



Department of Finance
Canada

Ministère des Finances
Canada

CANADA AT THE IMF AND WORLD BANK

2009

REPORT ON OPERATIONS UNDER
THE BRETTON WOODS AND
RELATED AGREEMENTS ACT



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Foreword by the Minister of Finance

I am pleased to present to Members of Parliament and the Canadian public *Canada at the IMF and World Bank 2009: Report on Operations Under the Bretton Woods and Related Agreements Act*.

This year's report summarizes the influential role Canada played at the International Monetary Fund (IMF) and World Bank at a time of unprecedented economic turmoil, as well as the strong support the IMF and World Bank provided to member countries in need. It also highlights Canada's plan for essential reforms that would make these institutions more legitimate, credible and effective, thereby assisting their members to better deal with the challenges of the evolving global economy.

While the recent financial and economic crisis affected all countries, I believe it will be remembered as an historic turning point for both the IMF and World Bank, two institutions on the front lines of the global response. In 2009, Group of Twenty (G20) countries, including Canada, recognized the need to strengthen both organizations, committing substantial new funding for increased lending capacity and the creation of innovative and targeted crisis response programs. Among other actions, Canada followed up on its G20 commitments by providing a US\$10-billion bilateral loan to the IMF, as well as substantial financial contributions to the World Bank Group's Global Trade Liquidity Program and Vulnerability Financing Facility. World Bank President Robert Zoellick commended Canada's US\$200-million commitment to the Global Trade Liquidity Program—the first by any donor country—as critical to increasing trade in developing countries.

The actions of the IMF and World Bank played an integral part in the global recovery and, while significant challenges remain, ongoing governance and operational improvements leave them better placed to respond to future global turbulence. The report released today details the progress made on Canada's priorities at the IMF and World Bank—governance and accountability, institutional effectiveness and sustainable poverty reduction and growth. But beyond the specifics found in its pages, the report stands as a testament to the importance of these institutions in supporting international cooperation and Canada's continuing commitment to them.

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



Acronyms Used in This Report

AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Centre
AMC	Advance Market Commitment
BWIs	Bretton Woods Institutions
CAO	Compliance Advisor Ombudsman
CARICOM	Caribbean Community
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CIDA	Canadian International Development Agency
CIF	Climate Investment Fund
COGAM	Committee on Governance and Executive Directors' Administrative Matters
DC	Development Committee
DMF	Debt Management Facility
ESAF	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
EWE	Early Warning Exercise
FCL	Flexible Credit Line
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FY	Fiscal Year
G7	Group of Seven
G8	Group of Eight
G20	Group of Twenty
GAFFSP	Global Agriculture and Food Security Program
GDP	gross domestic product
GFSR	<i>Global Financial Stability Report</i>
GRA	General Resources Account
GTLP	Global Trade Liquidity Program
HAPA	high access precautionary arrangement
HIPC	heavily indebted poor country



IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IFC	International Finance Corporation
IFI	international financial institution
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INT	Department of Institutional Integrity
LIC	low-income country
MDB	multilateral development bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow
ODA	Official Development Assistance
ODAAA	Official Development Assistance Accountability Act
PBA	Performance-Based Allocation
PPCR	Pilot Program for Climate Resilience
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Analysis
QAG	Quality Assurance Group
RCF	Rapid Credit Facility
RTAC	Regional Technical Assistance Centre
SAF	Structural Adjustment Facility
SCF	Strategic Climate Fund
SDR	Special Drawing Right
TF	Transfer Fund
UN	United Nations
WBG	World Bank Group
WEO	<i>World Economic Outlook</i>



Executive Summary

In 2009, the crisis in the financial sector and real economies precipitated exceptional international collaboration, including joint efforts by the G20 and a rigorous crisis response by the Bretton Woods Institutions—the International Monetary Fund (IMF or “the Fund”) and the World Bank Group (World Bank or “the Bank”).

This experience underscored the importance of the IMF and World Bank in promoting global cooperation. With each institution advancing critical reforms to strengthen their legitimacy, credibility and effectiveness, we are at an important juncture where they can be shaped and positioned to fulfill their core mandates while adapting to the global challenges of the 21st century.

To this end, Canada has been working to advance the goals set out in the 2008 report under the following 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 Group’s efforts to ensure that the growth and stability they help foster today will have a lasting effect over the long term.

This year’s report details the progress achieved in these three areas and sets out the plans and priorities for Canada at the IMF and World Bank for 2010 to 2012. The report is divided into four main parts:

- 1) Introductions to the IMF and World Bank Group explaining how they operate, what they do, and how Canada participates in their governance (see “An Introduction to the International Monetary Fund” and “An Introduction to the World Bank Group”).
- 2) Key developments at the IMF and World Bank in 2009 and a summary of the institutions’ responses to the financial and economic crisis (see “Canada at the Bretton Woods Institutions: What Happened in 2009”).
- 3) Analysis of IMF and World Bank progress against Canada’s short- and medium-term priorities and planned actions identified in the 2008 report. This section also identifies and summarizes Canada’s priorities and planned actions going forward (see “2009 Report on Canada’s Commitments at the Bretton Woods Institutions”).
- 4) Comprehensive annexes providing background information such as communiqués, public statements and financial data.



Key Developments in 2009 and Canada's Priorities

In 2009, the Bretton Woods Institutions were on the front lines in responding to the global financial and economic crisis.

The IMF's response to the crisis was multifaceted. IMF members supported a large general allocation of SDR 160 billion¹ to respond to global liquidity concerns, and Canada worked with our partners to ensure that the IMF had these resources to help countries respond to the crisis. At the same time, G20 countries recognized that the crisis necessitated a larger lending capability for the IMF. As a result, they committed over US\$250 billion in new bilateral resources to the Fund, including US\$10 billion from Canada, and endorsed an expansion of the IMF's contingency financing source—the New Arrangements to Borrow—by over US\$500 billion.

