global Financial Crisis

The financial crisis that began in August 2007 deepened significantly in September 2008 as concerns over the solvency of numerous financial institutions exposed to weak housing markets and opaque and illiquid financial assets prompted a series of collapses among banks and insurance companies.

In response to the crisis, governments around the world have announced extraordinary actions to shore up confidence, support key financial institutions and restore credit market conditions.

In early October 2008, the Group of Seven industrialized nations (G7) met in Washington and unveiled a five-point plan of decisive actions aimed at reversing the credit crisis. The plan was immediately endorsed by the IMFC and the G20 countries. Following the G7 meeting, a Leaders Summit was announced with the objective of bringing together the leaders of the world's leading economies to discuss the global financial crisis. The G20 Leaders Summit on Financial Markets and the World Economy took place on November 14-15 in Washington, DC, and included, in addition to the G20 leaders, representatives from the Nertherlands and Spain, the Managing Director of the IMF, the President of the World Bank, the United Nations (UN) Secretary General, and the Chair of the Financial Stability Forum.

Canada played a leading role at the summit, presenting a five-point plan for avoiding future financial crises. The Prime Minister emphasized that good regulation begins at home and underlined the importance of strengthening international coordination and surveillance, including through the IMF-World Bank Financial Sector Assessment Program.

Canada also played a strong role in developing a Plan of Action. The leaders committed to implement principles for reform in five broad areas to address weaknesses that led to the market turmoil:

- Strengthening transparency and accountability.
- Enhancing sound regulation.
- Promoting integrity in financial markets.
- Reinforcing international cooperation.
- Reforming international financial institutions.

At the end of the summit, it was agreed that four working groups would be established to implement the deliverables contained in the Plan of Action. Canada will co-chair the working group on Enhancing Sound Regulation and Strengthening Transparency, and as part of that effort, will make recommendations to support a "macroprudential" orientation (an approach that takes a system-wide view of risks in the financial sector, and how government regulation and other interventions in the financial sector affect business cycles and the broader economy) for regulatory frameworks. The three other working groups are focused on reinforcing international cooperation and promoting integrity in financial markets, reforming the IMF, and reforming the World Bank and other multilateral development banks. Canada is participating vigorously in their work.

Financial Stability and the Global Economy: Canada's Five-Point Plan

Ahead of the G20 Leaders Summit in November 2008, the Honourable Jim Flaherty, Minister of Finance, appeared as a guest columnist in the *Financial Times*. Below is Canada's five-point plan to restore stability to the international financial system, as outlined by the Finance Minister in his November 12, 2008 column.

- First, we need to regulate all pools of capital that rely on leverage. The crisis has demonstrated the devastating impact that unregulated entities can have. Transparency requirements must be the price of admission to global markets.
- Second, capital and liquidity buffers need to be large enough to handle big shocks. Moreover, regulators must restrain overall use of leverage.
- Third, it is not enough for regulation to look at individual institutions. It needs to look at the system as a whole. Risks that may appear sensible in isolation can be unsustainable from a systemic perspective.
- Fourth, we need to make market infrastructure more transparent and resilient. Non-transparent over-the-counter trades and naked short-selling reduced the stability of the system.
- Countries may hesitate to impose new requirements on their own institutions if these measures will create a competitive disadvantage. This points to the importance of the fifth step: strengthening international co-ordination, review and surveillance to create a better second line of defence. Canada was a pioneer of the joint International Monetary Fund-World Bank financial sector assessment programme. This independent review of domestic financial systems should be mandatory and public. We need to strengthen the role of international colleges of supervisors to ensure better understanding of systemic risks and to co-ordinate national actions.

Source: http://www.ft.com/cms/s/0/2210d41c-b0f2-11dd-8915-0000779fd18c.html.

IMF Response to the Financial Crisis

The financial turmoil has drawn attention to the central role of the IMF as a “crisis responder”, as well as to the contribution it can make to long-term systemic reform of the international financial system to prevent future crises. Fund activities since the second half of 2008 have been centered on a few key areas:

- **Emergency financing.** The Fund has deployed substantial lending resources both rapidly and flexibly. From September to December 2008, the Fund approved loan commitments totalling SDR 30 billion through Stand-By Arrangements and its Exogenous Shocks Facility. The IMF also provided additional financial assistance to low-income countries through Poverty Reduction and Growth Facility arrangements. Detailed information on recent IMF lending activities is provided in Annex 6.

  Canada views emergency lending as a core activity of the Fund. In 2008, the Government supported all new commitments to countries affected by the global financial crisis. In doing so, Canadian officials paid close attention to program details to promote appropriate intervention by the Fund and sustainable policy responses by loan recipients.

- **Reform of fund lending facilities.** As the crisis spread, the Fund established in late October a new Short-Term Liquidity Facility (SLF) to help countries with strong fundamentals and domestic policies cope with short-term liquidity pressures arising from external market developments. The new facility is part of a wider review launched earlier in 2008 to make sure the Fund has the right instruments to meet countries’ needs in a world characterized by growing—and increasingly complex—cross-border financial flows.

  In 2008, Canada pushed for a broad review of IMF lending, given that the global economy has changed considerably since many of the Fund’s lending facilities were designed. The financial crisis necessitated more urgent actions, and Canada was active in the debate on the design of the SLF, supporting its creation as a tool to provide important liquidity to normally sound emerging market economies. Canada supported the creation of the new facility only when the full transparency requirements of other IMF facilities were applied to the SLF. To safeguard IMF resources, Canada also called for a rigorous application of the eligibility criteria, given the lack of traditional loan conditionality under this facility. While the introduction of the SLF showed the determination of the IMF to respond flexibly and quickly to the financial crisis, it has yet to be used. It is not clear whether this is due to design weaknesses or to the availability of financing for certain countries thus far through other bilateral channels. Going forward, ad hoc changes to the Fund’s lending toolkit will not be sufficient to ensure its coherence and effectiveness. Canada will push for a rationalization of facilities and further reforms that are informed by a fundamental review of the Fund’s lending and crisis prevention role in today’s global economy.

- **Drawing lessons from the crisis and early-warning capabilities.** The Fund is undertaking a comprehensive analysis of the causes of the crisis and the lessons for macroeconomic policy and financial stability frameworks. It has also intensified work on monitoring systemic and country-specific vulnerabilities, and has committed to collaborate with the Financial Stability Forum to develop better early-warning capabilities.

  Given that the financial crisis has underlined the need for better analysis of global stability risks, Canada considers the actions taken by the Fund to be important to the credibility and future effectiveness of the institution. Going forward, Canada will work with the IMF and our G20 partners to support a central role for the Fund in crisis prevention and resolution.

Was IMF Surveillance Effective?

There is much debate over how well the current global financial crisis was predicted by policy makers and international institutions. Did the IMF see it coming? By studying recent *World Economic Outlooks, Global Financial Stability Reports* and Article IV reviews, it is clear that some of the key risks that contributed to the crisis were identified in recent years:

- Increasing global imbalances, with emerging market economies and oil producers running large current account and, in some cases, capital account surpluses funded by capital inflows from foreign investors, which could quickly diminish with increased market volatility. On the other hand, the IMF identified persistent US current account and government deficits as a concern.
- Misaligned exchange rates, which encouraged heavy investment in tradable goods in China, and rising long-term interest rates, which could tighten short-term global liquidity conditions and undermine growth.
- Risks posed by a "search for yield" and the development of complex structured products, securitization models, and procyclicality of risk management models.
- A cooling US housing market and weaknesses in the US financial system and regulation, such as systemic risks and moral hazard concerns related to government policies, lax lending standards in the subprime mortgage market (and a possible sharp rise in delinquencies) and fragmentation of the regulatory framework.

The Fund warned that these conditions could produce liquidity problems due to unexpected financial market stress, particularly in complex new financial instruments. The Fund also mentioned the need for regulatory and supervisory authorities to strengthen financial market infrastructure. In contrast to these risks, however, the IMF's spring 2007 *World Economic Outlook* downplayed the risks to the global economic outlook, noting that the world economy "looks well set for continued robust growth in 2007 and 2008."

Therefore, while the IMF has constantly stressed the downside risks facing the financial system and raised some appropriate red flags, it did not predict—and was hardly alone in this—the massive credit crunch and financial crisis that occurred in 2008. Arguably, the warnings that were raised were not communicated effectively enough and many failed to "connect the dots" and identify transmission mechanisms for contagion. In response to the threat of global imbalances, the IMF convened a number of implicated economies in 2006 to seek solutions, but this process of multilateral consultations produced negligible results. In light of all this, the Fund membership must ask how a similar situation can be avoided in the future, through better warnings and by greater commitment by governments to heed and act on those warnings.

- **Coordinating efforts and strengthening collaboration.** As mentioned earlier, the Fund has been working closely with G20 working groups established after the November 2008 Leaders Summit. One of the working groups is in charge of studying how to reinforce international cooperation and promote integrity in financial markets, including ways to strengthen collaboration between the Fund and other bodies such as the Financial Stability Forum.
- **Advancing surveillance reforms.** In October 2008, the IMFC endorsed a set of surveillance priorities for 2008–2011, contained in the Statement of Surveillance Priorities (SSP). In response to the crisis, the Fund has also committed to undertake a special review of the stability of the exchange rate system and a review of the Financial Sector Assessment Program (jointly with the World Bank) to assess the need for any improvements to this tool, drawing on the lessons from the financial crisis.

Canada is encouraged by the actions of the IMF on surveillance reforms and helped develop the SSP. Improvements in IMF surveillance and crisis prevention, including through closer collaboration with an expanded Financial Stability Forum, will be a key area of focus for the Fund and for Canada going forward.

World Bank Group Response to the Financial Crisis

Across the developing world, the financial crisis is leading to weaker growth, cutting into government revenues, and reducing countries' ability to invest in social programs and productivity-enhancing infrastructure investments needed for sustainable economic growth. The World Bank has responded quickly to these challenges and has put in place a number of initiatives across the institution to help mitigate the impacts on the world's most vulnerable people. In particular, Canada supported the following World Bank Group actions:

- **IBRD:** The World Bank Group has announced that the IBRD stands ready with new lending of up to $100 billion over the next three years. This year lending could almost triple to more than $35 billion, compared to $13.5 billion last year, to meet additional demand from developing countries. Already, the Bank has approved $500 million for structural reforms in Ukraine and $3 billion in increased investment for India.
- **IDA:** The Bank Group has also set up a new facility to fast-track $2 billion in funding from IDA15 funds. The money will be used for safety net, infrastructure, education and health expenditures.
- **IFC:** Through the IFC, the World Bank is ramping up support to the private sector. In particular, the IFC plans to:
  - Double its Global Trade Finance Program from $1.5 billion to $3 billion and mobilize funds from other resources.
  - Bolster distressed banking systems via a global equity fund to recapitalize distressed banks. The IFC plans to invest $1 billion over three years and Japan plans to invest $2 billion.
  - Keep infrastructure projects on track by investing a minimum of $300 million and mobilizing at least $1.5 billion from other sources to provide roll-over financing and help recapitalize viable infrastructure projects facing financial distress.
  - Refocus advisory service programs to help clients cope with the current crisis.
- **MIGA:** Through MIGA, the World Bank Group is providing guarantees to foreign banks to help inject liquidity and bolster confidence in financial systems. So far, banks in Ukraine and Russia have been beneficiaries. Similar guarantees are expected in Eastern Europe and Africa.

Canada fully supports the World Bank Group's proactive response to the pressing challenges brought on by the financial crisis. The World Bank and other multilateral development banks have an integral role to play in helping the most vulnerable through this crisis. Canada is working with its G20 partners to ensure that these international financial institutions have the proper tools and resources to respond to the crisis. Part of this work is also focused on ensuring that the governance and effectiveness of the World Bank Group and other multilateral development banks continue to improve so that they are well positioned to respond to future challenges.

The Food and Fuel Crisis

In 2008, the high degree of volatility in the prices of food staples and fuel contributed to the emergence of serious problems in many developing countries, both at the household and macroeconomic levels. While the more recent global financial crisis and corresponding fall in commodity prices have shifted the focus, the food crisis continues to require a robust international response addressing immediate and long-term food security needs.

IMF Response to the Food and Fuel Crisis

Stemming from the large price increases in food and fuel in 2008, many low- and middle-income countries experienced a substantial weakening of their balance of payments and an acceleration of inflationary pressures. Canada supported the Fund's response: working closely with the World Bank and international partners to ensure that low-income countries are provided with the tools they needed to deal with the crisis. The Fund's assistance has been delivered through all three of its primary mechanisms: policy advice, technical assistance and lending. More specifically, the Fund responded to the crisis using two different financing channels:

- **New Poverty Reduction and Growth Facility (PRGF) arrangements and augmentation of existing arrangements.** Four new PRGF arrangements were approved in 2008 in connection with the food and fuel price shock. Moreover, 11 countries were granted augmentations under existing PRGF arrangements. Overall, additional financing under PRGF arrangements in 2008 totalled about US$260 million.[11]
- **A reformed Exogenous Shocks Facility (ESF):** The ESF was established two years ago to enhance the Fund's ability to help low-income members deal with sudden exogenous economic shocks. Canada gave $25 million in 2006 to help fund this facility. The fact that the ESF had never been used, despite the worsening global economic conditions and the surge in fuel and food prices, triggered its review. The changes reflect a broad consensus for ESF resources to (i) be provided more rapidly; (ii) be based on streamlined loan conditionality focused on addressing the exogenous shock; (iii) provide higher access; and (iv) better complement other Fund instruments, for example, the Poverty Support Instrument. Since the changes, three countries have drawn on the ESF.

As a significant donor to the IMF's PRGF-ESF Trust, Canada welcomed the ESF review and actively debated the specifics of its reform as part of our commitment to effective development spending. However, given the scale of the food and fuel crisis, as well as open questions regarding the anticipated long-term upward trend in food prices, Canada was quick to remind the IMF that a crisis such as this requires the leadership of the World Bank, which provides grants and higher-concessionality financing to poor countries.

[11] Details on the financing under PRGF arrangements in 2008 are provided in Annex 6.

World Bank Group Response to the Food and Fuel Crisis

Recognizing the impact of the crisis on poverty, hunger and malnutrition, the World Bank Group responded quickly, putting in place projects and programs across the institution to help moderate the impacts of the food crisis on the world's most susceptible people.

Canada welcomed the World Bank's call to combat hunger and malnutrition through a New Deal for Global Food Policy in developing countries. The policy was endorsed by the Development Committee, including the Canadian Minister of Finance, at the Spring Meetings on April 12. It embraces short-, medium- and long-term responses, including support for safety nets, investments to boost agricultural production, and a commitment to undertake analytical work on the causes of the crisis. In addition, Canada encouraged the World Bank Group to finalize the proposal on the Energy for the Poor initiative, which will support projects that reduce countries' longer-term vulnerability to high and volatile fuel prices.

World Bank Group actions included:

- Approving a new $1.2-billion rapid financing facility, the Global Food Response Program (GFRP), to guide its policy and financial assistance in order to speed aid to the neediest countries. Canada's Minister of Finance voted to support the transfer of US$200 million from the IBRD surplus to the GFRP, and as of January 2009 the GFRP has approved and begun disbursing $856 million in 28 countries. In addition, the World Bank has created a new Multi-Donor Trust Fund to support the GFRP.
- Increasing agriculture funding from $4 billion to $6 billion in the coming year.
- Launching risk management tools, such as crop insurance and weather derivatives.
- Investing, through the IFC, more than $1.3 billion in agribusiness supply chains.
- Doubling lending for social protection, nutrition and food security, and social risk mitigation to $800 million over the next year and approving $90 million in IDA funding for food projects beyond the GFRP funds.

The Government of Canada supports the World Bank Group's response to date, specifically the $1.2-billion rapid financing facility. In addition, Canada supports the World Bank's engagement in using recipient countries' social protection systems, particularly social safety nets, to mitigate the negative effects of this crisis on the most vulnerable.

For its part, although not specifically World Bank Group support, Canada was the fourth largest donor to the World Food Programme in 2008, contributing US$275 million. Furthermore, Canada completely untied its food aid in 2008, opening it up to international procurement with a special emphasis on developing countries. In addition, Canada is currently reviewing its food security programming in agriculture, nutrition and food assistance.

2008 Report on Canada's Commitments at the Bretton Woods Institutions

To promote greater accountability and transparency, the Government took the initiative in the 2007 report to outline in detail Canada's priorities for the IMF and World Bank Group which would guide the Government's engagement at the institutions from 2008 to 2010. The priorities were listed under three themes: governance and accountability, institutional effectiveness, and sustainable poverty reduction and growth. To pursue these priorities, the 2007 report indicated specific short- and medium-term actions the Government would take.

Canada's Priorities at the Bretton Woods Institutions Fall Under Three Themes

1. **Governance and Accountability**—Playing a leadership role in pushing for innovations in the governance and accountability structures of the Bretton Woods Institutions.
2. **Institutional Effectiveness**—Encouraging both institutions to deliver on their core mandates as effectively as possible.
3. **Sustainable Poverty Reduction and Growth**—Supporting the IMF and World Bank's efforts to ensure that the growth and stability they help foster today will have a lasting effect over the long term.

This report provides the first opportunity to review Canada's progress and challenges in pursuing its 2007 commitments. In light of the significant global financial crisis and economic downturn, a fundamental rethink of how Canada can meet its priorities at the IMF and World Bank Group has taken place. Consequently, while Canada's three main themes and the priorities identified in 2007 remain valid, many actions that Canada committed to had to be modified. As well, in response to the current crisis, we have added "resources and lending facilities" as a new priority for Canada and outlined several new actions for 2009–2011.

Canada made significant progress in many areas in 2008, such as promoting budget and quota and voice reforms at the IMF, and increasing the voting power of the least developed countries at the World Bank Group. However, given that Canada is only one of 24 voices at the Executive Board of the IMF and the World Bank Group, we also faced some challenges. At the IMF, further work is needed regarding the effectiveness of surveillance, and at the World Bank Group we observed inadequate implementation of Poverty and Social Impact Analyses. Going forward, we will continue to work with partners to advance our agenda. More than ever, Canada must focus on issues that are of core importance to the mandates of the Bretton Woods Institutions.

Assessment of Progress on the 2008 Priorities and Planned Actions Going Forward

Canada made strong efforts to focus on the priorities set out in the 2007 report. The following summary chart provides a colour-coded assessment of the Bretton Woods Institutions' progress against Canada's priorities (not Canada's efforts to achieve the priorities). Full reporting on actions, results and remaining challenges is provided after the summary chart.

Colour code: Little progress Some progress Good progress

1. Governance and Accountability

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
1.1 Governance Reforms Enhance the legitimacy of the Bretton Woods Institutions through a more representative governance structure.	Support discussions across the membership and play a bridging role on a new IMF quota formula, an ad hoc quota increase and a basic votes increase.	Support the development of a reform package at the World Bank that enhances the voice of developing country members through an appropriate mix of reforms to voting, shareholding and other institutional processes, while preserving the Bank's ability to borrow at the lowest possible interest rates.
1.2 Sound Finances Sustainable income/expenditure models for the IMF and World Bank that support effective and efficient institutions.	Work with IMF members to agree on a new sustainable and equitable income model for the Fund. Continue to support expenditure and staff reductions at the IMF with a focus on core institutional strengths and good financial governance. Work actively with the goal of concluding this exercise in 2008. Advocate for a full review of the IBRD's long-term financial health, with a view to understanding the outlook for capital adequacy and prospects for net income, and whether any changes need to be made to the Bank's income model.	Advocate for improvements in the Bank's budgeting process to help ensure that its budget serves as a tool to strategically align its resources with its current priorities, and to identify savings from activities that have become less relevant.
1.3 Transparency Build on real past progress on institutional transparency.		Encourage the IMF (through the Executive Board) to improve public understanding of its role in low-income countries and the nature of its conditionality using existing documents and communication channels.

2. Institutional Effectiveness

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
2.1 IMF Surveillance and Crisis Prevention Support progress on implementing recent surveillance reforms to increase effectiveness, even-handedness and candour.	Analyze the impact of the 2007 Decision on Bilateral Surveillance on Fund surveillance outputs (Article IVs). Depending on the outcome, push for more rigorous implementation of the revised policies. Work to implement a Statement of Surveillance Priorities in conjunction with the Triennial Surveillance Review, ensuring sufficient input and buy-in from national capitals.	Work to improve the integration of the IMF's analysis of financial system developments in the *Global Financial Stability Report* with the assessment of trends in the real economy provided in the *World Economic Outlook*. Support Fund work to make this analysis more applicable to policy making in member countries.
2.2 Aid Effectiveness Get the most development impact from IMF and World Bank resources.	Promote focused IMF technical assistance that is demand-driven and, more specifically, helps build macroeconomic and financial statistics capacity, and encourages sustainable debt management policies and public revenue regimes, as well as effective capital market regulation.	Urge the Bank to accelerate its progress towards the Paris Declaration targets, including reduction of parallel implementation units, use of joint missions and analytical work, and related decentralization of staff and decision-making powers.
	Encourage the Bank to rationalize the trust funds under Bank management and ensure that they are strategically aligned with broader Bank priorities and initiatives.	Promote a closer IFC and IDA partnership to ensure the best use of resources to maximize the Bank's contribution to private sector development in the poorest countries. Advocate that the Bank foster real partnerships with other donors and organizations, such as the UN and the IMF, to ensure that efforts are coordinated on the basis of a single country-owned development strategy. Encourage the Bank to devote adequate resources to helping its clients build the capacity to properly measure development results. Urge the Bank to ensure that the quality and systematic use of Poverty and Social Impact Analyses (PSIAs) are sustained and strengthened. In particular, push the Bank to update its Good Practice note on PSIAs and post PSIAs on the external website for public comment.

2. Institutional Effectiveness *(cont'd)*

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
2.3 Innovation for Private Sector Participation in Development Continue to support innovative new ways to promote private sector participation.	Encourage the Bank to take a leadership role on innovative approaches to development finance by acting as a financial intermediary for the Advance Market Commitment (AMC) for pneumococcal disease in a manner that maximizes the efficiency, simplicity and credibility of the initiative.	Push for consideration of the use of the AMC concept or other innovative tools to mobilize private sector investment to tackle global public goods.
	Assess the strengths and limits of the Caribbean Catastrophe Risk Insurance Facility and consider the merits of expanding it or linking it with other similar initiatives.	Continue to encourage the IFC to accelerate its engagement in frontier markets and to identify measures to enhance the development value-added of IFC operations.

3. Sustainable Poverty Reduction and Growth

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
3.1 Debt Sustainability Avoid another lend-and-forgive cycle.		Continue to monitor whether the Debt Sustainability Framework is effectively changing borrowing/lending behaviour to prevent the reaccumulation of unsustainable debt levels and assess whether improvements might be needed. Continue to improve the transparency of lending and borrowing data, and help to build debt management capacity in low-income countries. Push for the Bretton Woods Institutions to consider both non-concessional and concessional lending when assessing the appropriate level of debt reaccumulation post debt relief.