Canadian representatives also constructively engaged in the IMF effort to develop a modern lending toolkit under which member countries can accurately assess their optimal utilization of Fund resources. Canada proposed changes that balanced the need to safeguard IMF resources with the need to provide assistance to members during times of economic turmoil. The Fund responded with changes to its concessional and non-concessional facilities. Finally, in 2009, the Minister of Finance promoted corporate governance changes to increase the legitimacy, credibility and effectiveness of the Fund, and asserted that IMF Governors should be better engaged, that Executive Directors should focus more on strategic issues, and that senior management should operate within a more robust independence-accountability framework.

The World Bank Group also provided an exceptional response to the crisis. It more than tripled its lending to middle-income countries to reach \$100 billion over three years, allocated a record \$14 billion to low-income countries, and created a number of innovative crisis response facilities for specialized needs such as trade finance and food security. Canada provided support for these efforts through financial contributions to the World Bank Group's Global Trade Liquidity Program and Vulnerability Financing Facility. As an important complementary effort, Canada pioneered and funded innovative temporary capital arrangements at the Inter-American Development Bank and African Development Bank. Borrowing demand from members rose due to the global economic crisis, and this put pressure on the lending limits of these institutions. Canada's response created significant additional lending headroom, allowing these institutions to continue fulfilling their development mandates through the crisis period.

Progress was also made on World Bank reforms in the areas of decentralization, transparency, human resources, and internal governance improvements to streamline procedures and reduce the administrative burden. Much remains to be done, with important opportunities for advancing the reform agenda coming up in 2010. Most importantly, the World Bank and IMF's 2010 Spring Meetings will provide an opportunity for members to reach agreements on the World Bank's post-crisis directions, voice reforms and capital needs. This will also be an important opportunity for Canada and other member countries to advance any institutional reforms we believe are important. The financial replenishment for the World Bank's International Development Association will also take place in 2010, presenting another opportunity for Canada and other shareholders to improve the Bank's policies and practices, including in areas such as fragile states and gender, where performance has been mixed.

Full details on Canada's progress in 2009, along with new actions for 2010–2012, are described in the section "2009 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 progress against these priorities.

¹ An SDR (Special Drawing Right) 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: the euro, the US dollar, the Japanese yen and the British pound sterling.



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 the 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 186 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 the World Bank each have a separate Board of Governors, comprising 186 Governors representing each member country. The Boards are responsible for core institutional decisions and meet once a year at the IMF and World Bank Annual Meetings. Each Board is the highest authority governing these institutions. 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),² which advises on global monetary and financial issues for the IMF, and the Development Committee (DC),³ which advises on critical development issues for both the IMF and World Bank. Twenty-four Governors sit on each committee, which meets twice a year during the IMF and World Bank Spring Meetings and Annual Meetings. 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,⁴ Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

² Reports to the IMF's Board of Governors.

³ Reports to the IMF's and World Bank's Boards of Governors.

⁴ The constituency includes Guyana for the DC only.



Table 1

Canadian Influence at the IMF and World Bank

The Government of Canada asserts its views at the institutions through a number of channels:

Governor's statements at the International Monetary and Financial Committee and Development Committee Meetings	See Annexes 2 and 3
Policy advice to the Executive Director	Described in this section and "Canada at the Bretton Woods Institutions: What Happened in 2009"
Contributions to Multi-Donor Trust Funds	See Annex 11

The Boards of Governors delegate the day-to-day running of the IMF and World Bank to Executive Boards, each comprising 24 full-time Executive Directors. Each Executive Director represents a constituency corresponding to the IMFC and DC constituencies. The Executive Boards reside in Washington, DC, and meet several times per week.

The Executive Directors that represent Canada are employees of the IMF and World Bank, and are elected (or re-elected) by the Governors of their constituents every two years, traditionally based on a nomination made by the Canadian Governor. The Honourable Thomas Hockin has represented our constituency at the IMF since December 2009 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 to develop positions for discussion at the Executive Board. Executive Directors also receive advice from other constituency members.

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 vote for the entire constituency).

The voting power of members is primarily a function of their relative economic strength. Members also receive basic votes, which are distributed equally among all members. Canada's current voting shares at the IMF and World Bank are 2.89 per cent and 2.78⁵ per cent, respectively.

Within the Government of Canada, the Department of Finance coordinates Canada's policy advice for 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 Foreign Affairs and International Trade Canada. 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.

Canada recognizes that while there are a number of avenues to influence IMF and World Bank policies, we are one of 186 members. Canada is also part of a constituency and, as a result, while we can advise our Executive Director, he or she will also take into account the views of other members of our constituency.

⁵ Canada has a voting share of 2.78 per cent at the International Bank for Reconstruction and Development and a voting share of 2.96 per cent at the International Development Association.



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

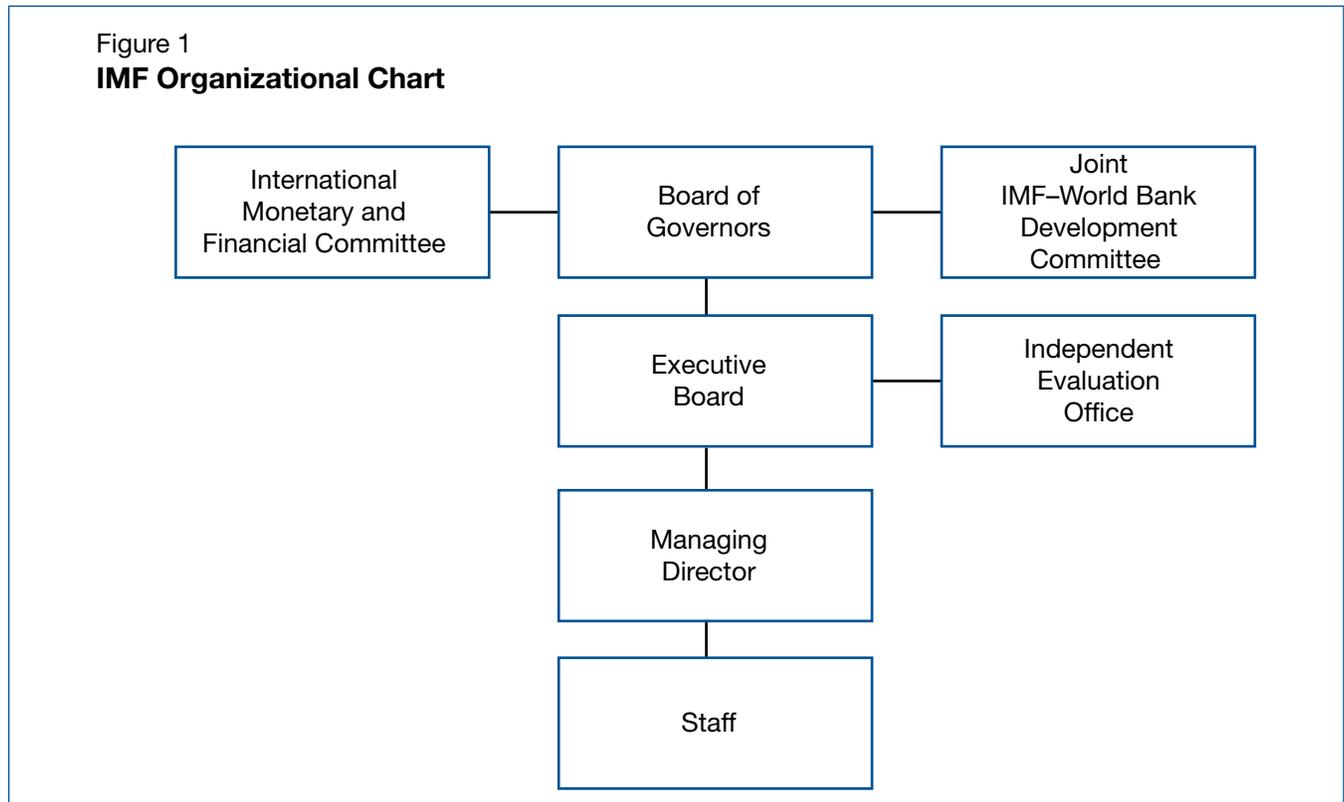
Headquartered in Washington, DC, the IMF is governed by and accountable to the governments of its 186 member countries. Each of the 186 member countries appoints one Governor and one Alternate Governor, usually the Minister of Finance and/or the Governor of the central bank, to the Board of Governors.

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. 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, 2009, the IMF employed 2,478 staff (from 143 member countries). Efforts are made to hire qualified nationals from the largest possible number of members. 2009 saw large changes in the total staffing levels of the IMF. As a result of a 2008 decision to restructure the organization, 490 staff voluntarily separated from the IMF in FY2009. With the onset of the global financial crisis, however, demand for IMF human resources quickly increased, and the organization hired over 100 new economists by the end of the fiscal year. The IMF is confident that it has an appropriate framework for staffing should the financial crisis become protracted.

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.



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.
- **Capacity building:** Providing technical assistance and training to help countries build the expertise and institutions they need to implement sound economic policies.
- **Program support:** Providing temporary financing and policy support to member countries to help them address balance of payments and/or fundamental macroeconomic problems.



A Brief History of the IMF

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

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

1971—The United States informs the 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—The IMF adopts “Guidelines for the Management of Floating Exchange Rates.”

1976—The IMF establishes the 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, the IMF Executive Board adopts the “1977 Decision” to guide IMF surveillance of member economies and exchange rate policies.

1986—The IMF establishes the 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—The Systematic Transformation Facility is 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—The IMF endorses a joint debt relief initiative for heavily indebted poor countries (HIPCs)—the HIPC Initiative.

2005—The IMF begins to implement the Multilateral Debt Relief Initiative (MDRI) to relieve debt owed to the IMF by countries with per capita income below \$380 a year, along with other HIPCs.

2008–2009—In response to the global financial crisis, the IMF mobilizes new resources from its members and revamps its lending facilities, creating the Flexible Credit Line and a new set of lending facilities for low-income countries.

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. The Article commits each member country to pursue policies conducive to the stability of the international monetary system, and global growth and prosperity. Through its consultations, the IMF identifies policy strengths and weaknesses and provides advice to members on any necessary corrective measures. Consultations consist of regular (usually annual) staff visits with government and central bank officials, and IMF staff generally meet 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 prepare a report for consideration by the IMF’s Executive Board. In the large majority of cases, the staff report is published, along with a summary of Executive Directors’ views as expressed during the Board’s discussion.



Summary of Article IV Obligations

Article IV of the IMF Articles of Agreement sets the “rules of the game” to which each member country has voluntarily committed. 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.

In addition to its bilateral consultations with members under Article IV, the IMF conducts important regional and multilateral surveillance of the overall global economy and financial and monetary systems, producing 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, which discuss recent economic developments and prospects for various regions. These reports foster discussion at the Executive Board and within member governments.⁶ The Executive Board also holds regular informal discussions on world economic and financial market developments.

Following the global financial crisis, the IMF increased its surveillance activities and focused on four surveillance priorities for the coming years: risk assessment, macrofinancial linkages, multilateral perspective, and external stability and exchange rate assessments. The IMF also participates in new data transparency initiatives, including the Principal Global Indicators website, which provides access to key data on G20 economies.