3. Sustainable Poverty Reduction and Growth *(cont'd)*

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
3.2 Failed and Fragile States Better tools for assisting fragile states.		Through the Executive Board, continue to support greater focus of IMF engagement in fragile states (i.e. policy support for achieving macroeconomic stability and facilitating arrears clearance where appropriate). Monitor whether IDA's new framework for arrears clearance operations preserves incentives for countries to complete reforms under the HIPC process after arrears clearance and determine whether improvements are needed. Monitor the enhancements to IDA's exceptional financing for post-conflict countries, as agreed in IDA15, to see that they provide enough financing to help post-conflict countries make development gains, and that the transition back to regular financing does not endanger their progress. Monitor the concrete steps taken by the Bank to improve its coordination with the UN in fragile states.
3.3 Gender A real mainstreaming of gender considerations across operations.		Encourage the World Bank to update its operations manual to mandate the full integration of gender equality objectives into Country Assistance Strategies, results reporting and evaluations at the country level. Urge the World Bank to allocate sufficient budget resources to assign a gender equality specialist to each country program. Push the World Bank to collect and analyze gender-disaggregated statistics at the country level to properly track progress and report back on gender equality and use these statistics to improve policies and programs in the future.

3. Sustainable Poverty Reduction and Growth *(cont'd)*

Priority	Short-Term Action (2008)	Medium-Term Action (2008–2010)
3.4 Environment Linking development and environment in a manner that is consistent with the core mandates of the Bretton Woods Institutions.	Support IMF efforts to increase analytical capacity concerning the impacts of climate change on national economies (e.g. fiscal implications) in coordination with the World Bank.	Support the Bank's adoption of new tools for clean energy and climate change–related actions that complement or enhance existing initiatives.

1. Governance and Accountability

The Government of Canada is committed to promoting good governance and accountability both at home and in its relations and operations in the international community. One of Canada's main objectives at the Bretton Woods Institutions is to ensure that they are well governed and accountable to their memberships and other stakeholders. Canada considers it critical that their governance structures be representative of the membership and their operations reflect the priorities agreed by that membership. Further, the Bretton Woods Institutions must be financially sustainable and transparent. These elements are central to the institutions maintaining their relevance and legitimacy in an evolving global context.

Priority 1.1: Governance Reforms

A key challenge for the Bretton Woods Institutions over the last few years has been to adopt a more representative governance structure in order to reflect a changing global economy. Both institutions also faced budgetary challenges in 2007–08. Finally, transparent decision making and operations are essential for well-governed institutions, and Canada committed to press the IMF and World Bank to build on considerable recent progress in these areas.

IMF Quota and Voice Reforms

Good progress

As a top priority in 2008, Canada pushed at the IMF for the conclusion of the two-year negotiation of reforms to quota and voice, aimed at making the Fund more legitimate and representative. The Minister of Finance, as Canada's Governor at the IMF, engaged extensively with his foreign colleagues, and Canadian officials engaged with representatives on the IMF Executive Board. In all fora, Canada looked to play a bridging role and propose innovative solutions to achieve a consensus. As a result, the IMF membership came to an agreement in April 2008 on a package of important governance reforms.

Based on a new, simpler formula for calculating members' quotas, the calculated and actual quota shares of dynamic emerging market economies will increase, better reflecting their growing influence in the global economy.[12] At the same time, by tripling basic votes, the voting share of low-income countries will be increased. In all, 120 countries will receive an increase in voting shares, with total developing country voting power increasing from 39 per cent to 42 per cent of total votes—dynamic emerging markets such as China will see the biggest gains. The direct impact of this reform on Canada

[12] The new quota formula includes four variables measured by the IMF. Ranked in order of importance in the formula, these are: a mixture of market-based and purchasing power parity gross domestic product (GDP), financial openness, variability of capital flows, and international reserves. The formula also includes a compression factor to reduce the dispersion between countries' calculated shares.

and some other industrialized countries is a decline in their voting shares. Indeed, Canada will see one of the largest quota decreases, with our resulting voting share falling 0.4 per cent to 2.56 per cent. Canada agreed to this result due to our belief that IMF legitimacy hinges on the institution being more representative of its membership, and all members have a responsibility to ensure that the institution is as credible and effective as possible. The quota and voice reforms will take effect once 85 per cent of the membership has ratified domestically the related changes to the IMF's Articles of Agreement.

Table 7
Changes in Voting Power as a Result of the Quota and Voice Reform

	Initial Voting Share (%)	Final Voting Share (%)	Change (Percentage Points)
Advanced countries	60.57	57.92	-2.65
Developing countries	39.43	42.08	+2.65
G7 countries	45.13	43.05	-2.08
Emerging markets	22.31	24.35	+2.04
Brazil, Russia, India and China	8.98	10.24	+1.26

In Canada's view, the 2008 quota and voice agreement is an important milestone for the IMF. Canada will complete the domestic steps required to ratify this agreement in 2009 and will urge other IMF members to do the same on an expedited basis in order to bring into force the agreed changes to member voting structure and representation. However, due to the dynamics of the global financial crisis and subsequent calls for more fundamental reforms to global governance, including at the IMF, some countries have already signalled that the 2008 quota and voice reforms did not go far enough to redistribute power. Should sufficient support exist for pursuing further quota reforms over the medium term, Canada will engage with Fund members to seek an equitable, lasting agreement.

Going Forward

New

Short-Term Action: Ratify the 2008 agreement on IMF quota and voice and urge other members to do the same.

Timeline: 2009

Pushing for IMF Corporate Governance Reforms in 2009

Going forward, the IMF must ensure its institutional governance framework supports effective engagement with member governments to meet the challenges of the global financial crisis. This is critical for the legitimacy, effectiveness and credibility of the IMF. The Fund must be able to make decisions quickly and transparently, member governments must be ready to act to combat threats identified by Fund surveillance, and IMF management and staff must be more accountable for the quality of their work. In early September 2008, the IMF Managing Director appointed a committee of eminent persons to assess the adequacy of the Fund's current framework for decision making and advise on any modifications that might enable the institution to fulfill its global mandate more effectively. The Committee on IMF Governance is chaired by Trevor Manuel, Minister of Finance of South Africa, and is expected to report in April 2009. Canada will carefully consider its recommendations.

Also, informed by the recent IEO evaluation, Canada intends to focus its efforts to seek improvements in IMF corporate governance, including the role of the Executive Board and the IMFC, the performance and accountability of IMF management, and ways to promote better member engagement with the institution. Canada will pursue this work through the Executive Board, the IMFC and our active involvement at the G20 working group in charge of reforming the IMF.

Going Forward

New

Medium-Term Action:	Work to promote IMF corporate governance changes that increase IMF legitimacy, effectiveness and credibility.
Timeline:	2009–2011

Enhancing Developing Countries' Voice and Participation at the World Bank

Some progress

Canada actively participated in the first phase of reforms to the World Bank's voice and participation agenda, which was agreed to at the 2008 fall Annual Meetings.[13] The reforms focused on giving more voice to the least developed countries and small states, including:

- An additional seat for Sub-Saharan Africa on the Executive Board.
- An increase in the voting power of the least developed countries and small states through a doubling of basic votes.[14]
- A commitment to move forward on Board effectiveness reforms.
- A deepening of Bank responsiveness to developing country views at the operational level.
- A statement on the importance of an open, merit-based process to select the Bank's President.

13 The reforms will be implemented once approved by the Board of Governors (expected in early 2009).

14 Member countries receive one vote per share, plus 250 basic votes. These basic votes, distributed equally across members, are meant to protect the voice of the least developed countries and small states.

Equally important, Canada also participated in laying out the process for a second phase of reforms. This second phase will be focused on giving more voice to countries with economies in transition through a shareholding review and realignment, which will take place over the next two years. The Government of Canada believes that a Bank-specific formula, applied in a regular and reliable manner, will do more than any other measure to provide equitable voting power across the membership. This formula should be based primarily on economic weight, but Canada is also open to exploring the inclusion of other factors, such as contributions to IDA.

Canada was highly supportive of the first phase reforms, and is currently pushing for a clear process and timeline for shareholding reforms under the second phase. The Government of Canada encouraged others to support these reforms at the Board and at the fall Development Committee meeting. However, these developments will not translate into real voice and participation reform without concrete follow-through.

Pushing for World Bank Governance Reforms in 2009

While much was accomplished last year, culminating in the agreement on the first phase of voice and participation reforms, 2009 provides a unique opportunity for accelerated progress on governance and effectiveness improvements through both internal and external processes. The current global financial crisis has reinforced the importance of reforming the World Bank Group and other international financial institutions so that they can more adequately reflect changing economic weights in the world economy and better position themselves to respond to future challenges.

In addition to the work on the second phase of reforms agreed to in October 2008, there are two important external processes underway: a G20 working group on the World Bank and other multilateral development banks and a High Level Commission on Modernization of World Bank Group Governance, led by former Mexican President Ernesto Zedillo. The Zedillo Commission was appointed by the World Bank President in October 2008 with the main purpose of offering an external and independent view on how the Bank's governance needs to adapt to the international economic realities of the 21st century. The Commission is expected to report later this year, and Canada will consider its recommendations at that time.

The G20 working group was created following the G20 Leaders Summit in November 2008. It is made up of the World Bank's largest shareholders, both advanced and emerging market economies, and was created with a mandate to ensure that the World Bank and multilateral development banks have sufficient resources and instruments to respond to the financial crisis, as well as to provide momentum for further governance and effectiveness reforms. Canada is actively participating in the working group and will use it to push several governance issues, including an accelerated timeline for reforms and an open, transparent, competitive and merit-based selection process for top executive managers, regardless of their nationality.

Going Forward

New
Medium-Term Action: Work towards greater voice and participation of developing and transition countries to more adequately reflect changing economic weights in the world economy and contributions to IDA. Commensurate with increased voice and participation, Canada will also push the major emerging market economies to take on more responsibility in donor financing, including IDA.

Timeline: 2009–2011

Priority 1.2: Sound Finances

Another major challenge for the Bretton Woods Institutions in 2008 was ensuring that they were financially sound and sustainable for the future. This required stakeholders to review the Fund and Bank Group's income and expenditure models.

IMF Income Model Reforms and Cost Cutting

Good progress

In 2007 and early 2008, the IMF was facing a large expected operating deficit over the medium term due to its reliance on lending income, which had fallen substantially and was expected to stay low. In early 2008, Canada supported the development of a package of measures that would eliminate the IMF's budget deficit and restore its finances to a sustainable footing. In particular, Canada pushed at the Executive Board and through correspondence with IMF Managing Director Dominique Strauss-Kahn for the inclusion of substantive expenditure and staff reductions as a complement to measures to increase IMF income. The Executive Director for Canada, Ireland and the Caribbean also showed leadership in pushing for Executive Board cost cuts in line with those to the IMF's operations.

The primary income reform measures were to give the IMF greater flexibility to invest its reserves in higher-return assets, and the scope to invest future proceeds of a possible sale of some of its gold holdings. Both measures were focused on reducing the Fund's reliance on lending interest income and providing it with more steady income over the long term. While the recent unexpected resurgence of IMF lending has calmed fears of running operating deficits, the new income measures will enable the Fund to deal with fluctuations in lending levels in the future. In all, Canada realized its goal of promoting budget reforms that result in a more cost-effective IMF.

Review of the IBRD's Long-Term Financial Health

Some progress

In 2008, a review of the IBRD's strategic capital adequacy was undertaken.[15] The review showed that the IBRD is well capitalized, with its equity-to-loans ratio reaching a very comfortable 38 per cent,[16] which was well above its target range of 23 per cent to 27 per cent. However, there were questions about the IBRD's ability to generate enough income due to a drop in loan prices in 2007 and falling short-term interest rates. At the same time, the demands being placed on the IBRD's income have been increasing as a result of upward pressure on administrative expenses, higher annual transfers to IDA, transfers to other development priorities, and a need to adequately contribute to its reserves.[17]

In response, several measures were proposed to help stabilize and enhance IBRD income generation, including an initiative to decrease the sensitivity of income to short-term interest rates; the establishment of a long-term investment portfolio to improve income generation; and the allocation of a sizeable amount of net income from 2008 into a surplus account to smooth over an expected income dip over 2009–2010. Canada believes these were good measures to ensure that the IBRD would have enough income to continue contributing to important development initiatives.

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15 The review proposed a framework to help assess where vulnerabilities might lie, including the establishment of a target range for the IBRD's equity-to-loans ratio (23 per cent to 27 per cent), in order to better anticipate when it might be facing difficulties with capital adequacy.

16 The IBRD's equity-to-loans ratio rose from 23 per cent five years ago, due to steps taken to rebuild the IBRD's reserves, a high level of prepayments on outstanding loans and slower loan growth due to the low interest environment.

17 The risk of the IBRD not contributing enough to reserves was a particular concern as these feed back into the IBRD's stock of equity capital, which is the basis for how much it can put out in loans.

Although some progress has been made in ensuring the IBRD's long-term financial sustainability, much has changed since the financial crisis broke in late 2008. The Government of Canada expects that the IBRD will see a dramatic surge in lending over the next three years, and the Government will need to assess what this increased lending means for the institution's current and future capital and income positions. Accordingly, Canada will continue to monitor the IBRD's long-term financial sustainability and encourage other Executive Directors to revisit the discussions on the IBRD's financial situation in light of the economic crisis.

The World Bank's (IDA and IBRD) Budgeting Process

Good progress

Canada expects the World Bank to have a strong budgeting process[18] capable of dynamically shifting resources towards areas of emerging priority and activities that are yielding strong results, while shifting resources away from areas with weak results.

Noticeable improvements were made to the Bank's budgeting process in 2008. A new Vice-Presidents' peer review forum allowed the Bank to identify its funding priorities earlier and with broader engagement and consensus across the different operational units. The proposals coming out of this process were also much better communicated to the Board through planning documents with substantially more quantitative and descriptive information on the overall proposed changes to the Bank's work program. This helped to foster a better common understanding of the objectives and trade-offs involved in the budget allocations.

This improved budgeting process culminated in the approval of a budget plan for the Bank's 2009 fiscal year that Canada considered to be quite sound.[19] In particular, it clearly demonstrated strong efforts to reconcile resource needs and sources within a flat real budget, despite considerable cost pressures associated with new activities under the six strategic themes[20] and the Bank's decentralization program.

It is expected that staying within a flat real budget will continue to be a challenge for the Bank over the next budgeting cycle, especially given the resources that will be needed to support the scale-up in IBRD and IDA financing in response to the current economic crisis, as well as ongoing pressures from decentralization and new climate change activities.

Priority 1.3: Transparency

Governance and operational transparency are a basic tenet of effective institutions. Through the efforts of Canada and other countries, the IMF and World Bank have become increasingly transparent institutions. Both institutions have now adopted a policy of presumed disclosure for most documents, unless there are clear confidentiality concerns. Both also have independent review groups that provide candid, independent and public reviews of their performance in different areas of their core operations. IMF and World Bank Governors hold the institutions' management responsible to respond to these reviews and address any identified shortcomings.

[18] The Bank's budget, paid out of its operational income, covers its administrative and operational expenses but does not include its resources for loans or grants.

[19] The Bank's net budget for its 2009 fiscal year will remain flat in real terms at US$1.7 billion and will continue to be managed within a range of +/- 2 per cent.

[20] As set out by President Robert Zoellick in 2007. See Robert Zoellick, "An Inclusive and Sustainable Globalization," speech to the National Press Club, Washington, D.C., October 10, 2007.

At the IMF, Canada has consistently championed greater transparency since the early 1990s. The result is a disclosure policy that balances the need for confidentiality in IMF advice to members with the increasing recognition of the importance of transparency for the IMF's credibility and effectiveness. For country documents—which include economic reports and loan documents—this means that countries are in general expected to consent to publication. Currently, about 85 per cent of Article IV surveillance reports are published, as are the overwhelming majority of policy papers and summaries of Executive Board discussions.

Improvements in IMF Transparency

Good progress

Canada noted in the 2007 report that transparency of IMF loan conditionality, especially in low-income countries (LICs), needed to be improved. It made a case at the IMF Executive Board that better communication about the nature of program conditions and their desired impact would help to ensure that conditionality was well rooted in the core goals of the country program, as well as provide interested parties (e.g. external stakeholders) with a better understanding of the reasoning behind various conditions that might otherwise appear poorly conceived.

In January 2009, the IMF responded to Canada and other advocates for more transparent conditionality by improving and making public its database on lending programs. This database, dubbed Monitoring of Fund Arrangements, is designed as a comprehensive and readily accessible source of information on Fund-supported programs. New information is added to the database a few weeks following Board approvals of IMF arrangements, or the completion of Board reviews of existing programs. The database can be accessed at www.imf.org/external/np/pdr/mona/index.aspx.

The IMF also published a paper in June 2008 on its activities and priorities in LICs. Canada noted at the time that, while comprehensive, it lacked details in some important areas including how the Fund could ensure optimal outcomes in a tight budget environment. Following discussion of this paper, in July 2008, the Executive Board approved a new policy, as well as a related public mission statement, on the role of the Fund in LICs. Canada supports the Fund's initiative to bring into focus an overall policy plan for LIC engagement but is seeking continued work to further improve outcomes and collaboration with the World Bank. Canada will seek opportunities at the Executive Board over the medium term to relay these messages, but views IMF progress over the last year on proactive transparency efforts as very encouraging.

Further Strengthening Transparency at the World Bank Group

Canada believes that the World Bank Group has made considerable progress towards greater transparency over the past decade. It considers it important that the Bank's Disclosure Policy, which was enhanced in 2005, makes an enormous amount of operational information available to the public, from Country Assistance Strategies and sector studies to project-related reports. The Bank also makes public certain information related to Executive Board discussions, including its forward work program, the minutes of its meetings, Chairman's summaries, and the large majority of the policy documents approved by the Board.

Its policy does not, however, allow disclosure of the representations made by the Executive Directors in Board discussions. This policy reflects in part the nature of the Bank as a financial institution, providing advice and financing to members on matters that may require discussion of commercially confidential or market-sensitive information. Further, the Bank provides a forum for the debate of politically sensitive national policies, in a similar manner to the functioning of the Canadian Cabinet system. The effectiveness of the institution often hinges on its ability to enable Executive Directors to act as trusted advisors and provide a forum for frank debate on policy developments. The Government of Canada supports this policy.

Going forward, Canada will continue to champion transparency during the World Bank's review of its Disclosure Policy in 2009. In particular, Canada will push the Bank to change the Disclosure Policy from one that lists the types of information that can be disclosed to one that allows disclosure of any information, except for what is on a limited list of exclusions. This is similar to how Canada's Access to Information law works. This change would also make it easier for the public and Bank staff to understand exactly what can and cannot be released.

Positive Independent Evaluations

One World Trust

The Global Accountability Index by One World Trust is the first initiative to measure and compare the accountability of transnational actors from the intergovernmental, non-governmental and corporate sectors. Thirty of the world's most powerful organizations were assessed on how they integrate good practice principles in four dimensions of accountability: transparency, participation, complaint and response, and evaluation.

One World Trust's 2006 report showed that the IBRD compared favourably to other multilateral organizations: the IBRD ranked second in evaluation capabilities, second in transparency, ninth in participation, and first in complaint and response mechanisms. The 2008 report indicated that the IFC also performed well compared to other multilateral organizations. It was tied for third overall (when compared to other international governmental organizations, international non-governmental organizations and transnational companies) due to its specific transparency policy, strong evaluation capabilities, and high-quality complaint-handling mechanisms. In contrast, international non-governmental organizations such as CARE International and the International Committee of the Red Cross ranked 15th and 9th respectively. These reports are available at www.oneworldtrust.org/.

Easterly and Pfutze Paper

In 2008, William Easterly and Tobias Pfutze released a paper entitled "Where Does the Money Go? Best and Worst Practices in Foreign Aid." In a comparison of multilateral aid agencies, IDA was ranked as the number one agency in transparency. It was also ranked higher than all national aid agencies, the number one overall agency, in aid effectiveness.

This paper is available at www.nyu.edu/fas/institute/dri/Easterly/File/Where_Does_Money_Go.pdf

Going Forward

New

Short-Term Action:	Push the Bank towards greater transparency during the review of its Disclosure Policy in 2009 by advocating for a move from the current policy that lists the types of information that can be disclosed to one that allows disclosure of any information, except for a limited list of exclusions.
Timeline:	2009

2. Institutional Effectiveness

Consistent with the Government of Canada's core principles, a second major Canadian objective is to ensure that the Bretton Woods Institutions are demonstrably effective in carrying out their mandates. This means tailoring their services to focus on what they are best at and what member countries want, being well coordinated with other international partners and exploring innovative new ways to reach their goals.

Priority 2.1: IMF Surveillance and Crisis Prevention

The IMF has made concerted efforts to strengthen its surveillance role in recent years; however, as evidenced by a general lack of warning regarding the current global financial crisis, more remains to be done.

In 2007, Canada committed to monitor the Fund's progress in incorporating best practices into its Article IV reviews of member economies, with a view to providing a critical assessment of its success and suggesting areas for improvement. Canada also committed to contribute to the development of the triennial Statement of Surveillance Priorities, which is intended to provide clear direction on surveillance priorities and enhance IMF accountability for the focus and quality of its surveillance. Canada accomplished both of these objectives.

Follow-up on the 2007 Decision on Bilateral Surveillance

Good progress

After lobbying hard for a new guidance document to ensure the IMF follows best practices for surveillance, in 2007 the Executive Board agreed on a new Surveillance Decision (www.imf.org/external/np/sec/pn/2007/pn0769.htm#decision). In 2008, Canada endeavoured to hold the IMF accountable for implementing this Decision and promoting change at the institution in support of effective, even-handed surveillance. The Department of Finance and the Bank of Canada cooperated to track possible improvements in IMF Article IV surveillance reports in 2008, such as promoting better focus on core government policies (fiscal, monetary, financial and exchange rate) as well as expanding discussions of spillover risks from international economic conditions, or potential spillovers to other countries from policies pursued by the member country under review. Overall, as reported by the Bank of Canada,[21] the quality and focus of surveillance has improved. Although robust discussion of possible risks and "what if" scenarios are still often missing, it appears that the surveillance culture is changing for the better. Canada will continue to hold the Fund accountable for high-quality Article IV reports going forward.

Successful Implementation of a Statement of Surveillance Priorities

Good progress

Department of Finance and Bank of Canada officials also worked with the IMF and like-minded members to support the development of a new Statement of Surveillance Priorities (SSP), which lays out the intended focus of IMF surveillance over the next three years and provides for greater Fund accountability for the quality of its work. The SSP was approved by the Executive Board and endorsed by the IMFC in October 2008. Canada views the new SSP as an important complement to the

[21] See Robert Lavigne and Garima Vasishtha (2009), "Assessing the Implementation of the IMF's 2007 Surveillance Decision," Bank of Canada Discussion Paper.