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. Improving the technical capacity of member countries is fundamental to promoting sound monetary and macroeconomic policies and enabling effective IMF surveillance.

⁶ For the October 2009 WEO see: <http://imf.org/external/pubs/ft/weo/2009/02/index.htm> and for the October 2009 GFSR see: <http://www.imf.org/External/Pubs/FT/GFSR/2009/02/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, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos, and the 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	Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen.
Central AFRITAC (Libreville, Gabon) 2007	Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Republic of the Congo, Equatorial Guinea, and Gabon.
Central America, Panama, Dominican Republic TAC (Guatemala City, Guatemala) 2009	Costa Rica, 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 or regional centres. In addition to the IMF Institute, based in Washington DC, seven regional training institutes for country officials and seven RTACs deliver more accessible and regionally tailored programming to member countries across the globe. The Fund is also planning to open three new centres: two in Africa 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, Canada provided support and funding for the establishment of a new technical assistance centre: the Central America, Panama, Dominican Republic Technical Assistance Centre.

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. As of January 15, 2010, the total quota for the Fund's 186 members stood at SDR 217.4 billion (about US\$341 billion).⁷ Canada's contribution to this total is presently SDR 6.37 billion (about US\$10.3 billion). Canada's quota represents 2.93 per cent of total quota assigned and, aside from special loan arrangements sometimes in force, corresponds to the maximum amount that it would be asked to lend from its international reserves to the IMF 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 special allocation of SDRs was implemented in September 2009, increasing the fairness of the SDR system. The one-time measure increased members' cumulative SDR allocations by SDR 21.5 billion and provided allocations to those countries that had never received one (those members that joined the Fund after 1981).⁸

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.

For the majority of IMF programs, 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. Finally, following the financial crisis, the IMF created a new facility, the Flexible Credit Line, which provides countries that have strong economic fundamentals and policies with a credit line they can use for crisis prevention purposes.

⁷ <http://www.imf.org/external/np/sec/memdir/members.htm>.

⁸ <http://imf.org/external/np/exr/facts/sdr.htm>.



Additional instruments are available for low-income member countries. The financial crisis prompted the IMF to overhaul these facilities, and a new set of below market rate (concessional) lending facilities are now available under a new brand, the Poverty Reduction and Growth Trust (PRGT). The access limits under the PRGT are now higher, and the total amount the PRGT may lend has doubled, making the Fund's concessional lending capacity now up to \$17 billion. PRGT resources are also more attractive, since the Fund cut the interest rate low-income countries (LICs) pay on their loans by half to an historic low of 0.25 per cent. Furthermore, as part of the response to the global financial crisis, the IMF is providing temporary interest relief with zero payments on concessional lending arrangements through to the end of 2011 to help LICs cope with the crisis.

Three lending facilities exist under the new PRGT framework:

- The Extended Credit Facility, which replaces the former Poverty Reduction and Growth Facility (PRGF), provides flexible medium-term support to low-income members that have protracted balance of payments problems.
- The Standby Credit Facility, which will address short-term and precautionary balance of payments needs, is similar to the Stand-By Arrangements in regular Fund lending.
- The Rapid Credit Facility (RCF) will provide rapid access at low levels with limited conditionality to meet urgent balance of payments needs.

Finally, a Policy Support Instrument (PSI) is available to any member that does not need or want IMF financial assistance but voluntarily requests IMF endorsement and continued monitoring of their policies. PSIs signal IMF support for a member country's policies, informing private and public creditors, official donors and the general public. Canada was a strong advocate of this instrument, which was introduced in late 2005. As of April 2009, Cape Verde, Mozambique, Nigeria, Senegal, Uganda and Tanzania 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.
Flexible Credit Line (2009)	Provides large-scale, targeted and cautionary assistance to member countries with access to international capital markets.	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record.
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.
Facilities for low-income members		
Extended Credit Facility (2009)	Provide flexible medium-term support to low-income members with protracted balance of payments problems.	Adopt policies adequate to correct external imbalances and make progress toward a stable and sustainable macroeconomic position. May extend over the medium or longer term.
Stand-By Credit Facility (2009)	Address short-term balance of payments needs.	Adopt policies adequate to correct external imbalances and restore a stable and sustainable macroeconomic position. Aim to resolve balance of payments needs in the short term.
Rapid Credit Facility (2009)	Provide rapid low access with limited conditionality for urgent balance of payments needs.	Assistance is provided as an outright disbursement. The RCF does not have program reviews or ex-post conditionality, except in the case of repeated use, whereby a track record of performance would be required in advance of the disbursement unless the financing need is primarily caused by an exogenous shock.
Facilities ended during 2009		
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.
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 (cont'd)

IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions
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.
Credit tranches and Extended Fund Facility		
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.

Source: <http://www.imf.org>

IMF IEO Evaluations in 2009

The Independent Evaluation Office (IEO) completed two evaluation reports in 2009, providing insight into how effectively the IMF executes its trade policy mandate responsibilities and its interactions with member countries.⁹

1. IMF Involvement in International Trade Policy Issues (May 2009)

The IEO's trade policy report examines the involvement of the IMF in trade policy issues from 1996 to 2007. The report assesses the nature of the IMF's mandate in trade issues, the effectiveness of the IMF's work with other international organizations on trade issues, and whether the IMF's advice on trade policy was effective. The IEO found that in 2000, as a result of average tariffs falling in most countries, conditionality not effectively creating change in trade policy, and the discord created by unilateral liberalization efforts, the IMF reduced its involvement in trade policy issues. While the general reduction was welcomed by the IEO, the report noted that some gaps in financial and systemic stability followed, including:

- The IMF does not have a clearly defined role in financial services trade policy, which is an area where the IEO deems the IMF perspective to be essential.
- The IMF has not successfully transferred its analytical expertise in the macroeconomic and systemic effects of preferential trade agreements into its surveillance activities.
- The global effects of trade policies in key member countries have been discounted by the IMF.

⁹ See <http://www.ieso-imf.org/eval/> for the full evaluation reports.



The report's recommendations include:

- Increase support and advice to borrowing countries on resisting protectionist pressures, plans for trade finance, and reforming domestic trade policies to reduce business costs.
- Establish a role and approach for the IMF in trade in financial services.
- Actively address trade policy through multilateral and regional surveillance.
- Even-handedly provide trade policy advice by returning the IMF focus to trade policy issues in large economies and broadly engage in low- and middle-income countries that have seen their share of world trade rise recently.

IMF involvement in trade policy issues must relate to its role in international monetary stability and be proportionate to its place in the broader community of international institutions. Canada agrees with the IEO that the previous scaling-back of trade policy conditionality was appropriate since in our view, program conditionality should be focused on elements that are essential for the success of a program. Trade policy developments are often not central to achieving the objectives of a program. Using the same principles, Canada disagrees with the IEO that there is a need for more IMF resources to be dedicated to trade policy issues. Instead, such expertise could reside with other institutions and IMF staff could obtain the needed information through regular contact with these institutions.

Nonetheless, IMF involvement in trade policy issues may be beneficial in the surveillance of trade in financial services. Efficiency improvements in this sector can increase competitiveness, and surveillance by the Fund would monitor risks and ensure that they are appropriate to sustainable growth.

2. IMF Interactions With Member Countries (November 2009)

By exploring the IMF's interactions with its member countries, the IEO's second evaluation of 2009 assessed the management and effectiveness of relations between 2001 and 2008. The IEO concluded that the general exchange of views and objective assessments was effective, and that interactions in certain areas such as program and technical assistance were also positive. The report's findings also include the following:

- PRGF-eligible countries had the most effective relations, followed by other emerging economies. Relations with advanced and large emerging economies were least effective.
- Outreach by the IMF to stakeholders beyond government did not increase interaction effectiveness.
- Despite some very well managed individual interactions, overall interactions were undermanaged.

The report's recommendations include:

- Bring more experts on country visits and recruit more specialist skills.
- Develop strategies for managing the IMF's negative reputation in countries where this reputation harms interactions.
- Develop professional standards for staff interactions with authorities.

Canada welcomes the IEO report as an opportunity to ensure the Fund's interaction meets the priority needs of members, particularly in advanced and large emerging markets. However, recent events have already overtaken some of the report's recommendations, and the perception of the IMF's credibility and effectiveness has improved because of the Fund's valuable role in the current global recovery.



Of the report’s recommendations, Canada favours addressing skill shortages by creating a more appropriate balance of expertise within teams rather than expanding the size of missions with “more experts.” In addition, Canada believes that the Fund’s improving image could be sustained by encouraging staff to be frank with national authorities and stakeholders about the past, while emphasizing and contrasting the Fund’s current approaches. Finally, Canada supports increased guidance and training for staff on their professional interaction with authorities.

Canada and the IMF

As one of 186 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). Canada holds 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
The Netherlands	2.34
Belgium	2.09

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

Executive Director	Thomas Hockin (Canada)
Alternate Executive Director	Stephen O’Sullivan (Ireland)
Senior Advisor	Glenn Purves (Canada)
Senior Advisor	John Rolle (Bahamas)
Senior Advisor	Pierre St. Amant (Canada)
Advisor	Mathew Sajkunovic (Canada)
Advisor	Peter McGoldrick (Ireland)
Administrative Assistant	Catherine Byrne (Ireland)
Administrative Assistant	Basia Manitius (Canada)
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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). The 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 to 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 go to sectors such as education, health, infrastructure, environment and agriculture. The IFC and MIGA support private sector investment in developing countries.

World Bank Group Agencies¹⁰

IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

- Established: 1944
- Members: 186
- Mission: Broad poverty reduction
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, analytical and advisory services
- Size: US\$32.9 billion in new commitments, 2009

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 can borrow at attractive rates because it is backed by capital commitments from its member countries.

¹⁰ All figures and activities in this section are for the World Bank’s 2009 fiscal year (July 1, 2008 to June 30, 2009)



Chart 1
Total IBRD Lending by Region, 2009
(% share of US\$32.9 billion)