2007 Decision on Bilateral Surveillance in that it is an opportunity to enhance the focus of IMF surveillance on the most pressing issues. As well, ministerial endorsement of the SSP through the IMFC provides an explicit link to member governments, promoting greater member buy-in for effective, results-based surveillance.

The New Statement of Surveillance Priorities at a glance

The fall 2008 SPP highlighted key priorities guiding IMF surveillance through 2011:

Economic priorities

- Resolve financial market distress.
- Strengthen the global financial system.
- Adjust to sharp changes in commodity prices.
- Promote the orderly reduction of global imbalances.

Operational priorities

- Risk assessment.
- Financial sector surveillance and real-financial linkages.
- Multilateral perspective.
- Analysis of exchange rates and external stability risks.

Source: www.imf.org.

More Work to Be Done in Integrating IMF Financial and Economic Analysis

Some progress

The Government stated its intent in the 2007 report to promote, over the medium term, improved integration of the IMF's analysis of financial system developments in the *Global Financial Stability Report* with its assessment of trends in the real economy provided in the *World Economic Outlook*. Canada also committed to support Fund work to make this analysis more applicable to policy making in member countries. The spread of the global financial crisis to real economic activities over the course of 2008 demonstrates the importance of this type of surveillance.

Canada took advantage of Executive Board discussions on surveillance reforms and priorities in the summer and fall of 2008 to encourage the integration of economic and financial sector surveillance and push for the Fund to play a lead role in helping countries determine appropriate responses to emerging financial risks that could harm their economies. In 2008, the IMF Managing Director stated his intent to have the IMF be a centre of excellence on macro-financial surveillance, identifying linkages between real economy and financial sector developments. Canada will remain engaged on this issue in 2009 given its key importance in the current global environment.

Going Forward

Medium-Term Action: Continue to work to improve the integration of the IMF's analysis of financial system developments in the *Global Financial Stability Report* with the assessment of trends in the real economy provided by the *World Economic Outlook*. Support Fund work to make this analysis more applicable to policy making in member countries.

Timeline: 2009–2011

New Actions for 2009

Despite recent improvements in Fund surveillance, there is still a lot to accomplish regarding its effectiveness and the willingness of IMF members to heed Fund advice, publish all surveillance reports and cooperate to identify solutions to common economic and financial threats. The recent financial crisis and its effects on the real economies of member countries have highlighted a number of weaknesses in the global financial architecture.

To encourage greater transparency regarding financial sector vulnerabilities, Canada has been working hard to increase participation in the joint IMF/World Bank Financial Sector Assessment Program (FSAP). Canada was the first country to participate in the program in 1999, the first to publish the results of its assessment and, more recently, one of the first to undergo an FSAP update. Moreover, Canada championed mandating public FSAPs within the G20 and ensured that G20 members each committed to undertake an FSAP review in the Washington Declaration. Over the medium term, Canada will continue to push other members to undertake and publish the results of FSAP reviews. It will also encourage better integration of FSAP results into IMF Article IV reviews of member economies, enhancing the usefulness of those annual surveillance exercises.

IMF collaboration with the Financial Stability Forum (FSF), a group of leading national financial sector regulators and policy makers, has become a hot topic over the last year. As both an FSF and IMF member, Canada has supported calls to broaden the membership of the FSF to include key emerging market economies and enhance IMF/FSF collaboration to build "early-warning" systems to identify national and international financial sector threats, and then determine appropriate regulatory responses.

Going Forward

New
Medium-Term Action: Continue to push other IMF members to undertake and publish the results of FSAP reviews. Encourage better integration of FSAP results into IMF Article IV reviews of member economies and call for mandatory publication of Article IV reviews, enhancing the usefulness of those annual surveillance exercises.

Timeline: 2009–2011

New
Medium-Term Action: Support enhanced IMF-FSF collaboration on early-warning systems for financial sector weaknesses and determining regulatory responses.

Timeline: 2009–2011

Priority 2.2: Aid Effectiveness

Getting the best development outcome from our aid spending is a priority for the Government of Canada. In this regard, the 2007 federal budget set out an ambitious agenda to improve the cost-effectiveness, focus and results of our aid programs, including multilateral initiatives.

Innovative Technical Assistance Delivery at the IMF

Good progress

In FY2008, close to 200 person-years (or about 52,000 working days)[22] of assistance was delivered to IMF member countries, more than three-quarters of which was directed to low-income and lower-middle-income countries. Roughly 60 per cent of technical assistance field delivery was funded through external funds. In recent years, the IMF has taken a number of steps to improve the management and delivery of its technical assistance to strengthen country ownership and to better align technical assistance priorities with its surveillance function.

Commensurate with its view that the IMF must focus on its core mandate and comparative advantages, Canada believes the Fund must concentrate on areas of core competency in its technical assistance activities. Further, there must be a cost-effective, competency-based division of labour with the World Bank in all training efforts, such as is being achieved through the Caribbean Regional Technical Assistance Centre (CARTAC). Improving the capacity of member countries to monitor, analyze and report on accurate and robust economic data sets is also fundamental to promoting sound monetary and macroeconomic policies and enabling effective IMF surveillance.

The 2007 report committed the Government of Canada to encourage the IMF in 2008 to examine and implement innovative training solutions to address the need for increased technical capacity, including the introduction of needs- and means-tested demand-driven programming. Canada took the opportunity of budget-cutting discussions at the Executive Board in the winter of 2008 and LIC-engagement debates at the Executive Board in the summer to send these messages.

As well, in 2008 Canada worked actively with the IMF on the establishment of a new technical assistance centre: the Central America-Panama Technical Assistance Centre (CAPTAC). This proposed centre will serve the technical assistance needs of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama. It will build on the success of CARTAC, which Canada funds and played a significant role in establishing. CAPTAC will focus its technical assistance efforts on tax and customs administration, medium-term expenditure frameworks, money and public debt markets, financial sector supervision, and regional harmonization of fiscal and balance of payments statistics. Strategic guidance for CAPTAC's work program will be provided by a steering committee comprising representatives from beneficiary countries, donors, the IMF and other participating international institutions. In December 2008, Canada pledged $5 million over five years to support the establishment and operation of CAPTAC. This makes Canada a lead donor to an initiative that is also in line with the Government's Strategy for the Americas.

[22] One person-year equals 260 working days.

Rationalization and Strategic Alignment of World Bank Group Trust Funds

Some progress

The administration of trust funds has emerged as a mainstream line of the World Bank Group's work, and these funds have become increasingly important sources of development finance and multilateral cooperation. The Bank's portfolio of trust funds has grown rapidly, with annual disbursements growing from US$1.9 billion in 2002 to US$5.8 billion in 2007.

Canada believes it is important to ensure that trust funds are subject to proper oversight and are well aligned with the rest of the Bank's work. Canada welcomes the steps the Bank has taken to this end, most importantly the updated Trust Fund Management Framework, which was approved by the Executive Board in late 2007 and aims to:

- Better align trust funds with the Bank's broader strategic priorities and country-level strategies.
- Ensure consistent application of Bank standards and controls, as well as improved monitoring of program implementation and evaluation of results.
- Find efficiencies to reduce the cost of administering these funds and seek more cost recovery, where appropriate, to ensure they are not adding to the Bank's overall administrative expenses in an unsustainable way.

Actions have already been taken, with supporting revisions to the Bank's operational policies approved by the Executive Board in June 2008. A new policy to change the Bank's fee structure for trust funds is expected in 2009 and a full review of the updated management framework will take place in 2009 or 2010.

Another positive step taken by the Bank Group in 2008 was to include trust funds that support the Group's own work program in the framework for considering the Bank's administrative budget. This was something Canada has wanted to see, given that these funds now account for a significant portion of the Bank's overall administrative resources.

However, Canada believes more progress could have been made regarding the integration of these trust funds into the World Bank Group's budget discussions. Canada will encourage the bank to deepen trust fund rationalization and strategic alignment by:

- Questioning how these funds support the Bank's work program and are aligned with its broader long-term strategy.
- Requiring assurances that these funds are not improperly driving the work program or long-term strategy.
- Considering how volatility or uncertainty in the level of donor contributions to these funds would affect the Bank's ability to carry out its work program and whether anything can be done to mitigate this sort of risk.

Progress Towards the Paris Declaration Targets on Aid Effectiveness

Good progress

The World Bank has taken a leadership role in the aid effectiveness agenda and co-sponsored both the Paris Declaration on Aid Effectiveness in 2005 and the Accra Agenda for Action High Level Forum in 2008.[23] The Bank Group's core strengths in financial resources, its knowledge base and the quality of its policy advice position it to play a central role in enhancing harmonization and alignment at the country level. It also works at the international level to help define the aid effectiveness agenda, identify good aid practices and monitor implementation.

Canada is pleased with the current work on the World Bank Group's draft Aid Effectiveness Action Plan, which will detail actions in support of the five key principles of the Paris Declaration (ownership, alignment, harmonization, managing for results and mutual accountability). Specifically, the Action Plan is expected to commit the Bank to:

- Modernize its operational framework to enhance aid effectiveness.
- Take the lead role where it is best placed to do so in managing partnerships at the international and country level.
- Strengthen the capacity of partner countries to help to build ownership.
- Decentralize staff and decision making to better meet partner country needs.
- Develop internal incentives for staff to work on harmonized and aligned arrangements in terms of budget, time and recognition, and provide management guidance.

Canada welcomes efforts to increase cooperation within the World Bank Group, and is especially pleased with the increased collaboration between IDA and the IFC. In 2008, the IFC made a $1.75-billion commitment to support IDA through 2011, and a new IDA/IFC secretariat was created to forge more collaboration across the World Bank Group. Canada intends to discuss IDA-IFC cooperation at the next IDA mid-term review.

Canada is also pleased with efforts to increase partnership with other donors and organizations. In 2008, the World Bank Group launched the Legal Harmonization Initiative with other international financial institutions, bilateral aid agencies and UN agencies. This initiative is aimed at harmonizing and streamlining legal and administrative tools among donors and partner countries in order to remove some of the key impediments to harmonized approaches. It also endeavors to cut the high transaction costs imposed on recipient countries and increase the effectiveness of aid.

Going forward, Canada recognizes the importance of randomized impact evaluations to design and select effective, evidence-based programs and policies. Similar to methods used to evaluate the effectiveness of pharmaceutical products, these impact evaluations randomly allocate a program across control and treatment groups to determine the effects of specific interventions. The World Bank Group's Independent Evaluation Group offers a strong base to enhance the aid effectiveness agenda at the Bank.

[23] Under the Paris Declaration on Aid Effectiveness of 2005 and the 2008 Accra Agenda for Action, development stakeholders including the World Bank Group have committed to work under host country leadership, harmonize donor programs and approaches at the country level in order to minimize the administrative burden on developing countries, and be accountable for delivering and reporting on development results.

Going forward

New
Medium-Term Action: Urge the World Bank Group to increase the use of randomized impact evaluations to affect policy decisions. To enhance the World Bank Group's accountability, push the Group to make more of its program evaluations public in a timely fashion.

Timeline: 2009–2011

New
Short-Term Action: Push the World Bank Group to put in place meaningful decentralization of authority and personnel to enable it to play its critical role in donor coordination, for example through its management of Multi-Donor Trust Funds at the country level.

Timeline: 2009

Resources to Help Recipient Country Capacity

Good progress

The Government of Canada is pleased with the World Bank Group's effort in 2008 to help recipient countries build the necessary capacity to properly measure development results through the Trust Fund for Statistical Capacity Building, the application of its Country Policy and Institutional Assessment, and the use of country procurement systems.

During the IDA15 replenishment discussions, Canada urged IDA to strengthen its work on statistical capacity building to ensure results were being properly measured and that the data was being used to shape policies and programs. The 2008 *Partner Report on Support to Statistics* of the Organisation for Economic Co-operation and Development's Development Assistance Committee cited the World Bank as one of the top three providers of financial support to statistical development.

Poverty and Social Impact Analyses (PSIAs)

Little progress

PSIAs provide an analysis of the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable. Although it conducted over 50 pieces of PSIA-type analytical work in 2008, progress on implementing PSIAs in the Bank Group's analytical work in 2008 was limited.

In response to a request from the World Bank's Board of Executive Directors, the Independent Evaluation Group is currently conducting a study of PSIAs. Canada will closely monitor the implementation of the recommendations of this evaluation.

Going Forward

Medium-Term Action: Urge the Bank to use PSIAs, as appropriate, for programs Canada jointly supports with the World Bank Group. In addition, ensure that Bank management implements the recommendations from the current independent assessment of PSIAs.

Timeline: 2009–2011

Priority 2.3: Innovation for Private Sector Participation in Development

Canada is a strong advocate at the Bank for innovative initiatives that harness the strengths of the private sector for development. Canada believes this is particularly important as the Bank explores its role in the provision of global public goods. The magnitude of the financial and technical challenge that many of these issues present is beyond the scope of what governments can provide on their own, and we cannot expect to succeed unless this challenge is also taken up in the marketplace.

Advance Market Commitment (AMC)

Pneumococcal AMC

Good progress

An AMC is an innovative way to protect the lives of the world's poorest children by making vaccines available in developing countries more quickly. Although vaccines are an extremely cost-effective development tool, vaccine makers invest relatively little to create vaccines for diseases prevalent in developing countries, given the perception that the countries will have limited capacity to pay for them. Under an AMC, donors put money aside with a promise to supplement the purchase price of vaccines once they are developed. This is expected to stimulate vaccine makers to accelerate efforts, as they have more certainty about recouping the costs of developing these vaccines and bringing them to market.

Canada has played a leadership role in moving the AMC model from a promising theoretical concept to a functioning program. Working closely with the World Bank, the Global Alliance for Vaccines and Immunization and a handful of other donors, Canada has actively participated in the design and financing of the AMC for the creation of vaccines to address pneumococcal disease, a leading cause of childhood mortality in the developing world. Canada was also the first to make a financial commitment to the initiative, with an announcement at the G8 Summit in St. Petersburg in 2006, a move that helped galvanize commitments from other donors over the months that followed. Including Canada's total contribution of US$200 million, donors committed a total US$1.5 billion for this initiative.

The pilot AMC aims to accelerate the introduction of a pneumococcal vaccine for the developing world by up to 13 years, from 2023 to 2010. It is estimated that this could save 5.8 million lives by 2030. Pneumococcal vaccines were chosen for the pilot AMC because the science and technology for effective pneumococcal vaccines are well understood and there is a robust pipeline that includes efficacious vaccines for low-income countries. The AMC pilot is designed to speed up the availability of these vaccines in poor countries by providing the financial incentive for firms to scale up manufacturing capacity or allocate a higher share of manufacturing capacity for the developing world soon after the new vaccines are available. This AMC also intends to accelerate vaccine uptake by ensuring predictable vaccine supply through commitments with participating companies to supply the vaccine at low, long-term and sustainable prices.

As one of the key implementing agencies, the World Bank has done a great deal of work over the past year to help advance the pilot AMC. Subject to Board approval, the Bank will be the financial intermediary for the AMC. In this role, the Bank would act as the conduit for future donor contributions if a pneumococcal vaccine suitable for developing countries is made available subject to the terms of the AMC. Canada believes this will make the AMC offer more credible to the vaccine industry and contribute to the financial efficiency of the mechanism.

Advance Market Commitment

Donor funding is guaranteed as long as vaccines meet stringent, pre-agreed criteria regarding effectiveness, cost and availability; there is demand from developing countries for the vaccines; and the vaccine maker agrees to continue supplying vaccines at fair prices that developing countries can afford after the pool of donor funding has been exhausted.

A key strength of the AMC mechanism is that donors only pay for success. Vaccines bought under the AMC scheme will have to meet strict criteria, set by an independent committee. No AMC money will be paid out until, and unless, the right vaccine is developed.

Expanding the AMC concept

Little progress

The design phase of the pilot AMC has taken longer than expected, and the operational launch of this initiative is now expected to be in the spring of 2009. Going forward, Canada will encourage the World Bank to consider other innovative mechanisms to correct market failures in areas of international development based on the experience and lessons learned from the establishment of this AMC pilot.

Going Forward

New

Medium-Term Action:	Push for greater use of innovative tools to tackle global public goods (e.g. AMC, Caribbean Catastrophe Risk Insurance Facility).
Timeline:	2009–2011

Caribbean Catastrophe Risk Insurance Facility (CCRIF)

Good progress

The CCRIF offers rapid and guaranteed cash payment when a catastrophic natural disaster hits a country insured under the facility. Such rapid access to funds fills the post-disaster liquidity gap, finances immediate post-disaster recovery, and allows governments time to mobilize additional resources for longer-term reconstruction activities.

Canada has been involved in the CCRIF since its beginning stages, actively working with our Caribbean constituents to create a financing option that responds to their needs. The Executive Director representing Canada at the Bank played a key role in gaining full Caribbean participation in the facility. Canada has also demonstrated its commitment to the CCRIF by contributing US$17.5 million to the initiative, making Canada the facility's largest donor, as well as actively encouraging other donors to contribute.

As it pools the individual risks of participating countries, the CCRIF lowers the cost of insurance coverage by approximately 40 per cent, thereby providing Caribbean countries with an insurance option that would be too costly to undertake individually. In addition, donor contributions to the facility serve to lower premium payments even further (IDA has also provided financing to help countries such as Dominica, Grenada and Haiti pay their premiums). Effective June 1, 2008, the facility lowered their premiums by 10 per cent, making the insurance even more affordable. Notably, all 16 signatory countries renewed their memberships to the CCRIF, effective June 1, 2008. The CCRIF's first two payouts proved the facility's efficiency; payouts were made 14 days after the first catastrophic event (earthquake in 2007) and 23 days after Hurricane Ike hit the Caribbean Islands.

A limitation of the CCRIF is its ability to only insure against catastrophic natural disasters and not against more frequently occurring natural events such as flash floods. The CCRIF was originally designed to insure catastrophes that occur, on average, every 20 years. The costs and premiums reflected this risk level.

Going forward, Canada will encourage the Bank and other international partners to consider the merits of expanding the CCRIF or linking it with other similar initiatives. As a pilot project for a new and innovative disaster financing tool, the CCRIF will continue to evolve over time as experiences are incorporated, member country needs are refined and expectations clarified. The Government of Canada will look into possible risk insurance options and seek feedback from constituency partners at the Commonwealth Finance Ministers Meeting.

Going Forward

New

Medium-Term Action:	Leverage Canada's leadership position as the CCRIF's largest donor to further improve the CCRIF and push for expanded insurance facilities in areas such as heavy rainfall and agricultural risk.
Timeline:	2009–2011

IFC Engagement in Frontier Markets

Some progress

The IFC is the key multilateral actor in promoting private sector development in developing countries. Canada has successfully encouraged the IFC to accelerate its engagement in frontier countries (i.e. least developed and other high-risk countries). The IFC's engagement in frontier markets has been growing in recent years. The IFC currently aims at raising its share of investments and advisory work in countries served by IDA from 40 per cent to 50 per cent by 2011.

Ensuring that a significant share of the IFC's activities are taking place in frontier markets is no guarantee of efficient development results. Less than half of the projects in Africa, Asia and the Middle East regions have met or exceeded development benchmarks and standards. In 2008, an independent evaluation of the IFC's development results found that the quality of the IFC's activities has often fallen short in projects taking place in Asia and Africa because, in addition to facing capital shortages, businesses in these regions often lack crucial technical know-how. The high-risk business environment in which investments were made may partially explain the situation.

New Priority 2.4: Resources and Lending Facilities

At the IMF

While the IMF remains highly liquid, the global financial crisis and recent surge in lending have prompted the IMF Managing Director and some Fund member governments to call for a significant increase in lending resources. In their November 2008 Action Plan for combatting the global financial crisis, the world's leaders committed to assess whether the IMF's resources are sufficient to meet potential demand and, if necessary, determine how to increase them. In Canada's view, the IMF must have adequate resources to fulfill its lending role and provide confidence to members and markets. Canada will work with its G20 partners and the IMF in 2009 to ensure the Fund has adequate liquidity, using mechanisms that are flexible, can be quickly implemented, and promote transparency and good governance.

Beyond resources, the Fund must have a rational and effective lending toolkit to meet members' needs. The 2007 report predicted that IMF lending reforms would begin to take centre stage in the near future, and this is now the case. Indeed, one of the short-term action items in the November G20 leaders' declaration focuses on adapting the lending instruments to adequately meet members' needs and revise the lending role in light of the ongoing financial crisis. The IMF has worked hard in 2008 to provide more focused and appropriate assistance to low-income members, but some argue that the institution still lacks an effective lending framework to support the needs of modern emerging market economies that could be susceptible to international financial crises and contagion problems. In Canada's view, the Fund's lending toolkit must be rationalized and evolve to keep up with the diverse needs of the membership and the globalized economy. Going forward, we will push at the IMF not only for appropriate reforms to the existing lending toolkit, but also for a more detailed review of the IMF's optimal lending role.

Going Forward

New **Short-Term Action:**	Engage at the IMF to ensure the IMF has adequate lending resources through transparent, flexible and timely mechanisms.
Timeline:	2009
New **Short-Term Action:**	Support IMF efforts to modernize and rationalize its lending toolkit. Promote finding a common view within the membership on the lending role of the Fund in today's globalized economy.
Timeline:	2009

At the World Bank Group

As described in the previous section, the negative effects of the financial crisis on employment and growth in developing countries are becoming more pronounced and are threatening hard-won development gains.

The World Bank has an important role to play in helping developing countries cope with the crisis in terms of both financing and policy advice. Canada has an important role to play in ensuring, along with other shareholders, that the World Bank Group (and other international financial institutions) has sufficient resources and the right instruments to respond. Canada is actively participating in a G20 working group focusing on this issue. Through this group and through Canada's Executive Director and his office, Canada will push to ensure that the Bank's instruments are sufficiently flexible and that it has sufficient resources to help those members in need of assistance during the global economic downturn. Specifically, Canada's focus will be on ensuring that: (i) the IBRD has adequate capital to enable it to meet the needs of middle-income members; (ii) IDA can frontload resources as well as provide increased grants to countries in risk of debt distress; and (iii) the IFC's private sector facilities aimed at helping maintain trade flows, private sector lending and infrastructure development are sufficiently funded.

Going Forward

New

Short-Term Action:	Work with G20 partners to ensure that the World Bank has sufficiently flexible resources and instruments to respond to the financial crisis.
Timeline:	2009

3. Sustainable Poverty Reduction and Growth

The real benefits of sustained and equitable economic growth to poverty reduction and societal well-being cannot be overstated. Another main objective for Canada is to ensure that the poverty reduction, growth and macroeconomic stability that the IMF and World Bank help foster today will have lasting results in the long run.