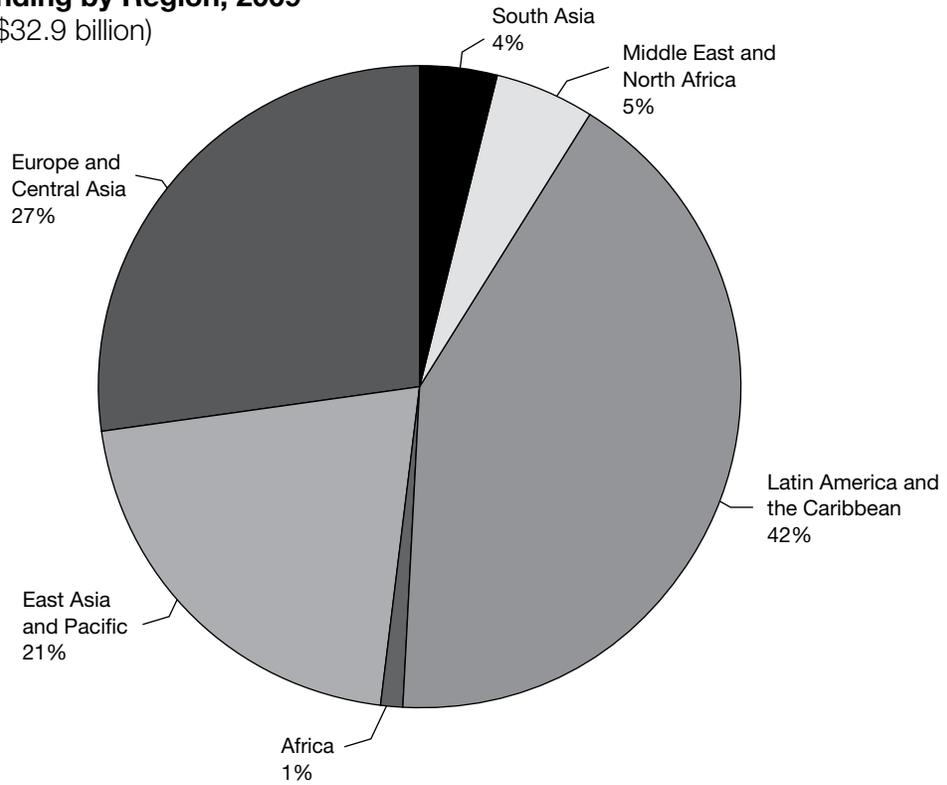
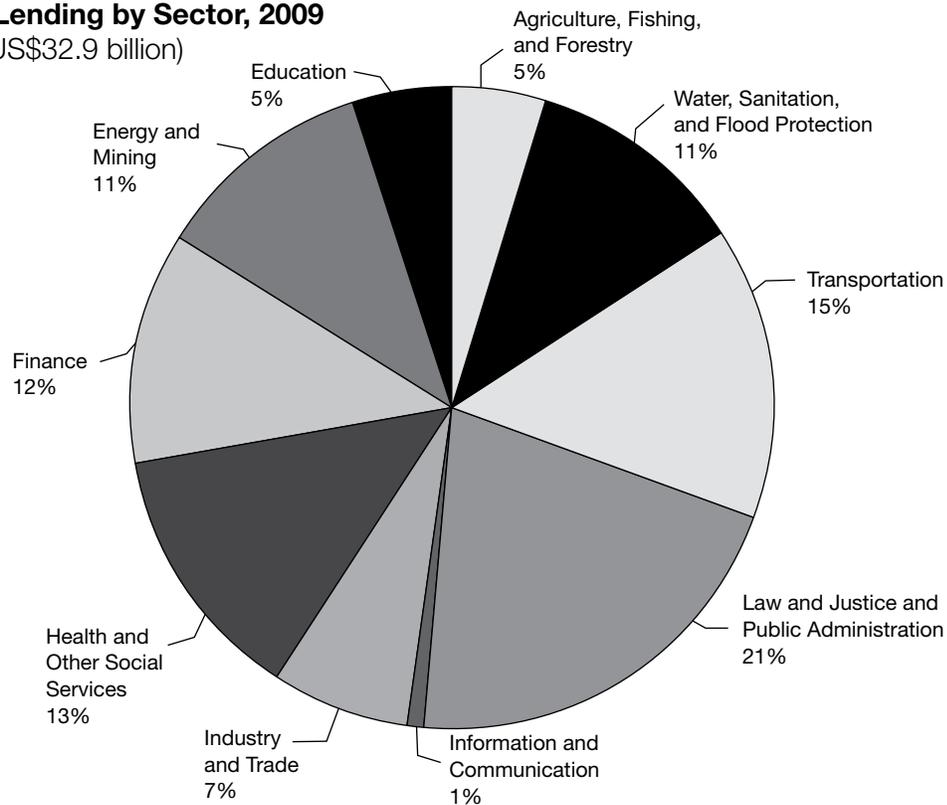


Chart 2
Total IBRD Lending by Sector, 2009
 (% share of US\$32.9 billion)



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 2009, the IBRD committed a historically high US\$32.9 billion to 126 projects in developing countries after raising US\$44.3 billion on world capital markets.

Latin America and the Caribbean received the largest portion of IBRD funding in 2009 (42 per cent), followed by Europe and Central Asia (27 per cent). IBRD lending for infrastructure (transportation, energy and mining, and water, sanitation, and flood protection) accounted for approximately 37 per cent of total lending in 2009.

IDA—International Development Association

IDA at a Glance

- Established: 1960
- Members: 169
- Mission: Broad poverty reduction
- Clients: Poorest countries
- Tools: Interest-free loans, grants, analytical and advisory services
- Size: US\$14 billion in new commitments, 2009



In the 1950s, it became clear that the poorest developing countries could not afford to borrow needed capital on the interest 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. Seventy-nine countries were eligible for IDA financing in 2009.

New IDA commitments are financed through contributions from donor governments, 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. Every three years, IDA funds are replenished through new donor pledges, and FY2009 was the first year of a new three-year cycle.

Nigeria and Pakistan were the largest single recipients of IDA funding in FY2009. Regionally, Africa received the largest share of FY2009 IDA resources at US\$7.8 billion, or 56 per cent of total commitments. South Asia received 30 per cent of new commitments, totalling US\$4.2 billion. Sectorally, public administration, energy and mining, infrastructure, health and education were major focuses for IDA financing.