For both institutions, this will include encouraging developing countries to maintain sustainable debt positions and helping failed and fragile states onto a sustainable path of recovery. In addition, broad poverty reduction cannot be achieved unless growth is equitable, including the economic empowerment of women. Finally, both institutions have a role in helping countries consider environmental issues more fully in their development planning.

Priority 3.1: Debt Sustainability

The IMF and the World Bank have played a vital role in reducing the debts of the world's poorest and most heavily indebted countries. Canada has also taken a leadership role in these efforts through the continuous evaluation and provision of constructive input on: (i) the Debt Sustainability Framework, which monitors and aims to prevent the reaccumulation of unsustainable debt; (ii) the enhancement of the Debtor Reporting System to collect debt data to improve the transparency of lending and borrowing activities; and (iii) the creation of the Non-Concessional Borrowing Policy to put in place stronger incentives for countries to ensure that debt sustainability is maintained. However, many countries are still at a high risk of debt distress, including many that have received comprehensive debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, and their efforts to make progress are further complicated by the current financial crisis. It is imperative that development banks and donors alike continue their efforts to ensure that low-income countries are provided with the tools and advice they need to maintain their debts at sustainable levels. Canada remains strongly committed to these efforts and will continue to support low-income countries in reaching their long-term development goals.

The Debt Sustainability Framework (DSF)

Good progress

Canada has continued to monitor the DSF through its participation in all Executive Board discussions on the DSF. We have actively engaged with both creditors and debtors to increase transparency and the dissemination of information on both lending and borrowing decisions.

The effectiveness of the DSF in preventing another lend-and-forgive cycle crucially depends on compliance from all creditors on new lending decisions. Canada notably supported the Organisation for Economic Co-operation and Development's January 2008 "Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries," which commits Canada to meet minimum applicable concessionality requirements derived from the DSF in its bilateral lending practices. However, Canada will need to push for greater compliance by all major sovereign and private low-income countries' creditors to ensure that new financing to low-income countries is provided in accordance with the countries' long-term repayment capacities.

Going Forward

New

Medium-Term Action: Push for the full compliance of all participants in the joint IMF/World Bank Debt Sustainability Framework.

Timeline: 2009–2011

Debt Management Capacity in Low-Income Countries

Good progress

In 2008, Canada continued to push for improvements in the transparency of debt data and for increased debt management capacity in low-income countries through its participation and leadership in the World Bank's new Debt Management Facility for Low-Income Countries. This facility responds directly to Canada's previous requests and builds on the Bank's unique strengths and abilities. The facility focuses on:

- Improving coordination between those providing capacity-building services and low-income countries in need.
- Applying the Debt Management Performance Assessment tool in low-income countries in order to measure country progress in building capacity.
- Helping low-income countries develop their own medium-term debt strategy.

The Bank is well placed to focus on these areas. To demonstrate its support, Canada was one of the first donors to commit $2 million over two years to this facility and become a member of its Board of Governors. Canada is optimistic that the facility will contribute to progress in the area of debt sustainability by providing low-income countries with the tools they need to improve the collection of debt data, to have more accurate economic forecasts, and to maintain their debts at sustainable levels.

Going Forward

New

Medium-Term Action: Leverage Canada's leadership role in the World Bank's new Debt Management Facility for Low-Income Countries to build capacity in heavily indebted poor countries.

Timeline: 2009–2011

Appropriate Level of Debt Reaccumulation Post Debt Relief

Some progress

Canada has suggested that the Bank expand the scope of the Non-Concessional Borrowing Policy (NCBP) to consider not just the rate of accumulation of non-concessional debt, but also the rate of accumulation of concessional debt (i.e. low- or no-interest loans provided by donors and organizations like IDA) when assessing IDA clients' debt situations. While this was not agreed to by all participants for the IDA15 period, IDA did agree to provide regular updates on its experience with the NCBP, and Canada will continue to monitor its effectiveness and advocate for the Bank to recognize the role of concessional loans in debt sustainability. Canada also encouraged focused intervention by the IMF during the food and fuel crisis, given the humanitarian aspects of the crisis and the ability of the World Bank to offer more concessional financing and grants to countries facing food shortages and greatly increased food and fuel import bills.

In light of the effects of the current financial and economic crisis on low-income countries, Canada believes that IDA (and other multilateral development banks) should look to increase grants to the poorest IDA-only countries to allow them to invest in meeting basic development needs, such as health and education, without jeopardizing their future debt sustainability. Such an approach would offer financing in line with the majority of bilateral development assistance funding.

Going Forward

New

Medium-Term Action: Promote increased levels of IDA grant financing to low-income countries to enable them to weather the current crisis without jeopardizing their debt sustainability.

Timeline: 2009–2011

Multilateral Debt Relief

Canada has been very active in the development and financing of debt relief through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative (MDRI), which free up resources for recipient countries to redirect to poverty reduction initiatives. Under these programs, Canada has cancelled roughly $1 billion in debts owed to it by developing countries since 2000 and committed to provide the IMF, World Bank and African Development Fund (ADF) with $2.5 billion over the next 40 years to compensate them for the debts they have cancelled.

In 2008, Canada went above and beyond its traditional commitment to the MDRI and provided IDA and the ADF with an accelerated payment schedule to cover a greater share of the costs of this initiative. This stronger commitment to the MDRI provides significant benefits to both IDA and the ADF as these institutions face a shortfall in donor financing. Canada's accelerated payment not only enables the institutions to cover their debt relief costs if countries progress at a faster rate than anticipated, but also allows them to immediately increase their program lending to low-income countries.

Priority 3.2: Failed and Fragile States

Successfully reintegrating failed and fragile states into the global economy represents another major challenge for the global community. Over 14 per cent of the world's population, or 870 million people, live in fragile states. It is estimated that they represent 35 per cent of people living in absolute poverty, 46 per cent of the total number of children not receiving a primary education, and 51 per cent of children who die before age 5 each year. Moreover, in the future, poverty is expected to become increasingly concentrated in these states. Canada has therefore been advocating for stronger multilateral support for these countries to complement our own large bilateral aid programs in countries like Afghanistan and Haiti.

Progress at the IMF

Some progress

The IMF's core role in failed and fragile states is to aid national authorities in re-establishing macroeconomic stability and growth in the country. As a medium-term action, Canada committed in the 2007 report to encourage the IMF to focus on its core areas of expertise (i.e. policy support for obtaining macroeconomic stability and facilitating arrears clearance where appropriate) and adapt its policy advice and intervention methods to respect country-specific situations, while coordinating closely with the World Bank and other relevant organizations.

In 2008, the IMF continued its engagement with fragile states to improve economic management and stability. In addition to providing emergency post-conflict assistance to Côte d'Ivoire, Guinea Bissau and Lebanon, the IMF also continued to provide technical assistance, policy advice and financing to a number of fragile states through its regular instruments. This includes support to countries of particular importance to Canada such as Afghanistan and Haiti.

Also, in mid-March 2008, Liberia's arrears to the IMF were cleared, thanks in large part to Canada and the G7's leadership in securing sufficient financial assurances to help cover the costs of this operation. Canada and other G7 countries committed funding above and beyond what was expected of them. In total, Canada committed C$44 million to clear Liberia's arrears to multilateral development banks, which provided the country with access to over US$2.8 billion in debt relief under the Heavily Indebted Poor Countries Initiative and US$147 million under the Multilateral Debt Relief Initiative.

In addition, in April 2008 the Executive Board discussed a review of the Fund's engagement in fragile states and post-conflict countries. The review found that while the Fund has been engaged in some form—surveillance, staff-monitored programs, financial assistance and capacity building—in almost all fragile states, it did not have a specific and differentiated policy toward them (although the Fund's Medium-Term Strategy calls for greater flexibility in program design in fragile states).

The review suggested changes to the Fund's approach to make it more tailored to the needs of fragile states. In particular, a more systematic, graduated approach was recommended to improve the coherence of the Fund's engagement through a medium-term framework that explicitly adjusts Fund policy advice and monitoring, capacity building, signalling and financial assistance to a country's evolving capacity to formulate and implement macroeconomic policy and its commitment to reform.

Following an initial discussion of the review and corresponding policy proposals by the Executive Board, IMF management indicated that it would return to the Board with a follow-up paper once there has been a chance to take into account the views and suggestions expressed by Executive Directors and to consult with donors and potential recipients of Fund support. Canada will remain vigilant in this area.

Progress at the World Bank

IDA Arrears Clearance Framework

Good progress

IDA's new arrears clearance framework enables countries emerging from conflict to clear their arrears in a systematic and timely fashion. Canada has paid its full share of this program and continues to monitor its progress. In 2008, Togo used the program to clear its arrears in a timely and clear-cut fashion, enabling it to become eligible for US$674 million in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative.

Canada will continue to monitor the application of IDA's new framework for arrears clearance operations to ensure that these are done in a timely fashion while at the same time preserving incentives for countries to complete reforms under the HIPC process after arrears clearance.

Monitor Success of IDA's Post-Conflict Enhancements

Good progress

As outlined in last year's report, the World Bank has done a great deal over the last several years to help fragile states overcome their unique development challenges. President Zoellick has identified post-conflict and fragile states as one of six strategic themes for the Bank Group to focus on in support of the goal of inclusive and sustainable globalization. With the start of the IDA15 period, the Bank Group implemented several significant changes to its financing arrangements to better reflect the unique needs of fragile states—both those emerging from conflict and those re-engaging with IDA after a prolonged period of inactivity. The steps taken have allowed the Bank to significantly enhance its capacity to provide financial support throughout the period of recovery from conflict.

Since 2007, the World Bank has also employed a new emergency response policy. This new policy has allowed the Bank to be much faster in its support for peace building and stabilization projects and in responding to post-disaster and post-conflict situations. About 50 projects worth some $1 billion have already been processed under the new policy. Overall, in FY2008 the Bank and IFC have committed $3 billion to fragile and post-conflict countries such as Afghanistan, Cambodia, Kosovo, Timor-Leste, Togo, Papua New Guinea, West Bank and Gaza, and the Solomon Islands.

Regarding fragile states that have not succumbed to conflict but are rather re-engaging with IDA after a prolonged period of inactivity, eligible countries receive two years of exceptional allocations with three years of phase-in to regular Performance-Based Allocations (PBAs). Canada is concerned that this facility does not go far enough for countries like Haiti, as they may not have enough time to build up their capacities sufficiently to transition to the PBA mechanism without experiencing a major fall in funding from IDA. Engagement in fragile states is a long-term commitment, as reflected in the Development Assistance Committee's principles for fragile states engagement. As such, Canada intends to raise this issue again in the context of the IDA15 mid-term review.

Going Forward

New
Medium-Term Action: Use the IDA15 mid-term review to advocate for a longer period of exceptional IDA allocations for countries that have not succumbed to conflict but are rather re-engaging with IDA after a period of prolonged inactivity.

Timeline: 2009–2011

World Bank Group Coordination With the United Nations in Fragile States

Good progress

Canada has often expressed concern about the limited coordination between the World Bank Group and the UN in crisis and post-crisis environments, which can jeopardize the effectiveness of programming at the ground level. In 2008, the World Bank Group improved its coordination with the UN in fragile states by:

- Establishing the State- and Peace-Building Fund to replace two previous funds—the Post-Conflict Fund and the Low-Income Countries Under Stress Trust Fund.
- Formalizing a UN-World Bank Group agreement, the UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations, which affirms the World Bank Group and UN's commitments to work together more effectively in countries affected by conflict or natural disasters.
- Signing a Fiduciary Principles Accord (FPA). It is expected that the FPA will significantly speed up joint efforts in crisis and emergency response by better defining financial processes on the ground and facilitating collaboration on funding mechanisms.

In 2008, Canada contributed $3.5 million to support Track II of the Global Facility for Disaster Reduction and Recovery, a partnership between the World Bank Group and the UN. The facility's main goal is to help low- and middle-income countries improve their responses to future natural disasters (disaster risk reduction). The facility will achieve this goal by providing technical and financial assistance to help these countries incorporate plans into their country assistance and poverty reduction strategies, which will improve their reactions to and preparedness for natural disasters.

Priority 3.3: Gender

Canada has been a strong advocate of gender issues at the World Bank Group. The World Bank Group has quality policies on gender and development in place, but their implementation has been uneven. Canada looks forward to the Independent Evaluation Group's forthcoming evaluation of the World Bank's Gender Action Plan and expects that the evaluation will be used constructively to inform future policy and programs.

The World Bank Group's Operational Manual—Gender Equality Integration

Some progress

The operations manual includes a directive to consider the gender dimension in the preparation of Country Assistance Strategies and, if an objective is identified, to monitor and evaluate progress in achieving the relevant results. While Country Gender Assessments are regularly produced, at times they appear to have little impact on actual programs on the ground. Canada believes it would be useful to extend the directive in the operations manual to apply, for example, to Poverty Reduction Support Credits or other tangible World Bank programs.

Going Forward

Medium-Term Action:	Encourage the World Bank to update its operations manual to mandate the full integration of gender equality objectives into tangible Bank programs.
Timeline:	2009–2011

Sufficient Budget Resources for Gender Equality Specialists

Good progress

The World Bank Group's Gender Action Plan provides funds to increase dedicated staff time for work on gender and augment the number of gender specialists. We believe that full implementation of the plan, and specifically its action to "engender operations and technical assistance in economic sectors," will increase the Bank's effectiveness.

However, the Gender Action Plan is due to terminate in 2011, and Canada would like to see this momentum sustained over the longer term. The Government of Canada will urge the World Bank to take the necessary actions to put in place the required resources, to increase the number of specialists where needed, and to empower staff to enable them to address gender considerations in their work.

World Bank Group Collection and Analysis of Gender-Disaggregated Statistics

Good progress

Canada regularly advocates as a partner to ensure that the Bank's policies, programming and projects include gender results; this applies in particular to projects that Canada supports financially through trust funds. For example, Canada recently intervened to ensure that gender results are addressed in the upcoming evaluation of the World Bank Group's country assistance in employment creation and earnings growth.

Through the Doing Business Gender Project, the IFC and the World Bank are gathering data to identify and address discriminatory practices in the regulatory regimes of developing countries for both men and women. The Government of Canada believes it is important that the Bank collect and track gender indicators not only for the overall progress of gender equality, for example on MDG3 on gender equality and women's economic empowerment, but also at the project level where the impact on gender is the greatest. Accordingly, Canada will urge the World Bank to continue to include gender results in its programming and will monitor the Bank's progress in this area.

In addition, the IFC has identified indicators to track gender impacts across its private sector programming, and has incorporated them as mandatory indicators within its Development Outcome Tracking System. Canada will closely follow the progress of this innovation.

Priority 3.4: Environment

Sustainable growth cannot be achieved without significant progress in addressing the world's environmental challenges. In many developing countries, the costs of environmental degradation have been estimated at 4 to 8 per cent of GDP annually. Natural resource degradation—depleted soils, insufficient water supply, rapidly disappearing forests, collapsed fisheries—threatens the health of millions of people. Also, pollution continues to present a major health threat; an estimated 6 million people die annually, and many more get sick, in developing countries from water-related diseases, indoor air pollution, urban air pollution and exposure to toxic chemicals. The World Bank, and to a lesser extent the IMF, have roles to play in combatting and coping with environmental threats and climate change.

IMF: Filling a Niche on Climate Change

Good progress

In the 2007 report, Canada committed to support the IMF's efforts to increase analytical capacity concerning the impacts of climate change on national economies, in coordination with the World Bank, with a view to assessing appropriate policy responses.

In 2008, two Fund publications illustrate its contribution to the challenges raised by climate change. Early in the year, a policy paper dealing with the fiscal implications of climate change was prepared for the Executive Board. In addition, the spring 2008 *World Economic Outlook* devotes a full chapter to the issue, in which the Fund emphasizes that policies to mitigate climate change can have potentially rapid and wide-ranging macroeconomic consequences. The Fund points to some lessons as to how the cost of mitigation policies can be minimized. For example, it mentions some options for pricing carbon emissions.

The Minister of Finance welcomed the Fund's recent work on climate change in his April 2008 remarks to the IMFC. In Canada's view, the IMF is filling an important niche. Canada continues to support further work by the IMF that allows it to raise awareness and provide advice to member countries in which environmental problems can have a significant impact on economic growth and development.

World Bank: Climate Change and the Environment

Good progress

Although international climate change policies are being negotiated through the United Nations Framework Convention on Climate Change (UNFCCC) process, the World Bank has an important role to play in helping to build both the adaptation and mitigation capacity of developing countries to address this urgent global challenge. The World Bank Group responded in 2008 to the mounting concern over the state of the global environment by producing two specific deliverables related to climate change.

First, it developed a strategic framework for engagement on climate change. *Development and Climate Change: A Strategic Framework for the World Bank Group* was released at the 2008 Annual Meeting and was endorsed by Bank Governors. The six action areas of the strategic framework are:

- Supporting climate actions in country-led development processes.
- Mobilizing additional concessional and innovative finance.
- Facilitating the development of market-based financing mechanisms.
- Leveraging private sector resources.
- Supporting accelerated development and deployment of new technologies.
- Stepping up policy research, knowledge and capacity building.

Canada was broadly supportive of the strategic framework, in particular of the Bank utilizing its global influence to mobilize the broad political will and the substantial financial resources that will be required to operationalize the proposed actions. The framework shows that the Bank Group is well on its way to becoming a leading global institution in the area of climate change and development.

Second, on July 1, 2008, the World Bank's Board of Directors approved the Climate Investment Funds, a collaborative effort among the multilateral development banks and countries to bridge the financing and learning gap between now and a post-2012 global climate change agreement. The Climate Investment Funds are comprised of two funds: the Clean Technology Fund, which will accelerate transformation to low carbon growth paths through cost-effective mitigation of greenhouse gas emissions, and the Strategic Climate Fund, which will provide financing to pilot new approaches through a series of targeted funding programs.

During the Sommet de la Francophonie in October 2008, Prime Minister Stephen Harper demonstrated leadership on this issue when he announced Canada's intention to contribute $100 million to international efforts to assist developing countries adapt to the effects of climate change. A significant portion of this funding will be channelled through the Bank.

Canada believes that the Climate Investment Funds offer an important opportunity to take meaningful action on climate change. Designed as an interim measure for financing and building knowledge on climate action within the global community, the best practices captured by the Climate Investment Funds will help inform the negotiations under the UNFCCC and a post-2012 international agreement.

Going Forward

New

Medium-Term Action:	Leverage Canada's position as a major donor to the Climate Investment Funds to stress the importance of performance measurement and to ensure that new climate change financing initiatives have effective monitoring and evaluation frameworks in place.
Timeline:	2009–2011

Summary of Canada's Priorities for 2009–2011

The following summary chart highlights actions identified in last year's report that will be carried forward as priorities for 2009–2011, plus any new actions introduced in the previous section.

Canada's Medium-Term Priorities for 2009–2011

1. Governance and Accountability

Priority	Short-Term Action (2009)	Medium-Term Action (2009–2011)
1.1 Governance Reforms Enhance the legitimacy of the Bretton Woods Institutions through a more representative governance structure.	Ratify the 2008 agreement on IMF quota and voice and urge other members to do the same.	Work towards greater voice and participation of developing and transition countries to more adequately reflect changing economic weights in the world economy and contributions to IDA. Commensurate with increased voice and participation, Canada will also push the major emerging market economies to take on more responsibility in donor financing, including IDA. Work to promote IMF corporate governance changes that increase IMF legitimacy, effectiveness and credibility.
1.2 Transparency Build on real past progress on institutional transparency.	Push the Bank towards greater transparency during the review of its Disclosure Policy in 2009 by advocating for a move from the current policy that lists the types of information that can be disclosed to one that allows disclosure of any information, except for a limited list of exclusions.	

2. Institutional Effectiveness

Priority	Short-Term Action (2009)	Medium-Term Action (2009–2011)
2.1 IMF Surveillance and Crisis Prevention Support reforms to give more "bite" to surveillance.		Continue to work to improve the integration of the IMF's analysis of financial system developments in the *Global Financial Stability Report* with the assessment of trends in the real economy provided by the *World Economic Outlook*. Support Fund work to make this analysis more applicable to policy making in member countries.

Priority	Short-Term Action (2009)	Medium-Term Action (2009–2011)
		Support enhanced IMF-FSF collaboration on early-warning systems for financial sector weaknesses and determining regulatory responses. Continue to push other IMF members to undertake and publish the results of FSAP reviews. Encourage better integration of FSAP results into IMF Article IV reviews of member economies and call for mandatory publication of Article IV reviews, enhancing the usefulness of those annual surveillance exercises.
2.2 Aid Effectiveness Get the most development impact from IMF and World Bank Group resources.	Push the World Bank Group to put in place meaningful decentralization of authority and personnel to enable it to play its critical role in donor coordination, for example through its management of Multi-Donor Trust Funds at the country level.	Urge the World Bank Group to increase the use of randomized impact evaluations to affect policy decisions. To enhance the World Bank Group's accountability, push the Group to make more of it's program evaluations public in a timely fashion. Urge the Bank to use PSIAs, as appropriate, for programs Canada jointly supports with the World Bank Group. In addition, ensure that Bank management implements the recommendations from the current independent assessment of PSIAs.
2.3 Innovation for Private Sector Participation in Development Continue to support innovative new ways to promote private sector participation.		Push for greater use of innovative tools to tackle global public goods (e.g. AMC, CCRIF). Leverage Canada's leadership position as the CCRIF's largest donor to further improve the CCRIF and push for expanded insurance facilities in areas such as heavy rainfall and agricultural risk.
2.4 Resources and Lending Facilities (NEW) Ensure that the IMF and World Bank Group have adequate resources and appropriate instruments to fulfill their mandate.	Work with G20 partners to ensure that the World Bank has sufficiently flexible resources and instruments to respond to the financial crisis.	

Priority	Short-Term Action (2009)	Medium-Term Action (2009–2011)
	Engage at the IMF to ensure the IMF has adequate lending resources through transparent, flexible and timely mechanisms. Support IMF efforts to modernize and rationalize its lending toolkit. Lead international efforts to develop a common view on the lending role of the Fund in today's globalized economy.	

3. Sustainable Poverty Reduction and Growth

Priority	Short-Term Action (2009)	Medium-Term Action (2009–2011)
3.1 Debt Sustainability Avoid another lend-and-forgive cycle.		Push for the full compliance of all participants in the joint IMF/World Bank Debt Sustainability Framework. Leverage Canada's leadership role in the World Bank's new Debt Management Facility for Low-Income Countries to build capacity in heavily indebted poor countries. Promote increased levels of IDA grant financing to low-income countries to enable them to weather the current crisis without jeopardizing their debt sustainability.
3.2 Failed and Fragile States Better tools for assisting fragile states.		Use the IDA15 mid-term review to advocate for a longer period of exceptional IDA allocations for countries that have not succumbed to conflict but are rather re-engaging with IDA after a period of prolonged inactivity.
3.3 Gender A real mainstreaming of gender considerations across operations.		Encourage the World Bank to update its operations manual to mandate the full integration of gender equality objectives into tangible Bank programs.
3.4 Environment Linking development and environment in a manner that is consistent with the core mandates of the Bretton Woods Institutions.		Leverage Canada's position as a major donor to the Climate Investment Funds to stress the importance of performance measurement and to ensure that new climate change financing initiatives have effective monitoring and evaluation frameworks in place.

Annex 1

Canadian Statements at the International Monetary and Financial Committee of the Board of Governors for the IMF

The Honourable Jim Flaherty, Minister of Finance for Canada

on behalf of Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines

Washington, DC
April 12, 2008

This meeting is taking place at a time of heightened uncertainty about the global economy and our collective near-term prospects. This backdrop for our discussions today underscores the importance of an effective International Monetary Fund (IMF), capable of identifying potential economic vulnerabilities through its surveillance, helping members to implement sound policies through its capacity building and, when necessary, supporting members amid crises through its lending activities. The Fund was created, after all, to promote the international monetary cooperation needed to promote and safeguard the public good of international economic and financial stability, and with it, global prosperity.

It is thus encouraging that our meeting is also taking place at a time of great progress for the IMF as an institution. I am pleased to represent my constituency at this important meeting and, on behalf of Canada and the constituency, I want to extend a warm thanks to Managing Director Dominique Strauss-Kahn for his strong leadership, including the steps that have been taken toward making the IMF more legitimate, credible and effective since his arrival last fall.

The recent agreement to modernize the IMF's quota system is an historic event in that it recognizes the growing importance of a new group of countries in the global economy. It is an understanding that can reanimate the spirit of international cooperation on which the Fund was created. The significant progress we have made in updating the Fund's voting structure is a key foundation for moving forward on other reforms. And I believe we can move forward knowing that the quota deal can re-energize members' belief in the importance and ultimate legitimacy of the institution.

Global Prospects

Since our fall meeting, the global economic outlook has deteriorated. What started as a collapse of the US subprime mortgage market has spread to a wide range of markets and financial instruments. To this point at least, there has been a disconnect between the turbulence in financial markets and the real economy. However, there are now signs that economic growth in a number of major economies is slowing, reflecting greater stringency in the availability of financing for households and firms.

Similarly, emerging markets have been much less affected to this point, reflecting in part improvements in recent years in their policy frameworks. But in the integrated global economy in which we live, no country can be completely insulated from instability in international markets. The current turmoil is a global problem, and Canada, as an open economy with strong links to the rest of the world, is also not isolated from the adverse spillovers from slower growth elsewhere.

At the same time, policy-makers around the world have reacted to these developments with agility and determination. Monetary conditions have been eased in many countries to support growth. Liquidity has been provided to facilitate the smooth functioning of financial markets, including in some cases through innovative mechanisms. And, in some countries, fiscal stimulus has also been added, in a manner that will bolster demand in the face of near-term challenges without compromising longer-term fiscal sustainability. Together, these responses will support confidence, strengthen aggregate demand and facilitate needed adjustments. Yet, as policy-makers try to navigate through this financial turmoil, they are also faced with the challenge of inflationary pressures that have increased due to oil and food prices rising sharply over the past year.

Canadian Developments

Growth in the Canadian economy was strong through most of 2007, averaging over 3½ per cent (annualized) in the first three quarters. Growth has slowed more recently, with real gross domestic product (GDP) increasing just 0.8 per cent in the final quarter of 2007, reflecting lower exports associated with the weakening US economy and the appreciation of the Canadian dollar. For 2007 as a whole, the Canadian economy expanded 2.7 per cent, down slightly from the 2.8 per cent pace observed in 2006.

Despite the slowing in overall growth, final domestic demand remains strong and continues to be the main driver of growth. Led by robust growth in consumer spending and business investment, final domestic demand increased 4.3 per cent in 2007, down moderately from a robust 4.7 per cent increase in 2006. Solid personal income gains, very healthy job growth and low interest rates, together with tax relief and strong monetary and fiscal fundamentals, continue to support the Canadian economy. The IMF expects Canadian growth to be 1.3 per cent in 2008, increasing to 1.9 per cent in 2009.

Inflation pressures remain well contained. Total consumer price inflation dropped below the Bank of Canada's 2 per cent inflation target in February after spending most of the past year somewhat above the target, while core inflation has averaged about 1.6 per cent over the past six months. The Bank of Canada has lowered its policy rate by a cumulative 100 basis points since December 2007 and has noted that "further monetary stimulus is likely to be required in the near term to keep aggregate supply and demand in balance and to achieve the 2 per cent inflation target over the medium term."

Canada's fiscal situation remains strong. On a total government basis, Canada's budget surplus was 1.3 per cent of GDP in 2007 and is projected to remain in surplus for 2008 and 2009. By contrast, the Group of Seven (G7) as a whole is expected to record an average deficit of approximately 2.6 per cent of GDP during that time. Canada also has a very strong track record on debt reduction. Our total government net debt, as a percentage of GDP, has declined steadily from a peak of nearly 71 per cent in 1995 to about 23 per cent in 2007. We will continue this course. The Government aims to bring total government net debt, already the lowest in the G7 since 2004, to zero by 2021. This responsible fiscal stewardship is the cornerstone of the Government's economic plan. It has allowed the Government to respond to recent economic uncertainty from a position of strength. The actions taken by the Government in the October 2007 Economic Statement provide more than $12 billion in incremental tax relief this year. Combined with actions taken by the Government since 2006, $21 billion in incremental tax relief—1.4 per cent of Canada's economy—is being provided to Canadian individuals and businesses this year.

Irish and Caribbean Developments

The Irish economy put in another strong performance in 2007. Real GDP grew by more than 5 per cent; the fiscal position remained in small surplus, while inflation averaged 2.7 per cent. As the year progressed, however, turbulence in global financial markets, the long-expected downturn in the domestic construction sector and the strengthening of the euro against the US dollar and sterling began to weaken growth, and downside risks came into prominence. For 2008, the prospect is for growth of about 2.5 per cent but as a small highly globalized economy, Ireland is particularly vulnerable to a further deterioration in the global economic environment. After many years of an extremely buoyant housing/property market, this sector is experiencing a sharp slowdown and house prices are falling to a modest degree. This period of adjustment will bring about a better balance between longer-term supply and demand and a recovery expected in 2009. The well-established pattern of fiscal balance or small surplus will be interrupted in 2008, when a deficit in excess of 1 per cent of GDP is in prospect. Unemployment seems likely to rise to about 5.5 per cent and inwards migration to slow considerably. As in many other countries, rising fuel and food prices are having an effect on inflation: on a harmonized European basis, consumer prices are rising at about 3.5 per cent year on year and should average slightly above 2.5 per cent over the course of the year.

While, along with the rest of the world, 2008 will be quite a difficult year for the Irish economy, economic fundamentals remain strong, and many years of sound micro and macroeconomic policies should mitigate the effects of the current global downturn and place the economy in a favourable position to respond as the world economy begins to recover in 2009.

For the Caribbean countries I represent in the Committee, 2007 was another challenging year, due mainly to adverse exogenous shocks. Growth remained robust, although the rate of economic expansion moderated, reflecting a winding down of Cricket World Cup-related activities and natural disaster-related damages to the agriculture sector in a number of countries. The region faced high levels of inflation due to high and rising oil and commodity prices, and weather-related food supply shocks. Minimizing the impact of the high and rising inflation and protecting the poor and vulnerable also remain a major policy challenge. During the year, a number of countries incurred additional fiscal and social costs as a result of the impact of hurricanes, floods and earthquakes. Debt overhang remains a major challenge for many countries but Caribbean governments remain fully committed to reducing the debt and, accordingly, efforts at fiscal consolidation continue. Against the backdrop of the turbulence in financial markets, the outlook for further slowing in the global economy and the contraction in the US economy, the Caribbean's major trading partner, there are downside risks for the Caribbean. These reinforce the need to advance the reform process and the regional integration movement.

Given the Caribbean's vulnerability to natural disasters, we are pleased to see that based on the lessons learned from the recent experience with the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the facility now offers lower deductible options, a reduction in policy premiums and a minimum claim payment that is equal to the annual premium paid. In addition, to better serve the needs of the region, the CCRIF is exploring new areas of potential coverage related to flooding and agricultural losses. In the meantime, efforts by the Caribbean governments at disaster preparedness and mitigation continue. Given the region's dependence on its costal zones for tourism, fishing, residential accommodation and transportation, a current challenge for the Caribbean relates to the issues of global warming and rising sea levels and temperatures as a result of climate change.

IMF Reform

Today's global economic uncertainties, which clearly transcend national borders, are reminders of why we need strong and effective international economic and financial institutions. The role of the IMF in providing a forum for international monetary cooperation is why Canada and all the countries in the constituency I represent place a high priority on further strengthening the institution. The Fund must be able to fulfill its core mandate of supporting international financial and monetary stability. It can only do this if it is seen as a legitimate, effective and credible institution. The reforms we have been pursuing get to the heart of what is needed.

Legitimacy: Quota and Voice Reforms

Legitimacy largely falls to one issue: quota and voice. For the Fund to be recognized as legitimate, it must have a modern and representative governance structure. I am therefore pleased that after 18 months of hard work, we now have consensus on a new quota formula and a path forward on quota and voice reforms. It is a deal that has required political compromise on all our parts. It is a deal that deserves the International Monetary and Financial Committee's strong support and one that can reanimate the spirit of international cooperation on which the Fund was created.

The new quota formula presents a far more accurate picture of the weights of different members in the global economy. Both the calculated and actual quota shares of dynamic emerging market economies will increase, reflecting their growing influence in our changing world. At the same time, by tripling basic votes, the proposal not only preserves the vote share of low-income countries, it increases it. Because basic votes will now be set as a fixed percentage of total votes, these countries will receive automatic increases in basic votes as part of future realignments of voting power, helping them maintain adequate representation at the Fund. To raise the vote share of developing countries even further, several advanced countries have voluntarily forgone much of the increases, including a member of my constituency. I applaud these countries for their willingness to compromise.

Though over 120 countries see vote share increases, by its very nature, reform necessitates losses for some countries. In fact, Canada experiences one of the largest vote share declines of any member country. Nevertheless, we still firmly support the deal on quota and voice reform: though Canada has shown solid economic performance, many emerging market economies are growing even faster. It is thus appropriate that their vote shares should rise relative to our own.

Most fundamentally, this quota agreement is in Canada's interests. As a country whose prosperity is inextricably linked to developments beyond our borders, we benefit from a more legitimate and effective IMF, better able to fulfill its mandate of supporting a prosperous global economy. In this respect, the new formula represents the start of an ongoing dynamic process: future economic growth will be recognized through higher quotas and voting power, ensuring that lower quota share for some countries now could be regained in the future as their weight in the global economy increases.

Effectiveness: Surveillance Reforms

It is clear that an institution that is recognized as legitimate will be more effective in its operations and its relations with member countries. For the IMF, this has real implications for its surveillance work; the effectiveness of surveillance is linked inextricably to the willingness of members to take on board its policy advice.

The current financial turmoil underscores the extent to which global markets are integrated. There is a clear need for effective surveillance of global risks and the policy imbalances that can amplify these risks. The IMF's strong analytic capacity and virtually universal membership mean that it is also well placed to play an important role in convening fora for discussions on how to address the challenges that may require concerted action by national governments. Getting agreement on a Statement of Surveillance Priorities that enjoys widespread political support would provide accountability for targeted, balanced and effective Fund surveillance. The fundamental goal should be to reanimate the spirit of cooperation by forging a consensus among all the Fund's members on the role of surveillance in assisting governments deal with the challenges of the integrated global economy of the 21st century.

In this respect, we support the Managing Director's vision for a refocused IMF, which places top priority on more incisive surveillance and embraces the view that the IMF has a unique role to play, and comparative advantage, in linking financial sector developments with the real economy. Indeed, the IMF has also taken very welcome steps over the last year to improve the effectiveness of its surveillance activities.

The 2007 Decision on Bilateral Surveillance over Members' Policies established modern policies to govern how the IMF conducts surveillance of its members and clarified the interpretation of members' existing obligations in the area of exchange rate policy. This decision will foster improvements in the focus, even-handedness and candour of Article IV reviews. The challenge is to build on this progress, particularly through more thorough analysis of cross-border spillover effects of national economic policies. This is especially relevant in the current environment.

Credibility: IMF Finances

Finally, the IMF as a financial institution must have the stable financial footings to allow it to play a credible role in the international financial architecture. A strong budget position ensures stability and independence in its operations, and ensures the Fund is able to respond quickly and effectively in times of uncertainty.

With this in mind, our operational goal has been sustainable budget reforms that result in a more cost-effective IMF that focuses its outputs on core institutional strengths and practices good financial governance. The recent Executive Board approval of the 2009—2011 medium-term budget, which implements a significant cut in administrative spending, is a key milestone. The budget correctly orients the IMF's outputs, expenditures and activities toward such goals as achieving a vision of the institution as a key player in surveillance of linkages between the financial sector and the broader economy.

I welcome the leadership shown by Executive Directors in reducing their own budgets in line with the overall cuts to IMF administrative spending. This demonstration of the Board's commitment to cost-effectiveness is critical for the legitimacy of the exercise; it sends a signal to the valued Fund staff that the Board is prepared to share the burdens of putting the IMF on a strong financial footing.

I am also encouraged that the membership is forging a clear path forward on measures to ensure that the Fund has a sustainable income model for the future. On the income side, my constituency supports a limited sale of IMF gold, provided that this is done in a manner that avoids any potential disruption of world gold markets. We also support the other Crockett Report recommendations currently under consideration by the Executive Board for incorporation into the new income model.

Together we have made important progress in addressing IMF finances. Critical work remains to be done, however, including domestic legislative ratification by many members of the required amendments to the IMF Articles of Agreement to support income-generating reforms. I am confident we can accomplish this soon. It is important that every Fund member does their part to ensure the success of IMF budgetary and financing reforms.

The IMF's Work in Low-Income Countries

My constituency supports the work of the IMF in low-income countries that is focused on promoting macroeconomic stability, sustainable growth and effective debt management.

Debt Sustainability

The international community has made tremendous progress on debt reduction in the past decade. Going forward, I believe that it is critical that recipients of debt relief remain on a path of sustainable long-term financial management. Our ultimate goal regarding debt sustainability is to prevent a return to the "lend-and-forgive" cycles of the past and ensure that the potential benefits of debt relief are realized and long-lasting. To do so, a high priority for the IMF should be to help low-income countries avoid unsustainable borrowing, while simultaneously encouraging creditor countries to provide financing that is in line with the borrowing country's development plans as well as any IMF concessionality requirements or the results of the most recent IMF/World Bank Debt Sustainability Analysis.

The IMF and World Bank have cooperated effectively thus far, including through the development of the Debt Sustainability Framework to better monitor and prevent the reaccumulation of unsustainable debt. However, given that many countries are still at a high risk of debt distress and are reaccumulating unsustainable levels of debt, I see scope for the Fund to further strengthen its cooperation with the Bank. For example, the Bretton Woods Institutions should play a bigger role in ensuring that debtor countries have access to the capacity-building tools required for effective fiscal management.

Countries' prospects for reducing their vulnerability to excessive external debt accumulation will be enhanced if they are capable of borrowing at attractive terms on local markets. I therefore call upon the IMF (in cooperation with the World Bank) to support efforts underway to assist countries in developing their local bond markets, through achieving and maintaining macroeconomic stability, implementing appropriate debt management policies, and establishing sound regulatory systems and market infrastructure.

Climate Change

Coping with climate change is of great importance to our collective well-being in the future. I am pleased that the IMF recently announced that it will undertake research to assess the fiscal aspects of climate change mitigation measures, including developing the appropriate public finance responses, evaluating some of the economic issues involved in choosing mitigation policies, and determining the impact of climate change policies on the IMF's core functions. Indeed, these issues appear very relevant for the Fund. The IMF must increase its analytic capacity concerning the effects of climate change on national economies, in coordination with the World Bank, with a view to assessing appropriate policy responses.

Washington, DC
October 11, 2008

On behalf of Canada, Ireland, and the Caribbean countries I represent, I would like to take the opportunity to welcome the new Chairman of the International Monetary and Financial Committee (IMFC). Dr. Boutros-Ghali brings with him extensive experience that will greatly enhance the work of our Committee.

Today's meeting of the IMFC is taking place at a time of global economic and financial uncertainty that is unprecedented in the last half century. Virtually no country is immune to the risks stemming from the turmoil in global financial markets and many are facing serious dislocations from the sharp hikes and volatility in commodity prices we have witnessed. The United States has taken multiple steps, including a comprehensive plan to buy troubled assets, to address its financial crisis. Authorities in Europe have also taken decisive measures to support the financial sector. Nevertheless, financial markets remain under considerable stress and the impact is being felt globally. In these difficult times, a strong International Monetary Fund (IMF), working in partnership with its members, is essential to help promote global economic growth and stability through its surveillance and policy advice and, if necessary, extending financial assistance to assist its members facing financial and balance of payments difficulties.

I would like to take this opportunity to congratulate Managing Director Strauss-Kahn and his Staff for the hard work they have undertaken to modernize the Fund. Under the new sustainable budget environment that the Managing Director is bringing about, a range of important issues have been addressed, such as the development of a more strategic approach to Fund involvement in low-income countries; modifications to the Exogenous Shocks Facility; completion of the Triennial Surveillance Review; and the introduction of the first Statement of Surveillance Priorities. While much remains to be accomplished, I am confident that Mr. Strauss-Kahn's leadership will continue to bring us together and create an atmosphere conducive to success.

Global Prospects

The global economy continues to be buffeted by shocks emanating from the turmoil in many parts of the global financial system and by increases in the prices of commodities central to people's standards of living. Although many economies have thus far demonstrated remarkable resilience to these shocks, the only reasonable conclusion is that today is a time of great uncertainty. Growth in the major advanced economies has slowed sharply, and although emerging markets will remain the major driver of global economic growth, their pace of growth is expected to slow. This has made it increasingly important for countries to work together to promote a return to strong sustained global growth and stability.

Decisive actions have been taken by policymakers to contain the financial crisis. Faced with the extraordinary stress in the global financial system, authorities in the United States, Europe and elsewhere have responded with commendable forcefulness and imagination, with the aim of supporting financial stability and restoring well-functioning credit markets. In Canada, we are in the fortunate position that our financial system is not burdened with large amounts of troubled assets. Our banking and insurance industries remain well capitalized and our financial system sound. However, we are not immune to the financial turmoil that has gripped global markets. I have remained in very close touch with my Finance Minister colleagues in other major economies, and together stand ready to take whatever steps are necessary to stabilize the situation.

Major central banks have taken large-scale coordinated action to address global liquidity pressures. We need to ensure that our actions continue to be coordinated to address ongoing turbulence in the financial markets. I believe that Finance Ministers should meet again in the coming weeks to ensure continual progress. The Government of Canada also supports the idea put forward by President Sarkozy of a leaders' summit to review measures to strengthen the international financial system.

A good deal of useful work has already also been done by the regulatory and supervisory authorities, notably the members of the Financial Stability Forum, to enhance the resilience of the global financial system for the longer term. This work will continue as a top priority. We should support the continued, and accelerated, implementation of the recommendations of the Financial Stability Forum such as a central clearing mechanism for over-the-counter credit derivatives, accounting and disclosure standards for off-balance-sheet activities and related risks, and a set of international principles for deposit insurance. Clearly, this work is only in its early stages. The IMF must play a central role in the initiatives aimed at developing sound international regulatory responses to the weaknesses in the financial system revealed by the current turmoil, drawing on the unique perspectives provided by its virtually universal membership.

Many economies are better placed today to weather these shocks due to past improvements in policy frameworks. Canada, along with others, took the necessary measures in recent years to put public finances on a sound footing. This has provided us with the flexibility to respond to signs of a softening of growth with timely fiscal stimulus while continuing to maintain a balanced budget. While headline inflation has picked up globally as a result of oil and commodity price increases, the increased credibility of central banks which have adopted strong policy frameworks has generally kept inflation expectations well anchored. However, signs of higher inflation are more worrying in several emerging market economies, many of which are sacrificing some of their monetary policy independence by limiting the flexibility in their currencies.

Policymakers must continue to respond as needed. Today's meeting provides the Committee with an important opportunity to take stock of developments and exchange perspectives and experiences, both on policy challenges in our own economies and on the role of the IMF in supporting growth and stability.

Canadian Developments

Economic growth in Canada has weakened since the end of 2007 as a result of the United States slowdown, which, coupled with a higher Canadian dollar, has significantly reduced Canadian exports. However, as a result of the strong dollar and higher commodity prices, Canadian consumers and businesses have benefited from rising real incomes and profits. As a result, domestic demand growth in Canada remains solid despite slower growth overall. Moreover, Canada's economic fundamentals remain strong: employment has continued to increase this year; the unemployment rate remains near a 33-year low; the financial sector remains strong and well capitalized; the financial positions of consumers, businesses and governments are sound; and core inflation remains low and stable. The IMF expects Canadian growth to be 0.7 per cent in 2008, increasing to 1.2 per cent in 2009.

Core inflation pressures remain contained at 1.7 per cent in August 2008, despite a recent uptick in headline inflation. Total consumer price inflation was 3.5 per cent in August, compared to a recent low of 1.4 per cent in March 2008, reflecting increases in the prices of energy and food products following sharp increases in world prices earlier this year. On October 8^{th}, the Bank of Canada joined other major central banks in a simultaneous reduction of policy interest rates by 50 basis points to 2.5 per cent. This action will provide timely support for the Canadian economy.

Canada's fiscal situation remains strong. In fact, it remains the best of the Group of Seven (G7) countries. According to the IMF's fall outlook, on a total government basis, Canada's budget surplus was 1.4 per cent of gross domestic product (GDP) in 2007 and is projected to remain in surplus for 2008 and 2009. Canada also has a very strong track record on debt reduction. Our total government net debt, as a percentage of GDP, has declined steadily from a peak of nearly 71 per cent in 1995 to about 23 per cent in 2007. We will continue this course.

Irish and Caribbean Developments

Let me now turn to economic developments and policy priorities in Ireland and in the Caribbean countries I represent in this Committee.

Reflecting the extended stress in international financial markets, higher commodity prices, and the impact of those shocks on trading partners, this has proven to be a challenging year for the Irish economy. GDP is likely to contract this year, unemployment is rising, and inflation has remained relatively high but is expected to ease going into 2009. The adjustment in the output of the house-building sector is also having a significant dampening effect on the economy. As housing output moves back towards sustainable levels, a return to trend GDP growth can be expected over the medium term. The Government has recently enacted legislation to guarantee all deposits and borrowings in six Irish-owned banks and building societies. This is intended to provide security and stability to the financial sector.