Chart 3
Total IDA Lending by Region, 2009
(% share of US\$14 billion)

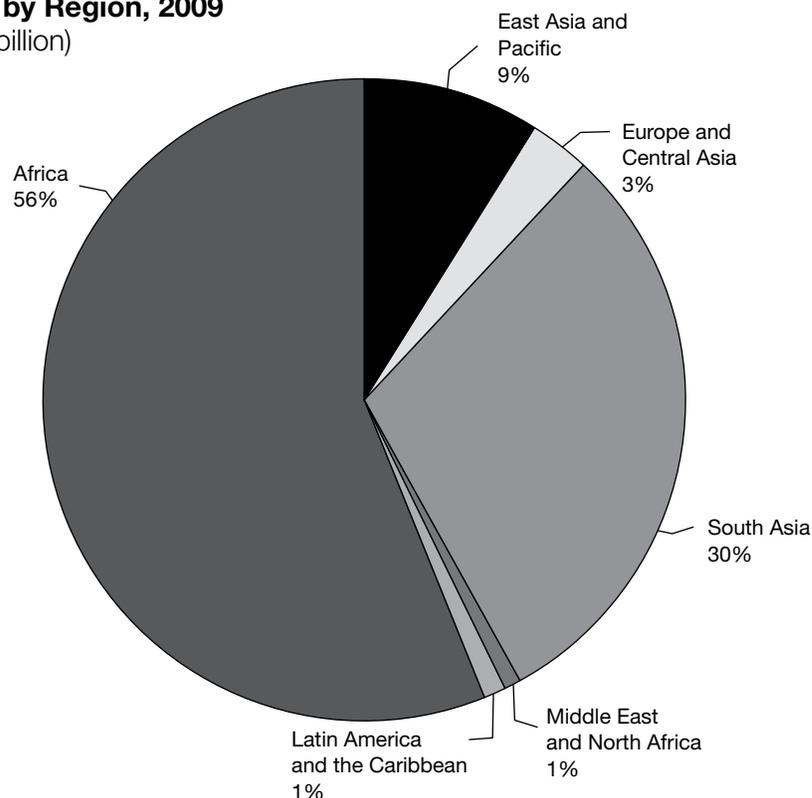
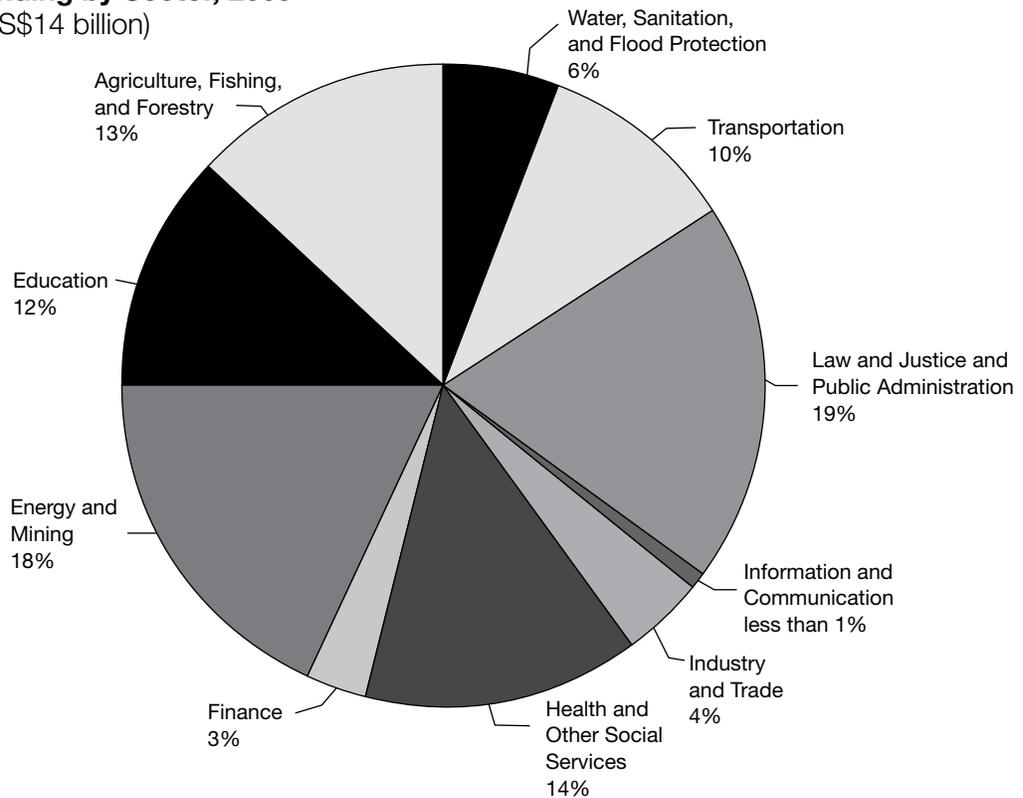


Chart 4
Total IDA Lending by Sector, 2009
 (% share of US\$14 billion)



IFC—International Finance Corporation

IFC at a Glance

- Established: 1956
- Members: 182
- 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\$10.5 billion in new commitments, 2009

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 only provides financing 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 is legally and financially autonomous, but it collaborates and coordinates with the IBRD, IDA, MIGA and other organizations.

In 2009, the IFC committed US\$10.5 billion in new investments. The IFC's total portfolio grew 6 per cent to US\$34.4 billion from US\$32.4 billion the previous year. New commitments were US\$1.2 billion in East Asia and the Pacific, US\$2.7 billion in Latin America and the Caribbean, US\$2.2 billion in Europe and Central Asia, US\$1.3 billion in the Middle East and North Africa, US\$1.2 billion in South Asia and US\$1.8 billion in Sub-Saharan Africa.