Due to lower-than-projected tax receipts, mainly as a result of weaker property market activity, pressures have emerged on the public finances. To deal with these challenges, the Government has brought forward the Budget from December to Tuesday, 14 October. The Budget will set out steps to restore balance by prioritizing expenditure to reflect the changed realities and ensure that Ireland's economy is in the best possible position to resume trend growth as international conditions improve. Ireland is better placed than most economies to meet the current challenges—it has a low level of public debt, an educated and young workforce, and a low tax environment for workers and business. The Government is committed to maintaining the priority of public investment in core economic infrastructure. At present, public investment is about 6 per cent of gross national product, which is around twice the European Union average.

To safeguard Irish economic growth prospects, competitiveness needs to be enhanced, export levels raised and productivity improved. The maintenance of a low taxation burden will help raise potential output by stimulating private sector investment and encouraging higher labour force participation.

For the Caribbean, these are very challenging times with policymakers facing difficult options to sustain stability and the growth prospects of the region's economies. Accelerating rates of inflation and rising inflationary pressures as a result of the spikes in fuel and commodity prices have emerged as the main challenge facing the region's policymakers. The price increases have worsened already large current account deficits and exerted pressure on the limited fiscal resources. Governments have taken steps to help alleviate the impact on the poor and vulnerable groups. Such actions, while unavoidable, have exacerbated the problems of weak fiscal positions and high debt levels facing these countries.

The recent spate of tropical storms and hurricanes that caused widespread devastation and loss of lives in the Caribbean is a reminder of the vulnerability of the region to natural disasters. In addition to ongoing adaptation and mitigation efforts, the Caribbean Catastrophe Risk Insurance Facility (CCRIF) is a demonstration of the region's commitment to proactively managing catastrophic risks and reducing fiscal exposures to natural disasters. We fully support the work of the World Bank, the CCRIF and Caribbean governments to develop complementary products to extend coverage to include floods.

Despite the deteriorating external environment and domestic shocks, the Caribbean has been fairly resilient, continuing to perform relatively well economically. Growth has been moderately strong driven mainly by developments in tourism, construction and services, and the region continues to attract significant foreign direct investment flows. This reflects the benefits of strong domestic policies and structural reforms implemented over the years, and strengthened financial supervisory and regulatory frameworks. Policymakers are committed to continue implementing reforms and building the resilience of the region. Within this context, there remains a critical role for the international financial institutions and the donor community. We highlight the work of the Caribbean Regional Technical Assistance Centre, which remains invaluable in supporting the efforts of the region.

The IMF's Role in Low-Income Countries

On behalf of my constituency, I commend the recent work done by Staff and Management to address the particular needs of low-income countries through the presentation of a comprehensive approach to IMF engagement in these countries. In order to achieve economic growth and poverty reduction, and to reach the Millennium Development Goals, macroeconomic and financial stability are essential. This is why the Fund's work is so important and must remain focused and effective, especially in the context of a more stringent budget environment. Key to this will be avoiding the re-emergence of unsustainable debt in post-debt-relief members and preventing its emergence in other low-income members. Coherence with other institutions and development partners remains fundamental to the effectiveness of the Fund's activities in low-income countries, and should be strengthened further wherever possible.

IMF Reform

Recent developments in the global economic and financial markets have demonstrated that growth and stability cannot be taken for granted, but require steadfast commitment to good policies and strong frameworks for international cooperation. The international community needs to work together to minimize potential risks and mitigate the negative effects of those risks that have been realized. For its part, the IMF is at the centre of the international architecture that Canada has supported for some 60 years. Its fundamental goal is to promote international economic and financial stability, and at this time the Fund's legitimacy, credibility and effectiveness will be largely determined by how well it promotes cooperation between its members to successfully face our common challenges.

The steps the IMF has taken over the last year toward improving the quality of its surveillance, the responsiveness of its lending facilities and the legitimacy of its governance arrangements make it better equipped to fulfill this mandate. Yet in today's challenging world, neither individual countries nor the IMF can stand still. Rather, we must work toward steady improvements in our capacity to deliver growth, stability and prosperity for the world's people.

Governance Reforms

At our last meeting, we welcomed the successful conclusion of discussions on a new quota formula which undoubtedly enhances the legitimacy of the institution. The quota and voice issue is, however, just one part of a broader reform agenda for the Fund's governance.

The April 2008 report of the Independent Evaluation Office highlights broad areas that need to be addressed, such as strengthening the strategic role of the IMFC, increasing the strategic focus of the Board of Executive Directors as well as clarifying its oversight role, and clarifying the accountability of the Managing Director and Staff. I would also add that we need to make further progress to open the selection process for the heads of international financial institutions. I believe that these are all relevant issues which, once resolved, will lead to a more legitimate and effective institution.

More generally, I welcome the commitment shown by the Executive Board and the Managing Director to improve the IMF's governance, through the establishment of a working group of Executive Directors and the committee of eminent persons appointed by the Managing Director in September. Academics and civil society groups will also have a voice in shaping the consensus position. We in this Committee and the broader membership must also address outstanding governance issues, such as ways to strengthen member engagement and how to better hold the Fund accountable for the quality of its work.

Surveillance Reforms

IMF surveillance is at the heart of the Fund's mandate of promoting global stability, and important innovations have been made in this area. Recent developments in global financial markets underscore the appropriateness of the Managing Director's vision for the IMF as being an international centre of excellence on linkages between the financial system and the real economy. It will be critical to continue to strengthen the IMF's analytic capacity in this area and to continue to improve the manner in which it communicates its analysis of macro-financial developments to policymakers and the public.

In June of last year, the Fund adopted the 2007 Decision on Bilateral Surveillance over Members' Policies to further improve the effectiveness of its surveillance activities. Since then, we have noticed improvements in the focus of Article IV reviews, although the all-important goal of increasing the candour of surveillance reports remains a work in progress. The time has now come to support the full implementation of the 2007 Surveillance Decision, including the use of the ad-hoc consultations process to ensure that concrete results are achieved.

In this respect, I am very pleased that the Executive Board has just approved the first Statement of Surveillance Priorities (SSP)—something this Committee called for in the spring of 2006. I view the new SSP as an important complement to the 2007 Surveillance Decision in that the SSP provides the opportunity to enhance the focus of IMF surveillance on the most pressing issues, promote greater consensus within the membership on the key economic vulnerabilities and risk and the need to address them, and improve the accountability of the IMF for its surveillance outputs. It is important that we use the SSP to its full potential. The IMFC should review progress on its implementation on an annual basis, as well as debate evolving surveillance priorities leading up to the next SSP in three years.

The SSP is one part of a broader debate that is needed to restore the international community's buy-in for collective responsibility and action to mitigate stability threats. I am encouraged by the IMF's enhanced cooperation with the Financial Stability Forum over the course of this year, and, in my view, the Fund should explore further how it can promote more collaboration with other international groupings and institutions. The interconnected global economy of the 21st century demands that IMF members work together through the Fund and other bodies to preserve the benefits of globalization and promote growth and stability.

Review of Financing Role and Instruments

The recently launched strategic review of the Fund's lending tool kit is timely. The global economy has changed so much since the Fund's tool kit was originally designed that mere incremental changes are unlikely to ensure a modern and appropriate mix of lending facilities. While some aspects of lending have already been addressed, such as changes to the Exogenous Shocks Facility, critical work is also needed to ensure coherence and effectiveness across the range of instruments. More fundamentally, the Fund should look back at the context in which each lending instrument was first created to evaluate its relevance to address today's challenges.

Conclusion

For me, two salient observations capture the context for this 18th meeting of the IMFC. First, the extraordinary financial challenges and continued economic risks we now face mean that a strong and effective IMF is more important than ever. Second, while the membership took advantage of recent calmer times to make historical advancements in the Fund's governance arrangements, the time has now come for us to use that momentum and increased legitimacy to fully introduce a stronger surveillance framework and a modernized lending role for the IMF. I look forward to pursuing and accomplishing these shared goals with my IMFC colleagues.

Annex 2

Canadian Statements at the Development Committee of the Boards of Governors of the World Bank and IMF

The Honourable Jim Flaherty, Minister of Finance for 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.

Washington, DC, October 12, 2008

As the global economic environment becomes more uncertain, with decelerating global growth prospects, financial market turbulence and heightened inflationary pressures, the need for strong international cooperation becomes more critical. In this respect, a credible, effective and legitimate global institution like the World Bank that can help support and sustain this cooperation is a tremendous asset.

The World Bank has two strengths that are especially relevant in this context.

The first is the high level of advice and financing that it can provide to developing countries to help them in these uncertain times. Keeping in mind that the relatively high growth rates achieved by developing countries over the last few years were realized in a period of low inflation, international access to capital and strong demand, maintaining growth and making progress towards development goals in the current environment will be more challenging.

The effects of the current economic turbulence may be starting to be felt in emerging markets, and over the coming months may begin to reach the lower-income countries, many of which have already been hit by the food and fuel price crisis over the last few months. In this period of uncertainty, the World Bank can play a role in helping developing countries through some of the effects, including protection for the most vulnerable segments of the population, as well as with ongoing efforts to put in place strong institutional and regulatory frameworks so that countries can be more resilient in the future.

The World Bank's second important strength is its ability to bring the international community together to tackle global issues. A clear example is the World Bank's response to the higher food and fuel prices over the last few months—it was a central force in raising international awareness of the issue and catalyzing collective action. We would like to congratulate President Zoellick and his staff for the quality of their work and their strong leadership on this complex, but urgent, issue.

Climate change is another global issue on which the Bank is playing an important role in terms of helping to broaden our understanding of the effects on development, encouraging international dialogue on appropriate actions, and developing a strategic framework to guide its operational responses and how it works with international, regional, national and local actors.

These strengths have made the World Bank an important asset for the international community as both a development partner and a global convenor. However, its ability to play these roles into the future depends to a great extent on how much credibility and legitimacy it maintains. The Bank needs to maintain full credibility as a development partner that respects its client countries' development priorities, and full legitimacy as a global institution in which developing countries, countries with economies in transition and developed countries are all properly represented, in order to maintain its capacity to lead. For these reasons, the Bank's voice and participation reform exercise is very important for the institution's continued success.

Food and Fuel Prices

High global food and fuel prices continue to be a critical development concern, and we commend the Bank and the International Monetary Fund (IMF) for drawing early attention to the crisis and helping to place it high on the international agenda.

This crisis requires a rapid and effective response. In this regard, we welcome the prompt action taken by the Bank to facilitate a coordinated and multi-faceted response. With offices in more than 100 countries, the Bank is well positioned to integrate a response to the food crisis directly into existing country programs, aligning with the country's priorities in harmonization with other donors.

Likewise, we are pleased with the prompt action by the Fund to provide advice, technical support and in some cases funding through Poverty Reduction and Growth Facility programs. We also welcome recent reforms to the Exogenous Shocks Facility to make it a more effective crisis response tool.

We note that with regard to our small island states members, many of which are designated as middle-income countries and are heavily indebted, increasing food and fuel prices will undoubtedly aggravate their debt positions and further exacerbate social issues. We urge the Bank to examine options available to these vulnerable states, specifically in regard to: analysis of their debt situations and potential remedies; supporting their response to rising food and energy prices; and help in accessing donor resources.

Action is not only needed to relieve the immediate effects of the current food crisis. As the recent High Level Event on the Millennium Development Goals (MDGs) noted, the first MDG, to reduce hunger by half, is unlikely to be met by 2015. Thus, food security is an ongoing and serious problem that must not be forgotten once the current crisis is no longer at the top of the international agenda. As an illustration of the size of the challenge, it is expected that food production in Sub-Saharan Africa will need to double or even triple over the next few years to meet local demand.

In this context, we encourage the World Bank to focus on investments to promote sustainable forms of agricultural production, especially those that would benefit smallholder farmers who are most in need of support. It is especially crucial to ensure that programs are designed to be equitable and to meet the needs of the most vulnerable, often women and girls. Another key part of the solution will be to foster innovations for increased agricultural productivity, including through public-private partnerships.

Accra and Doha

This is an important year for major development initiatives on Aid Effectiveness and Financing for Development. These represent two further examples of international dialogues in which the World Bank has a considerable role as a development partner and global institution.

The third High Level Forum on Aid Effectiveness was held in September in Accra, Ghana, as a follow-up to the 2005 Paris Declaration on Aid Effectiveness. The World Bank has been an important participant in this effort, helping to set the agenda, identify good practices, monitor implementation and lead by example. We commend the Bank for its progress to date, especially on decentralization of staff and decision making, and for developing a new action plan for the areas in which it needs to step up efforts. In particular, we look forward to an agreement between the World Bank and the United Nations on easier and quicker collaboration in the context of fragile and post-conflict situations. We also look forward to the World Bank's support in implementing the new Agenda for Action agreed in Accra.

An international conference on Financing for Development will be held in Doha in November to review the implementation of the 2002 Monterrey Consensus. In this context, one key challenge for developing countries is to align their different sources of finance, including domestic resources, aid and debt relief, towards a common set of development goals and, to this end, strong country-owned development strategies are essential. We urge the World Bank and IMF to continue working with their client countries, and other partners and stakeholders, to promote and strengthen country-owned strategies and their use as the platform for coordinating efforts. The World Bank will also have an important supporting role in ensuring that the outcome of the Doha Conference reflects a balance between the respective responsibilities and commitments of both donors and developing countries.

World Bank Reform

Another significant element of the Monterrey Consensus was the IMF and World Bank's commitment to enhance the participation of developing and transition countries in their decision-making processes. This is an important objective, and we are pleased with the agreement achieved on quota and voice at the IMF last spring. Similarly, we are pleased with the discussion and work to date on the World Bank's voice and participation reform exercise, and we will continue to support and participate in these efforts.

Adjustments to increase the voting power and shareholding of developing and transition countries and an additional seat for Africa at the Executive Board are important components of voice reform, and we look forward to agreements on these options. We believe that further measures to improve focus and communication within the Executive Board are equally important, and in this regard we look forward to the World Bank's management and the Executive Board elaborating a set of specific reforms. We are also pleased with the steps the Bank has taken to improve the voice of developing and transition countries in their operational work, such as the appointment of more developing country nationals to senior management positions and the decentralization of their operations. We encourage the Bank to continue to explore what more can be done in this regard.

Stronger engagement of developing and transition countries in the World Bank's decision making will yield many benefits. Strong participation of all members at the Board of Governors and the Executive Board will be a key backdrop for the Bank becoming an even better platform to support dialogue and collective action on global issues. It can help improve the design of new sector strategies and instruments as developing and transition countries bring lessons learned from their own country programs to the table. Finally, more voice for the Bank's client countries at the operational level will help with the success of lending programs by ensuring that projects are properly tailored to country contexts and that governments have a true sense of ownership and accountability over them.

A strong multilateral system is a tremendous asset for the international community, especially in times of economic uncertainty when international dialogue and cooperation become even more important. As a global convenor and major development partner, the World Bank plays a big role in this regard and we continue to support its work.

Annex 3

Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2008

Washington, DC
April 12, 2008

1. The International Monetary and Financial Committee held its seventeenth meeting in Washington, D.C. on April 12, 2008 under the Chairmanship of Mr. Tommaso Padoa-Schioppa, Minister of Economy and Finance of Italy.

2. The Committee met at a time of unusual uncertainties surrounding global economic and financial market prospects. It stresses that the challenges facing the world economy are of a global nature, requiring strong action and close cooperation among the membership. The Committee is confident that the key reforms recently agreed by the Fund's Executive Board, including the strategic refocusing of the Fund on its core mandate based on its comparative advantage, will strengthen the Fund's role in promoting global financial stability and international monetary cooperation and in serving its universal membership effectively at this critical juncture.

The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses

3. The Committee notes that global financial instability has increased since its last meeting. World economic growth has slowed and growth prospects for 2008 and 2009 have deteriorated. Risks to the outlook come from the still unfolding events in financial markets and from the potential worsening of housing and credit cycles. Inflationary risks—notably from higher food, energy, and other commodity prices—have also risen. The Committee agrees that policymakers should continue to respond to the challenge of dealing with the financial crisis and supporting activity, while making sure that inflation is kept under control. While each country's situation is different, coherent action must be taken, taking due account of cross-border interactions.

4. In the advanced economies, monetary policy should continue to aim at medium-term price stability, while responding flexibly to signs of a more pronounced and prolonged economic downturn. Fiscal policy can also play a useful counter-cyclical role. In the United States, temporary fiscal easing will help to counter downside risks to growth. Other advanced economies have also experienced financial turbulence and their growth rates have declined; when consistent with medium-term fiscal objectives, automatic stabilizers should be allowed full play. Further progress should also be made on: safeguarding medium-term fiscal consolidation in the United States; product and labor-market reforms in Europe; further structural reforms, including fiscal consolidation, in Japan; addressing supply bottlenecks in oil-exporting countries; and reforms to boost domestic consumption in emerging Asia, together with greater exchange rate flexibility in a number of surplus countries.

5. The Committee welcomes the actions taken by the central banks of the advanced economies to provide liquidity support to ease strains in interbank markets, and calls for continued vigilance to deal with the financial turmoil. Further prompt actions by large financial institutions to disclose losses and repair balance sheets by raising capital when needed and mobilizing medium-term funding will contribute to restoring confidence. The Committee sees the ongoing work in several fora aimed at managing and drawing lessons from the financial turmoil as a key step to strengthen the stability of the global financial system and to reinforce the supervisory and regulatory frameworks. In this

context, it welcomes the Fund's work in these areas, notably the Global Financial Stability Report and the report prepared by the IMF on "The Recent Financial Turmoil—Initial Assessment, Policy Lessons, and Implications for Fund Surveillance." The Committee underscores that continued close Fund collaboration with the Financial Stability Forum (FSF), the Bank for International Settlements, standard-setting bodies, and national authorities will be essential to ensure that the lessons from the crisis are effectively shared and that agreed policy actions are rapidly implemented. In this context, the Committee welcomes the policy recommendations by the FSF and calls for their timely implementation; it also emphasizes the importance of strengthening the Fund's financial surveillance role, including through the Financial Sector Assessment Program, and its capability to identify risks in the future. The Committee will review further progress on these issues at its next meeting.

6. Emerging market and developing countries have so far continued to grow strongly and show resilience in the face of the ongoing financial crisis, though their growth prospects have moderated and inflation risks have increased. For many countries, containing inflation and addressing vulnerabilities remain key priorities. Other countries may have room to respond to a further worsening of the external environment by counter-cyclical monetary and fiscal policies without jeopardizing their stabilization gains. Commodity-exporting countries, exposed to the risk of significant swings in commodity prices, should maintain progress toward economic diversification. The Committee notes that a number of developing countries, especially low-income countries, face a sharp rise in food and energy prices, which have a particularly strong impact on the poorest segments of the population. The Committee urges the Fund to work closely with the World Bank and other partners in an integrated response through policy advice and financial support.

7. The Committee reiterates its strong support for a prompt and ambitious conclusion of the Doha Development Round of trade negotiations.

8. The Committee notes that Sovereign Wealth Funds (SWFs) are becoming increasingly important players in the international monetary and financial system, offering various economic and financial benefits, including a stabilizing influence on financial markets, but also posing several challenges for policymakers. The Committee welcomes the IMF's initiative to work, as facilitator and coordinator, with SWFs to develop a set of best practices by the 2008 Annual Meetings. It emphasizes that SWF best practices should be developed on a collaborative and voluntary basis, and go hand in hand with work in the OECD and elsewhere on best practices for countries receiving SWF investments. The Committee looks forward to reviewing the progress made on these fronts at its next meeting.

IMF Reforms and Policy Agenda

9. The Committee welcomes the agreement by the Executive Board on the package of quota and voice reforms as an important contribution to enhance the Fund's credibility and legitimacy, in line with the objectives set forth at the Annual Meetings in Singapore in 2006. The Committee looks forward to the approval of the quota and voice reforms by the Governors by April 28, 2008, as well as the early acceptance by the members of the proposed amendment of the Fund's Articles of Agreement to make the quota and voice reforms effective. The package of reforms is forward-looking in requesting that the Executive Board recommend further realignments of members' quota shares in the context of future general quota reviews, which take place every five years, to ensure that members' quota shares adequately reflect their relative positions in the world economy. These realignments are expected to result in increases in the quota shares of dynamic economies, and hence in the share of emerging market and developing countries as a whole. The Committee also looks forward to further work by the Executive Board on elements of the new quota formula that can be improved before the formula is used again.

10. The Committee endorses the agreement by the Executive Board on a new income model and a new medium-term budgetary envelope, which will contribute to placing the Fund on a sustainable financial footing. The new budgetary framework, which reduces net spending by 13½ percent in real terms over the next three years, and the new income model provide for a strengthened, integrated budget process to ensure lasting budget discipline and an allocation of resources reflecting the Fund's refocused strategic priorities. The Committee strongly recommends that the Governors give their full support to the new income model by approving the proposed amendment of the Fund's Articles by May 5, 2008. It calls on all members to work toward the early completion of the legislative steps required for making the new model effective, including the establishment of an endowment funded by the profits from a strictly limited sale of gold within the agreement of the central banks. By relying on broader and more sustainable income sources, the new model appropriately recognizes that many Fund activities provide a public good. The Committee endorses the safeguards adopted to ensure that the reimbursement of the Fund for the administrative expenses of the PRGF-ESF Trust does not result in insufficient concessional lending capacity of the Trust. The Committee looks forward to the introduction of comprehensive cost accounting of Fund activities. It encourages further work by the Executive Board on the design of investment policies under the Fund's expanded investment authority, with a passive investment approach that closely tracks widely used benchmark indices; the operationalization of the new framework for setting the basic rate of charge; the review of the role and adequacy of precautionary balances; the need for a dividend policy; and the completion of the review of charges and maturities on Fund facilities by the time of the 2008 Annual Meetings.

11. The Committee agrees that the principle of comparative advantage should underpin the refocusing and repositioning of the Fund's activities in all areas of its mandate.

12. Consistent with the 2007 Surveillance Decision, bilateral surveillance will remain at the core of the Fund's work, and an essential input into multilateral and regional surveillance. The Committee supports the efforts underway to sharpen the analysis of the financial sector, macro-financial linkages, exchange rates, and spillovers; deepen work on identifying and addressing risks to financial stability in close cooperation with other institutions; extend the Fund's vulnerability exercise to advanced economies; and better integrate global and cross-country perspectives into bilateral surveillance. It looks forward to steps to make surveillance outputs better focused and more timely, while ensuring that the quality of bilateral surveillance is preserved. Key operational aspects in implementing the 2007 Surveillance Decision will be clarified at the Executive Board, and the upcoming Triennial Surveillance Review will address strategic issues related to refocusing surveillance. The Committee encourages the Executive Board to consider a first statement of surveillance objectives and priorities prior to the next Annual Meetings.

13. The Fund's closer interaction with emerging market economies will focus on the specific challenges that they face from global financial integration, cross-border linkages, and volatile capital flows. Recognizing that the emerging market and developing countries are not immune to a broadening of the problems in financial markets, the Committee encourages the Executive Board to consider increasing the level of normal access to Fund resources and to continue its work on an appropriate crisis prevention financial line. It notes the Managing Director's decision to bring these matters promptly to the Executive Board's attention. The Committee looks forward to reviewing the progress achieved at its next meeting.

14. The Committee supports continued close engagement by the Fund with its low-income members. This will be achieved by focusing the Fund's work on macroeconomic and financial stability issues and helping low-income countries tackle the challenges of debt sustainability, capital inflows, and commodity price swings. Work will also continue on possible improvements in the Fund's engagement

with countries suffering from shocks affecting their balance of payments, including through the Exogenous Shocks Facility and other existing facilities; in fragile situations; and emerging from conflict. Efficiency gains will come from closer and more efficient cooperation and a clear delineation of responsibilities between the Fund and the World Bank, as well as from a streamlining of operations and procedures. The Committee calls on the Fund to provide a structured way of approaching donors regarding funding requests and encourages members to provide additional financial contributions to ensure that the Fund can continue to subsidize emergency assistance and capacity building to its low-income members.

15. The Committee agrees that Fund technical assistance and training should continue to play a key role in supporting members' capacity building efforts in the areas of the Fund's core mandate. It looks forward to steps that will increase the effectiveness of technical assistance in a resource-constrained environment with greater prioritization and a stronger result-focus, including through consideration of a system of graduated charges. The Committee also supports initiatives to promote external financing for the provision of Fund technical assistance and training.

Other Issues

16. The Committee recommends members' acceptance of the amendment of the Articles of Agreement for a special one-time allocation of SDRs.

17. The next meeting of the IMFC will be held in Washington, D.C. on October 11, 2008.

Washington, DC
October 11, 2008

1. The International Monetary and Financial Committee held its eighteenth meeting in Washington, D.C. on October 11, 2008 under the Chairmanship of Dr. Youssef Boutros-Ghali, the Minister of Finance of Egypt. The Committee welcomes Dr. Boutros-Ghali, the new IMFC Chairman. The Committee expresses its deep gratitude to Mr. Tommaso Padoa-Schioppa for his invaluable role as the Committee's Chairman in securing the membership's support for critical IMF reforms, and extends its best wishes.

2. Yesterday, October 10, the G-7 met and agreed the following plan of action:

- "Take decisive action and use all available tools to support systemically important financial institutions and prevent their failure.
- Take all necessary steps to unfreeze credit and money markets and ensure that banks and other financial institutions have broad access to liquidity and funding.
- Ensure that our banks and other major financial intermediaries, as needed, can raise capital from public as well as private sources, in sufficient amounts to re-establish confidence and permit them to continue lending to households and businesses.
- Ensure that our respective national deposit insurance and guarantee programs are robust and consistent so that our retail depositors will continue to have confidence in the safety of their deposits.
- Take action, where appropriate, to restart the secondary markets for mortgages and other securitized assets. Accurate valuation and transparent disclosure of assets and consistent implementation of high quality accounting standards are necessary.

The actions should be taken in ways that protect taxpayers and avoid potentially damaging effects on other countries. We will use macroeconomic policy tools as necessary and appropriate. We strongly support the IMF's critical role in assisting countries affected by this turmoil. We will accelerate full implementation of the Financial Stability Forum recommendations and we are committed to the pressing need for reform of the financial system. We will strengthen further our cooperation and work with others to accomplish this plan."

3. Today the International Monetary and Financial Committee strongly endorsed the above commitments.

4. The Committee recognizes that the depth and systemic nature of the crisis call for exceptional vigilance, coordination, and readiness to take bold action. It underscores that the Fund has a critical mandate to foster the multilateral cooperation needed to restore and safeguard international monetary and financial stability. The Committee considers that, using its emergency procedures, the Fund stands ready to quickly make available substantial resources to help member countries cover financing needs. The Committee calls for further intensive Fund engagement across the membership to discuss and develop robust policy responses to the crisis.

5. Moreover, the Committee notes that many emerging market economies, which have implemented sound policies in recent years, may experience spillover effects from the financial crisis. The difficult global financial environment, including elevated food and fuel prices, adds to the challenges for emerging market and developing countries to preserve macroeconomic stability, sustain growth, and make progress on poverty reduction. For these reasons, it is critically important that collaborative action be coordinated between advanced and emerging economies.

6. The Committee calls on the Fund—given its universal membership, core macro-financial expertise, and its mandate to promote international financial stability—to take the lead, in line with its mandate, in drawing the necessary policy lessons from the current crisis and recommending effective actions to restore confidence and stability. It asks the Fund to focus discussion, and enhance cooperation, with a wide range of perspectives with the FSF, the G-20, and others on this issue in an inclusive setting. The Committee asks the IMF to start this initiative immediately and to report to the IMFC at the latest at its next meeting.

7. The next regular meeting of the IMFC will be held in Washington, D.C. on April 25, 2009.
The attachment summarizes the Committee's discussion on other key points.

Attachment

Supporting Growth and Tackling Global Challenges

1. The Committee emphasizes that macroeconomic policies in the advanced economies need to provide essential stimulus in the face of the risk of a pronounced economic downturn, as confidence in the financial system is restored. Given the decline in commodity prices from their recent peaks and the expected slowing activity in many countries, policymakers should consider the most appropriate policy actions depending on national conditions. The Committee welcomes the recent coordinated monetary policy actions undertaken by several central banks. In a number of economies, fiscal policy has provided timely support to boost activity. Further fiscal initiatives should take account of medium-term consolidation objectives and, if undertaken, should give priority to dealing with financial problems. While macroeconomic policy priorities vary considerably across emerging market and developing economies, the Committee notes that the risk of a marked slowdown owing to financial market strains and sluggish export markets is becoming the primary concern for many of them. The Committee calls on the IMF to stand ready to assist members to prepare timely, effective, and appropriate policy responses to alleviate the impact of negative spillovers from the financial crisis.

2. The Committee is concerned that the progress made by low-income countries in achieving macroeconomic stability, fostering growth, and reducing poverty is being undermined by the adverse global environment. Many low-income countries, particularly in sub-Saharan Africa, have been severely hit by higher food and fuel prices. The Committee calls on low-income countries to pursue strengthened adjustment efforts with increased donor assistance, in particular grants, to limit the effects on real income and poverty. The Committee welcomes the mission statement on low-income countries, and considers that the Fund should continue to play its part in the areas of its core expertise. The Committee welcomes the reforms to the Exogenous Shocks Facility, which allow it to be used more quickly and adequately.

3. The Committee notes the challenges posed by higher commodity prices in many countries, even though food and fuel prices have receded from their recent peaks. It recommends that shifts in international food and fuel prices be passed through to domestic markets, backed by targeted measures and adequate safety nets to protect the poor and taking into account country-specific circumstances.

4. Progress toward a more multilateral trading system has never been more important given risks to global growth. The Committee therefore calls on members to resist protectionist pressures, and reiterates its strong support for a prompt and ambitious conclusion of the Doha Development Round of trade negotiations.

5. The Committee emphasizes that it remains important to guard against global imbalances. The multilateral strategy for addressing global imbalances remains relevant, even though short-term measures will need to focus on stabilizing financial markets.

Advancing the IMF's Surveillance Agenda

6. The Committee underscores the central role of Fund surveillance in providing clear, advance warning of risks, helping members understand the interdependence of their economies, and promoting globally consistent policy responses. The Committee takes note of the conclusion of the Triennial Surveillance Review, and endorses the Fund's first Statement of Surveillance Priorities. The Committee calls on all members to work together cooperatively and with the Fund toward achieving the economic and operational objectives that it sets forth. The Committee calls on the Fund to press ahead with the enhanced early warning of risks and vulnerabilities, including through enhanced financial sector liaison, analysis of macro-financial linkages, and scenario analysis, and by completing the extension of its vulnerability exercise to advanced economies. The communication of these risks and vulnerabilities should be concise, authoritative, and timely, including through an enhanced *World Economic Outlook* and Global Financial Stability Report. Work should also be undertaken toward a reshaped Financial Sector Assessment Program that is better integrated with the Fund's surveillance mandate, and embraces regional perspectives. The Committee looks forward to regular reporting by the Managing Director on the progress made against surveillance priorities.

Reviewing the IMF's Lending Role

7. The Committee stresses that Fund financing has a critical role to play in giving confidence to members—subject to adequate safeguards—by helping them cope with the challenges of globalization in general and the current financial crisis in particular. It emphasizes that the Fund is ready to make full use of the flexibility already embodied in its lending instruments, particularly in the emergency procedures and provisions for exceptional access. But additional efforts are needed to review the Fund's lending instruments, which might need to be adapted to the evolving needs of the membership. The Committee welcomes the ongoing review of the Fund's lending role, and supports the plan to advance work in the following five areas:

- (i) reviewing the analytical framework for Fund lending and its coherence, including the scope for innovation in and streamlining of lending instruments, and exploring new modalities for Fund financing;
- (ii) creating a new liquidity instrument;
- (iii) re-examining Fund conditionality;
- (iv) reviewing the Fund's lending facilities for low-income members; and
- (v) increasing access limits and financing terms for using Fund resources

The Committee urges the Executive Board to take this agenda forward expeditiously. The Committee strongly recommends that decisions be taken on an accelerated basis in those areas where there is strong consensus and particular urgency—such as the establishment of a new liquidity instrument—and on the full range of issues by the time of the 2009 Annual Meetings.

The Santiago Principles—Generally Accepted Principles and Practices for Sovereign Wealth Funds

8. The Committee welcomes the development of the Santiago Principles by the International Working Group of Sovereign Wealth Funds (SWFs). The Principles represent a collaborative effort by SWFs from across advanced, emerging, and developing country economies to set out a comprehensive framework, providing a clearer understanding of the operations of SWFs. Their adoption on a voluntary basis signals strong commitment to the Principles and their implementation should further enhance the stabilizing role played by SWFs in the financial markets, and help maintain the free flow of cross-border investment. The Committee welcomes the intention of the International Working Group to consider establishing a Standing Group to keep the Principles under review and explore the scope for collecting and disseminating aggregated information on SWF operations. It emphasizes that continued Fund support, if requested, should be consistent with budgetary constraints. The Committee also stresses the importance of clear and nondiscriminatory policies by recipient countries toward SWF investments. It looks forward to the completion of the work of the OECD in this area, and encourages continued dialogue and coordination between the OECD and SWFs.

Other Issues

9. The Committee welcomes the approval by the Board of Governors of the Resolution on quota and voice reforms, including the amendment of the Fund's Articles of Agreement to enhance voice and participation in the Fund. It notes that this is an important first step toward a realignment of members' quota and voting shares. These realignments are expected to result in increases in the quota shares of dynamic economies, and hence in the share of emerging market and developing economies as a whole. The Committee also looks forward to further work by the Executive Board on elements of the new quota formula that can be improved before the formula is used again. The Committee also welcomes the approval of the amendment broadening the Fund's investment authority as part of the Fund's new income model. The Committee urgently calls on all members to work toward the early completion of the domestic legislative steps required for making the quota and voice reforms and the Fund's new income model effective.

10. The Committee recommends members' acceptance of the amendment of the Articles of Agreement for a special one-time allocation of SDRs.

11. The Committee welcomes the ongoing re-assessment of the Fund's governance. This involves the follow-up by the Fund's Executive Board to the IEO Evaluation of Aspects of IMF Corporate Governance; the work of the committee of eminent persons on IMF governance reform, chaired by Mr. Trevor Manuel; and the engagement of civil society and other concerned audiences. The Committee underscores that governance reforms will require joint and collaborative efforts by all organs of the Fund. It looks forward to a progress report at its next meeting.

Annex

Surveillance Priorities for the International Monetary Fund, 2008–2011

In pursuit of its mandate to promote international monetary and financial stability, IMF surveillance will be guided through 2011 by the following priorities:

Economic priorities

The global economy faces a period of severe financial distress and slower growth alongside the challenges of sharp commodity price changes and global imbalances. The following interrelated policy objectives will be key to return to an international environment more conducive to sustainable noninflationary growth:

- Resolve financial market distress. Restore stability and minimize the adverse impact of the current crisis in financial markets on the real economy;
- Strengthen the global financial system by upgrading domestic and cross-border regulation and supervision, especially in major financial centers, and by avoiding the exposure of capital-importing countries, including low-income countries, to excessive risks;
- Adjust to sharp changes in commodity prices. React to commodity price shifts in domestically appropriate and globally consistent ways, with emphasis on keeping inflationary pressures in check in boom phases and minimizing risks that could arise when prices fall;
- Promote the orderly reduction of global imbalances while minimizing adverse real and financial repercussions.

In coordination with other International Financial Institutions, the IMF should promote a common understanding of the forces and linkages underlying these challenges; draw key lessons from different experiences to share across the membership; provide clear advance warnings of risks to global economic and financial stability; and advise on how best to use policy—in particular monetary, fiscal, exchange rate, and financial sector policies—in support of these objectives.

Operational priorities

- Risk assessment. Refine the tools necessary to provide clear early warnings to members. Thorough analysis of major risks to baseline projections (including, where appropriate, high-cost tail risks) and their policy implications should become more systematic;
- Financial sector surveillance and real-financial linkages. Improve analysis of financial stability, including diagnostic tools; deepen understanding of linkages, including between markets and institutions; and ensure adequate discussion in surveillance reports;
- Multilateral perspective. Bilateral surveillance to be informed systematically by analysis of inward spillovers; outward spillovers (where relevant); and cross-country knowledge (as useful); and,
- Analysis of exchange rates and external stability risks. In the context of strengthening external stability analysis, integrate clearer and more robust exchange rate analysis, underpinned by strengthened methodologies, into the assessment of the overall policy mix.

The Executive Board has set the above priorities to foster multilateral collaboration and guide IMF management and staff in the conduct of surveillance. These priorities look ahead three years, but may be revised if circumstances warrant. They will guide the Fund's work within the framework for surveillance provided by the Articles of Agreement and the relevant Board decisions, including the 2007 Decision on Bilateral Surveillance. Moreover, traditional areas of strength (such as fiscal policy and debt sustainability analysis) and relevant country-specific issues should not be overlooked.

The Executive Board is responsible for conducting, guiding and evaluating surveillance in order to ensure the achievement of these priorities. Management and staff are responsible for delivering on the operational priorities, subject to members' cooperation in line with commitments under the Articles of Agreement. To foster progress toward economic priorities, management and staff are responsible for providing candid high-quality analysis and effective communication. The Managing Director will report:

(i) regularly on actions toward priorities and readily visible results; and

(ii) at the time of the next Triennial Surveillance Review on progress in attaining these priorities; management's and staff's contributions; and factors that impeded progress.

Annex 4

Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2008

Washington, DC
April 13, 2008

1. We met in Washington, DC today, Sunday, April 13, 2008.

2. We endorsed the overall World Bank Group (WBG) objective of contributing to an inclusive and sustainable globalization—to overcome poverty, and enhance growth with care for the environment. We welcomed the process underway to develop further and refine a results-oriented strategic framework, and look forward to reviewing progress at our next meeting. In this regard, we look forward to the results of the strategic review of IBRD capital and progress on deploying capital more effectively for development impact. We also reiterated the importance of ongoing efforts to strengthen synergy among, and decentralization of, the WBG institutions. We gave special focus in our own discussions to the WBG's role in the poorest countries and in fragile situations and post-conflict states.

3. We reviewed progress toward the Millennium Development Goals (MDGs), as reflected in the fifth Global Monitoring Report. The world is on course for the goal of halving the percentage of people living in poverty, thanks to strong and sustained growth. Yet progress has been uneven across countries and sectors. Despite improved growth performance, most Sub-Saharan African countries are off track to meet the MDGs. Stronger, sustainable and more equitable growth remains central to more effective poverty reduction. We urged donors, including the WBG, to increase their support for the poorest countries' own development priorities. As the MDG midpoint, 2008 is a crucial year for generating the necessary momentum towards the MDGs.

4. Progress has been made on human development-related MDGs, but the risks of falling short are far greater than for the income poverty goal. We called for improving access to – and quality and effectiveness of – health and education services in low and middle income countries and for policy interventions to take into account the strong links between health and education outcomes, nutrition, water and sanitation, and environmental factors, e.g. pollution and climate change. The challenge of malnutrition is heightened by the rise in food prices. We welcomed the progress made so far under the WBG Gender Action Plan. We stressed the need to treat the advancement of girls and women's economic empowerment as central development issues.

5. While the balance of risks to the global outlook has become more negative, emerging and developing economies have so far been less affected by financial market developments. The impact of higher commodity prices is mixed across countries depending on whether they are net importers or exporters. Within countries, large groups of poor people are severely affected by high food and energy prices across the developing world. We asked the WBG and the Fund to respond to developing countries' requests for advice on management of natural resource revenues, and to be ready to provide timely policy and financial support to vulnerable countries dealing with negative shocks including from energy and food prices. We welcomed the call by the World Bank President to the world community to combat hunger and malnutrition through a "New Deal for Global Food Policy", combining immediate assistance with medium and long-term efforts to boost agricultural productivity in developing countries. We urged donors to provide the needed assistance to the World Food Program to enable immediate support for countries most affected by the high food prices, and encouraged the WBG to strengthen its engagement in the agricultural sector.

6. Fragile situations and post conflict states pose special challenges. We asked the Bank, within its mandate, to promote better global understanding of fragility and conflict dynamics and of effective strategic and operational approaches. We emphasized the importance of strong WBG collaboration with international and local partners for effective economic support to peace-building transitions, institution building and governance reforms, progress towards MDGs and private sector development. A flexible approach, a stronger field presence by the Bank and innovative and timely technical and financial support will be crucial for success. Developing countries can also play a role in this respect through trade, regional integration and South-South cooperation.

7. Increased and more effective aid remains critical. We welcomed the successful IDA 15 replenishment which yielded an unprecedented 36% increase in donors' contribution and an overall envelope that will exceed $40 billion. We called for IDA to continue its crucial platform role in the evolving aid architecture. Many recipient countries have benefited from debt relief and improved the effectiveness with which they utilize ODA. Yet there are concerns that the growth path of overall aid volumes may not be consistent with existing commitments. We therefore agreed on the urgency of achieving international aid commitments, and called on those who have not done so to deliver on their commitments, including the doubling of aid to Sub-Saharan Africa by 2010. More needs to be done to implement the principles of aid effectiveness, including greater focus on results, embodied in the Paris Declaration. This is all the more important as the international aid architecture becomes increasingly diversified and complex, with more donors, the potential for increased volume as well as fragmentation of aid, and increased earmarking through vertical approaches. We recognized the role of South-South cooperation in leveraging resources and development knowledge. We called on all suppliers of development assistance to provide aid in line with the country-based model for improving the effectiveness and transparency of aid, as well as with the debt sustainability framework, which should be subject to regular review. We look forward to the Accra High Level Forum to advance this agenda.

8. We strongly support intensified and decisive efforts to agree on an ambitious pro-development Doha Round that improves access to markets. We stressed the need to integrate trade and competitiveness within national development strategies, while stepping up support for Aid for Trade, including assistance for countries' efforts to strengthen trade logistics and ensure competitive access to services, as these are central to improving poor countries' competitiveness and ability to benefit from trade opportunities.

9. Noting progress in implementing the WBG Middle Income Countries strategy, we welcomed recent changes and ongoing innovations in the WBG's financial and lending products. We urged the Bank to enhance the use of country systems where appropriate, and to make further progress in simplifying and reducing the non-financial cost of doing business without diluting essential environmental and social safeguards.

10. We welcomed the steady implementation of the WBG's Governance and Anticorruption Strategy. We look forward to full implementation of the Volcker Report recommendations to strengthen transparency and internal governance, project integrity, effectiveness against corruption, cooperation with partners, and learning from experience.

11. We welcomed the Concept and Issues Note on the Strategic Framework on Climate Change and Development for the WBG (SFCCD). We stressed the importance of the WBG addressing climate change issues, in the overall context of its core mission of promoting economic growth and poverty reduction. We also underscored the cross-cutting nature of climate change, which requires an integrated approach across many sectors. We acknowledged the important and catalytic role of the WBG in the financial architecture on climate change and its experience in carbon finance.

We asked for the SFCCD to elaborate further on the additional financing needs for addressing climate change, the mobilization of private sector funding and the complementarities between existing and new financing mechanisms. We emphasized that financial resources for the climate change agenda must be additional to the present levels of ODA. Noting the primacy of the United Nations Framework Convention on Climate Change negotiation process, we also asked that the SFCCD further articulate the proposed role of the WBG under a division of labor vis-à-vis the UN, and other key international players, including the private sector. Recognizing that access to energy remains key to development, we supported WBG goals of promoting clean technology and renewable energy deployment, technology transfer, and research and development. We acknowledged the work underway on the design, governance, and financing of the new Climate Investment Funds, including the Clean Technology Fund, to address the challenge of climate change. We welcomed the ongoing consultative process for developing a client-oriented SFCCD and look forward to discussing it at our next meeting.

12. We welcomed the Managing Director's report on the reform of IMF quota and voice. We encouraged the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank's development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the WBG. We look forward to a process that is inclusive and consultative among shareholders, and to receiving concrete options from the Bank's Board by our next meeting with a view to reaching consensus on a comprehensive package by the 2009 Spring meeting.

13. The Committee's next meeting is scheduled for October 12, 2008 in Washington, DC.

Washington, DC
October 12, 2008

1. We met in Washington DC today, Sunday, October 12, 2008.

2. We are concerned by the impact of the turmoil in world financial markets and the continued high prices of fuel and food. We welcomed member countries' commitment to take comprehensive and cooperative measures to restore financial stability and the orderly functioning of credit markets. The World Bank Group (WBG) and the IMF must help address these critical challenges, in particular the impact on developing countries, and draw lessons from the current crises. It will be crucial to maintain a focus on support for sustainable growth, poverty reduction, and the achievement of the Millennium Development Goals (MDGs). We welcomed world leaders' renewed commitment to the MDGs at the recent United Nations (UN) high-level event, and we reiterated the urgent need to forge a deepened global partnership at next month's *Financing for Development Conference* in Doha.

3. Developing and transition countries (DTCs) could suffer serious consequences from any prolonged tightening of credit or sustained global slowdown. Prices for fuels and staple foods remain at high levels. This is pushing up inflation in many countries and worsening income distribution, setting back progress towards meeting the MDGs, in particular the poverty and human development MDGs. Higher food and energy prices are also causing balance of payments problems, which are especially severe for low-income energy importing countries, many in Africa. We recognized that countries face difficult policy challenges, including dealing with the distributional effects of the commodity price shocks and protecting the most vulnerable groups with carefully targeted assistance, controlling inflation, and managing the shocks, while maintaining sound public finances and sustaining growth.

4. We recognized the important role of the DTCs in the global economy, and called on the international community, including the WBG and the IMF, working in a coordinated way, to draw on the full range of their financial, analytical and technical assistance resources and policy advice to help DTCs strengthen their economies and maintain growth, and protect the most vulnerable groups within their populations against the short and medium term impact of the current crises. Poorer countries, with their limited sources of fiscal revenue, will be especially dependent on timely and predictable flows of Official Development Assistance (ODA). In this regard, we emphasized the enhanced importance, in the current context, of donors meeting their ODA commitments. We especially appreciate the strong increase in overall WBG commitments to members in fiscal year 2008. We welcomed the WBG's collaboration with the UN and other partners, particularly through the *UN High Level Task Force on the Global Food Crisis.* Supporting President Zoellick's call for a *New Deal for Global Food Policy*, we welcomed the expedited financing provided through the *Global Food Crisis Response Program* and parallel efforts to increase substantially the level of WBG financial and analytical support for food and agriculture. We welcomed the progress on the *Energy for the Poor* initiative and encouraged the WBG, with the help of donors, to finalize the proposal. This will provide rapid assistance to social safety nets, and support projects to reduce countries' longer-term vulnerability to high and volatile fuel prices. We also welcomed the IMF's mobilization of the *Poverty Reduction and Growth Facility (PRGF)* in response to its members' needs, and the recent reform of its *Exogenous Shocks Facility*, which provides for easier and more rapid access to concessional assistance in response to shocks.

5. The need to address these new global stresses adds to an already extensive agenda of critical issues confronting the international community. These include meeting the challenges embodied in the MDGs and providing the necessary funding for their achievement in a transparent and accountable way. ODA volumes need to be consistent with existing commitments and we called for full compliance with these commitments. We also highlighted the role of domestic resources for development. We called for: continued attention to the sustainability and full delivery of debt relief initiatives; addressing issues of global public goods including climate change; supporting health delivery systems in developing countries and countering international health scourges including HIV-AIDS; promoting gender equality and the empowerment of women; and maintaining and building upon the system of open international markets, including completing the *Doha Development Round* and delivering increased aid for trade. These challenges are particularly acute in conflict-affected countries and those in fragile situations, where we need to step up our efforts at collaboration, knowledge-sharing and ensuring adequate and timely resources. We called upon the Bank to intensify its efforts to operate flexibly and effectively in fragile and post conflict situations, and we welcomed the upcoming signing of the *UN-World Bank Partnership Framework and Fiduciary Principles Accord for Crisis and Emergency Situations.* The above agenda serves as a reminder of the crucial importance of intensified international co-operation and multilateralism in effectively addressing shared global challenges.

6. In this context, we welcomed the endorsement of a substantive *Agenda for Action* at the *Accra High Level Forum on Aid Effectiveness* by a broad partnership including stakeholders engaged in South-South cooperation. We noted in particular the reinforced commitment to: mutual accountability; support for country ownership through capacity development and institution building and increased use of strengthened country systems; enhancing value for money; transparency and predictability of aid and its underlying conditions; and the reduction of aid fragmentation. We urged development partners including the WBG to develop action plans to implement the Accra Agenda for Action and look forward to seeing the Bank's action plan before our next meeting.

7. In light of the new global challenges, we called on the Bank to urgently review the implications for its strategy and operations, and to articulate detailed objectives and actions. We asked management and the Board to work together to enhance Group synergy and make the Bank a more efficient, flexible, decentralized and client focused organization. We look forward to reviewing progress in this regard. We encouraged the Bank to complete its strategic review of IBRD's capital.

8. We discussed and welcomed the strategic framework for the World Bank Group on *Development and Climate Change*. The framework benefited from extensive consultations with member countries and other stakeholders. It provides a basis for the WBG to fulfill its core mission of promoting economic growth and poverty reduction, at the global, regional and country levels, in the context of the challenges posed by climate change. While re-emphasizing the primacy of the UNFCCC negotiation process, and taking account of the *Bali Action Plan*, we encouraged the WBG to support climate actions in country-led development processes in a holistic manner, and to customize support to climate change adaptation and mitigation efforts, as well as capacity building needs, in its member countries. Recognizing the enormous financial gap for addressing climate change, we encouraged the WBG to strengthen its resource mobilization efforts, including facilitating access to additional concessional financing, ensuring complementarity with other financing mechanisms (notably the *Global Environment Facility* and the *Adaptation Fund*), supporting the development of market-based financing mechanisms, leveraging private sector resources, and seizing opportunities for innovation. We encouraged the WBG to play an active role in supporting the development and deployment of clean and climate resilient technologies, and facilitating relevant R&D and technology transfer. In this context we welcomed the recent successful launch of the *Climate Investment Funds (CIF)*, including the *Clean Technology Fund* and the *Strategic Climate Fund*, as a positive first step, and called on the WBG to give increased attention to mobilizing resources for adaptation.

9. The package of reforms enhancing voice and participation of all developing and transition countries (DTCs) in WBG governance and work, brought forward by the Bank's Board, addresses many aspects of voice and participation in light of the Monterrey Consensus. This is an important first step in the ongoing process of comprehensive reform. This package includes both concrete immediate steps and commitments to further work. An additional Board seat for Sub Saharan Africa on the Bank's Board will be created. DTC voting shares in IBRD and IDA will increase, giving special emphasis to smaller members. Further realignment of Bank shareholding will be taken up by the Bank's Board in an important shareholding review that will develop principles, criteria and proposals for Bank shareholding. The review will consider the evolving weight of all members in the world economy and other Bank specific criteria consistent with the WBG's development mandate, moving over time towards equitable voting power between developed and developing members. The Board would develop proposals by the 2010 Spring Meeting and no later than the 2010 Annual Meetings, with a view to reaching consensus on realignment at the following meeting. There is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates. In addition, Bank Management has committed to continue enhancing diversity of management and staff and decentralizing decision-making. We asked the WBG's Boards and Management to take prompt action to implement this agreed first step. We look forward to the periodic reports on progress and future proposals for a subsequent realignment of Bank shareholding as part of comprehensive reform.

10. We welcomed the continuing work by the Board to review and further strengthen internal governance at the World Bank.

11. The Committee's next meeting is scheduled for April 26, 2009 in Washington, DC.

Annex 5

Operational Highlights and Key Financial Indicators of the IMF in Fiscal Year 2008

International Monetary Fund

The flow of IMF repayments and repurchases was larger than the flow of disbursements in FY2007 and FY2008. However, the gap between the two figures is much smaller for FY2008, reflecting both a slight decrease in disbursements, and large repurchases and repayments by several member countries in FY2007.

IMF Resource Flows as of April 30

	FY2007	FY2008
	(millions of SDRs)	
Purchases	2,272	1,467
PRGF loans	477	484
Total disbursements	2,749	1,951
Repurchases	14,166	2,904
PRGF repayments	512	419
Total repurchases and repayments	14,678	3,323

Note: Numbers may not add due to rounding.

The IMF's outstanding credit decreased significantly from FY2007 to FY2008, primarily due to reductions in purchases (use by members) of Stand-By Arrangements and Extended Arrangements.

Outstanding Credit by Facility and Policy as of April 30

	FY2007	FY2008
	(millions of SDRs)	
Stand-By Arrangements	6,522	5,171
Extended Arrangements	734	687
Supplemental Reserve Facility	–	–
Compensatory and Contingency Financing Facility	78	38
Systemic Transformation Facility	–	–
Subtotal, General Resources Account	7,334	5,896
SAF Arrangements	9	9
PRGF Arrangements	3,785	3,873
Trust Fund	89	66
Total	11,216	9,844

Note: Numbers may not add due to rounding.

Please see the IMF 2008 Annual Report for detailed data regarding the policies and finances of the IMF. All data referenced in this annex can be found in the appendices of the IMF 2008 Annual Report.

Annex 6

Active IMF Lending Arrangements—As of December 31, 2008

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(millions of SDRs)	
Stand-By Arrangements				
Gabon	May 7, 2007	May 6, 2010	77.15	77.15
Georgia	September 15, 2008	March 14, 2010	477.10	315.40
Honduras	April 7, 2008	March 30, 2009	38.85	39.00
Hungary	November 6, 2008	April 5, 2010	10,537.50	6,322.50
Iceland	November 19, 2008	November 18, 2010	1,400.00	840.00
Iraq	December 19, 2007	March 18, 2009	475.36	475.36
Latvia	December 23, 2008	March 22, 2011	1,522.00	986.00
Pakistan	November 24, 2008	October 23, 2010	5,168.50	3,101.10
Peru	January 26, 2007	February 28, 2009	172.37	172.37
Seychelles	November 14, 2008	November 13, 2010	17.60	11.44
Ukraine	November 5, 2008	November 4, 2010	11,000.00	8,000.00
Total			30,886.43	20,340.32
Extended Fund Facility Arrangements				
Albania	February 1, 2006	January 31, 2009	8.5	1.2
Total			8.5	1.2
Exogenous Shocks Facility				
Kyrgyz Republic	December 10, 2008	June 9, 2010	66.6	50.0
Malawi	December 3, 2008	December 2, 2009	52.1	34.7
Senegal	December 19, 2008	December 18, 2009	48.5	24.3
Total			167.2	108.9

Active IMF Lending Arrangements—As of December 31, 2008 *(cont'd)*

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(millions of SDRs)	
Poverty Reduction and Growth Facility				
Afghanistan	June 26, 2006	June 25, 2009	81.0	22.6
Albania	February 1, 2006	January 31, 2009	8.5	1.2
Armenia, Republic of	November 17, 2008	November 16, 2011	9.2	7.9
Benin	August 5, 2005	August 4, 2009	15.5	1.8
Burkina Faso	April 23, 2007	April 22, 2010	15.1	3.0
Burundi	July 7, 2008	July 6, 2011	46.2	39.6
Cameroon	October 24, 2005	January 31, 2009	18.6	2.7
Central African Republic	December 22, 2006	December 21, 2009	44.6	9.3
Congo, Republic of	December 8, 2008	December 7, 2009	8.5	7.3
Djibouti	September 17, 2008	September 16, 2011	12.7	8.9
Gambia, The	February 21, 2007	February 20, 2010	14.0	6.0
Grenada	April 17, 2006	April 16, 2010	12.0	5.0
Guinea	December 21, 2007	December 20, 2010	69.6	45.1
Haiti	November 20, 2006	November 19, 2009	90.1	22.8
Liberia	March 14, 2008	March 13, 2011	239.0	24.8
Madagascar	July 21, 2006	July 20, 2009	73.3	20.3
Mali	May 28, 2008	May 27, 2011	28.0	10.0
Mauritania	December 18, 2006	December 17, 2009	16.1	5.8
Moldova, Republic of	May 5, 2006	May 4, 2009	110.9	22.9
Nicaragua	October 5, 2007	October 4, 2010	78.0	47.7
Niger	June 2, 2008	June 1, 2011	23.0	16.5
Rwanda	June 12, 2006	June 11, 2009	8.0	2.3
Sierra Leone	May 10, 2006	May 9, 2010	41.5	21.0
Togo	April 21, 2008	April 20, 2011	84.4	53.2
Zambia	June 4, 2008	June 3, 2011	48.9	41.9
Total			1,196.6	449.4
Grand total			32,258.8	20,899.9

Note: Numbers may not add due to rounding.

Source: www.imf.org/external/fin.htm.

Annex 7

Operational Highlights and Key Financial Indicators of the World Bank Group in Fiscal Year 2008

Operational highlights and key financial indicators for World Bank Group associations are summarized in the following table. IBRD lending commitments to member countries were $13.5 billion in FY2008, up $0.7 billion from $12.8 billion in FY2007. Comparatively, IDA lending was $11.2 billion for 199 projects in FY2008, down $0.6 billion from FY2007. The IFC committed $11.4 billion in FY2008, an increase of 39 per cent from FY2007 commitments. MIGA issued guarantees worth $2.1 billion in FY2008, an increase of 50 per cent from FY2007.

International Bank for Reconstruction and Development

	FY2007	FY2008
	(millions of US dollars)	
Administrative expenses	1,237	1,258
Operating income	1,659	2,217
Total assets	208,030	233,599
Fiscal-year commitments	12,800	13,468
Number of projects	112	99
Gross disbursements	11,055	10,490
Principal repayments including prepayments	17,231	12,610
Net disbursements (losses)	(6,176)	(2,120)
Equity-to-loans ratio (per cent)	35	38

Sources: The World Bank Group Annual Report (2008) and IRBD financial statements (2008).

International Development Association

	FY2007	FY2008
	(millions of US dollars)	
Operating income (loss)	(2,075)	1,818
Cumulative commitments	181,000	193,000
Fiscal-year commitments	11,867	11,235
Number of projects	189	199
Gross disbursements	8,579	9,160
Principal repayments	1,753	2,182
Net disbursements	6,826	6,978

Source: The World Bank Group Annual Report (2008).

International Finance Corporation

	FY2007	FY2008
	(millions of US dollars)	
Administrative expenses	482	549
Operating income (loss)	2,611	1,438
Total assets	40,599	49,471
Committed portfolio	25,400	32,400
Fiscal-year commitments	8,200	11,400
Number of projects	299	372
Loan and equity investments, net	15,812	23,319

Source: IFC Annual Report (2008) and IFC consolidated financial statements (2008).

Multilateral Investment Guarantee Agency

	FY2007	FY2008
	(millions of US dollars)	
Administrative and other expenses	30.1	29.2
Operating income	49	55
Total assets	1,136	1,220
Statutory underwriting capacity	10,570	11,593
Fiscal-year guarantees issued	1,368	2,098
Number of new projects	26	23
Net exposure	3,209	3,578
Return on operating capital, before provisions (per cent)	6.1	7.3

Source: MIGA Annual Report (2008).

Annex 8

IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2008

By Area	IBRD Amount	IDA Amount	Total Amount
		(millions of US dollars)	
Africa	30	5,657	5,687
East Asia and Pacific	2,677	1,791	4,468
Europe and Central Asia	3,714	457	4,171
Latin America and the Caribbean	4,353	307	4,660
Middle East and North Africa	1,203	267	1,470
South Asia	1,491	2,756	4,247
Total	13,468	11,235	24,703

By Theme	Total Amount
Economic Management	396.6
Environmental and Natural Resources Management	2,661.8
Financial and Private Sector Development	6,156.2
Human Development	2,280.9
Public Sector Governance	4,346.6
Rule of Law	304.2
Rural Development	2,276.8
Social Development, Gender and Inclusion	1,002.9
Social Protection and Risk Management	881.9
Trade and Integration	1,393.2
Urban Development	3,001.2
Total	24,702.3

By Sector	Total Amount
Agriculture, Fishing, and Forestry	1,360.6
Education	1,926.6
Energy and Mining	4,180.3
Finance	1,540.7
Health and Other Social Services	1,607.9
Industry and Trade	1,543.5
Information and Communication	56.5
Law and Justice and Public Administration	5,296.4
Transportation	4,829.9
Water, Sanitation, and Flood Protection	2,359.9
Total	24,702.3
Of which IBRD	13,467.6
Of which IDA	11,234.7

Source: The World Bank Group Annual Report (2008).

Annex 9

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2008, by Region and Country

	IBRD		IDA		Total	
Region/country	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
				(millions of dollars)		
Africa						
Africa—region			5	519.6	5	519.55
Benin			2	72.0	2	72.0
Burkina Faso			5	163.8	5	163.8
Burundi			3	80.0	3	80.0
Cameroon			4	125.0	4	125.0
Cape Verde			1	8.0	1	8.0
Central African Republic			1	7.9	1	7.9
Congo, Democratic Republic of			3	222.0	3	222.0
Congo, Republic of			1	40.0	1	40.0
Côte d'Ivoire			5	555.0	5	555.0
Eritrea			1	29.5	1	29.5
Ethiopia			8	711.1	8	711.1
Gambia, The			1	3.0	1	3.0
Ghana			8	307.0	8	307.0
Guinea			2	32.0	2	32.0
Guinea-Bissau			1	10.0	1	10.0
Kenya			1	150.0	1	150.0
Lesotho			1	15.9	1	15.9
Liberia			3	478.0	3	478.0
Madagascar			3	170.0	3	170.0
Malawi			3	102.0	3	102.0
Mali			1	42.0	1	42.0
Mauritania			1	5.0	1	5.0
Mauritius	1	30.0			1	30.0
Mozambique			2	90.0	2	90.0
Niger			2	64.5	2	64.5
Nigeria			2	390.0	2	390.0
Rwanda			4	122.0	4	122.0
São Tomé and Principe			1	6.0	1	6.0
Senegal			1	80.0	1	80.0
Sierra Leone				11.0		11.0
Tanzania			5	498.5	5	498.5
Togo			2	192.2	2	192.2
Uganda			5	310.6	5	310.6
Zambia			2	43.0	2	43.0
Total	1	30.0	90	5,656.5	91	5,686.5

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2008, by Region and Country *(cont'd)*

	IBRD		IDA		Total	
Region/country	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
			(millions of dollars)			
East Asia and Pacific						
Cambodia			6	128.8	6	128.8
China	12	1,513.4			12	1,513.4
Indonesia	5	918.4		376.5	5	1,294.9
Lao People's Democratic Republic			3	25.0	3	25.0
Mongolia			3	15.3	3	15.3
Papua New Guinea			2	44.5	2	44.5
Philippines	2	244.9			2	244.9
Samoa			1	3.0	1	3.0
Solomon Islands			2	4.7	2	4.7
Timor-Leste			1	1.0	1	1.0
Vietnam			9	1,192.7	9	1,192.7
Total	19	2,676.7	27	1,791.4	46	4,468.1
South Asia						
Afghanistan			7	250.0	7	250.0
Bangladesh			8	753.5	8	753.5
Bhutan			1	3.1	1	3.1
India	5	1,317.0	2	837.0	7	2,154.0
Maldives			2	20.9	2	20.9
Nepal			5	379.6	5	379.6
Pakistan	1	173.6	4	371.3	5	544.9
Sri Lanka			4	140.9	4	140.9
Total	6	1,490.6	33	2,756.2	39	4,246.8
Europe and Central Asia						
Albania	1	3.0	2	61.5	3	64.5
Armenia			2	23.5	2	23.5
Azerbaijan	6	1,144.0	5	122.7	11	1,266.7
Belarus	1	15.0			1	15.0
Bosnia and Herzegovina			1	25.0	1	25.0
Georgia			2	57.7	2	57.7
Kazakhstan	3	149.6			3	149.6
Kosovo			2	12.0	2	12.0
Kyrgyz Republic			3	31.0	3	31.0
Macedonia, former Yugoslav Republic of	2	130.2			2	130.2
Moldova			2	30.0	2	30.0
Montenegro			1	9.0	1	9.0
Romania	2	133.1			2	133.1
Russian Federation	1	200.0			1	200.0

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2008, by Region and Country *(cont'd)*

	IBRD		IDA		Total	
Region/country	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
			(millions of dollars)			
Serbia	1	46.4			1	46.4
Tajikistan			2	16.5	2	16.5
Turkey	3	1,203.0			3	1,203.0
Ukraine	4	690.0			4	690.0
Uzbekistan			1	68.0	1	68.0
Total	24	3,714.3	23	456.8	47	4,171.1
Latin America and the Caribbean						
Argentina	2	105.0			2	105.0
Bolivia			8	117.4	8	117.4
Brazil	9	1,913.9			9	1,913.9
Chile	1	24.8			1	24.8
Colombia	5	940.0			5	940.0
Costa Rica	1	72.5			1	72.5
Dominican Republic	3	141.4			3	141.4
Ecuador	1	15.3			1	15.3
Grenada			1	1.9	1	1.9
Guatemala	2	120.0			2	120.0
Haiti			3	29.1	3	29.1
Honduras			3	94.0	3	94.0
Jamaica	4	75.0			4	75.0
Mexico	4	737.8			4	737.8
Nicaragua			3	57.0	3	57.0
OECS countries			1	7.2	1	7.2
Panama	4	136.0			4	136.0
Paraguay	2	46.5			2	46.5
Uruguay	1	25.3			1	25.3
Total	39	4,353.5	19	306.5	58	4,660.0
Middle East and North Africa						
Djibouti			1	3.0	1	3.0
Egypt, Arab Republic of	4	835.0			4	835.0
Iraq			1	109.5	1	109.5
Jordan	2	11.5			2	11.5
Lebanon	1	100.0			1	100.0
Morocco	2	250.0			2	250.0
Tunisia	1	6.00			1	6.0
Yemen, Republic of			5	154.8	5	154.8
Total	10	1,203	7	267	17	1,469.8
Overall total	93	11,977.0	166	8,478.5	259	20,455.5

Annex 10

Canadian Contributions to World Bank Group Trust Funds

CIDA Disbursements Through World Bank Group Administered Trust Funds

2004–05	2005–06	2006–07	2007–08	April 1-December 31, 2008	Total since 2004–05
		(millions of dollars)			
279.0	146.4	292.1	289.4	67.3	1,074.3

Key Disbursements in 2007–08 and From April 1 to December 31, 2008

	2007–08	April 1-December 31, 2008
	(millions of dollars)	
Afghanistan—various	183.0	26.5
Ethiopia—various	30.0	–
Palestine—PRDP	–	15.0
Private sector development—CARICOM	–	12.5
Vietnam—various	10.0	–
Senegal—PDMAS	10.0	–
Indonesia—various	5.0	–
Bangladesh—HNPSP	–	5.0

Note: Includes only contributions above $5 million.

Canadian Contributions to Global Initiatives Administered by the World Bank Group

	2001–02 to 2005–06	2006–07	2007–08	April 1-December 31, 2008	Total
			(millions of dollars)		
CGIAR	102.90	17.80	17.37	–	138.07
AMC	–	–	115.00	–	115.00
GFATM	278.40	250.00	43.00	73.50	644.90
GAVI	182.00	6.00	–	–	188.00
GEF	228.20	9.20	43.80	36.27	317.47

Source: Canadian International Development Agency.

Annex 11

World Bank Group Procurement From Canada

Disbursements by IBRD and IDA Borrowers: Goods and Services From Canada—To June 30, 2008

Fiscal Year	Amount
	(millions of US dollars)
2006	61
2007	49
2008	37

Source: World Bank, "Summary and Detailed Borrower Procurement Reports" (2008).

Annex 12

World Bank Group Borrowing in Canada

In calendar year 2008, the IBRD did not issue any bonds denominated in Canadian dollars.