Chart 5
New IFC Investments by Region, 2009
(% share of US\$10.5 billion)

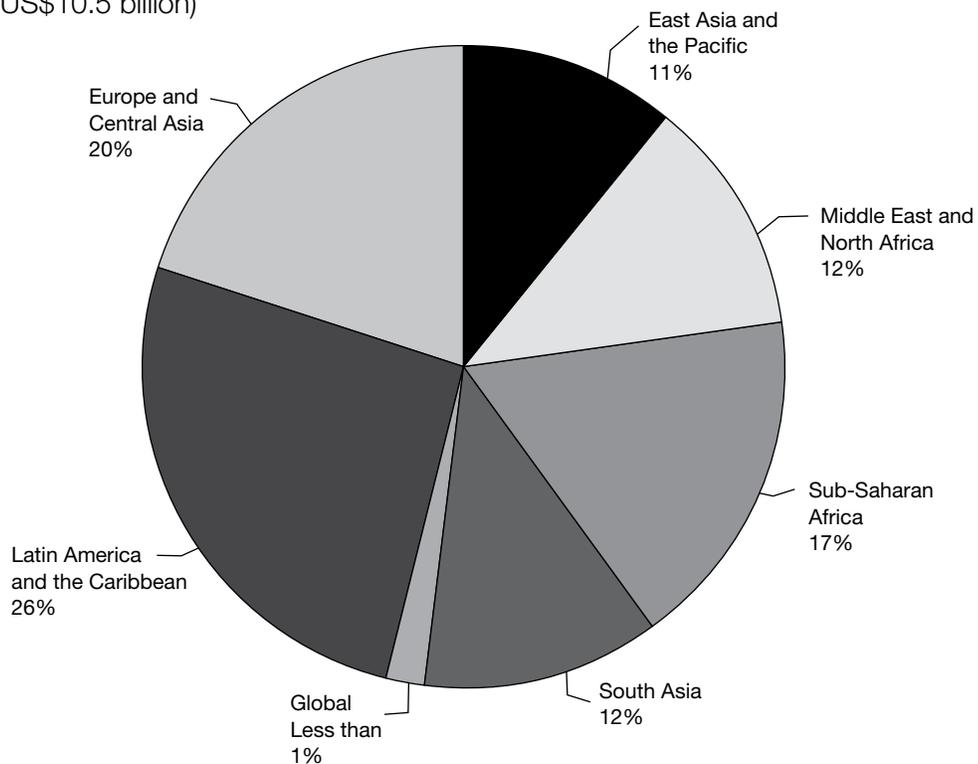
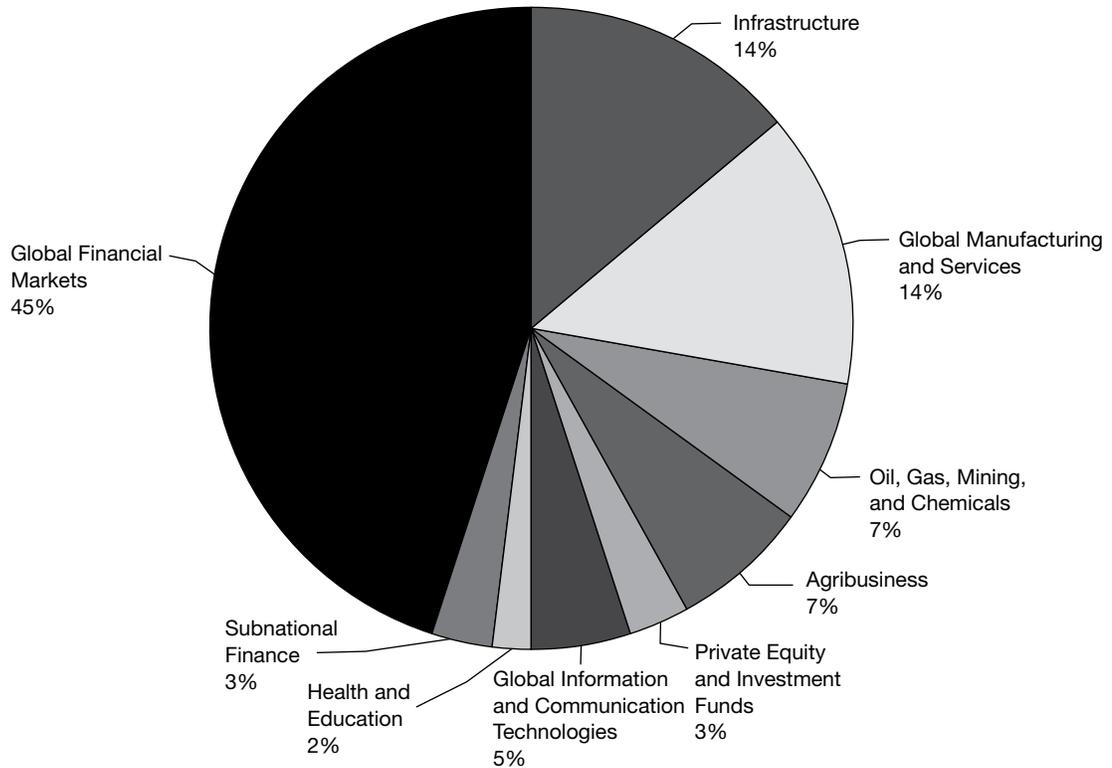


Chart 6
New IFC Investments by Sector 2009
 (% share of US\$10.5 billion)



MIGA—Multilateral Investment Guarantee Agency

MIGA at a Glance

- Established: 1988
- Members: 175
- Mission: Promote foreign direct investment in developing countries
- Clients: Investors and lenders
- Tools: Political risk insurance, advisory and legal services
- Size: US\$1.4 billion issued in risk guarantees, 2009



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 2009, the total amount of guarantees issued for projects in MIGA's developing member countries was US\$1.4 billion. This is a decrease on 2008 levels, which MIGA attributes to reduced investment flows as a result of the global financial crisis. Nonetheless, the amount is similar to 2007 guarantee levels.

Chart 7
Total MIGA Risk Guarantees Issued by Region, 2009
(% share of US\$1.4 billion)

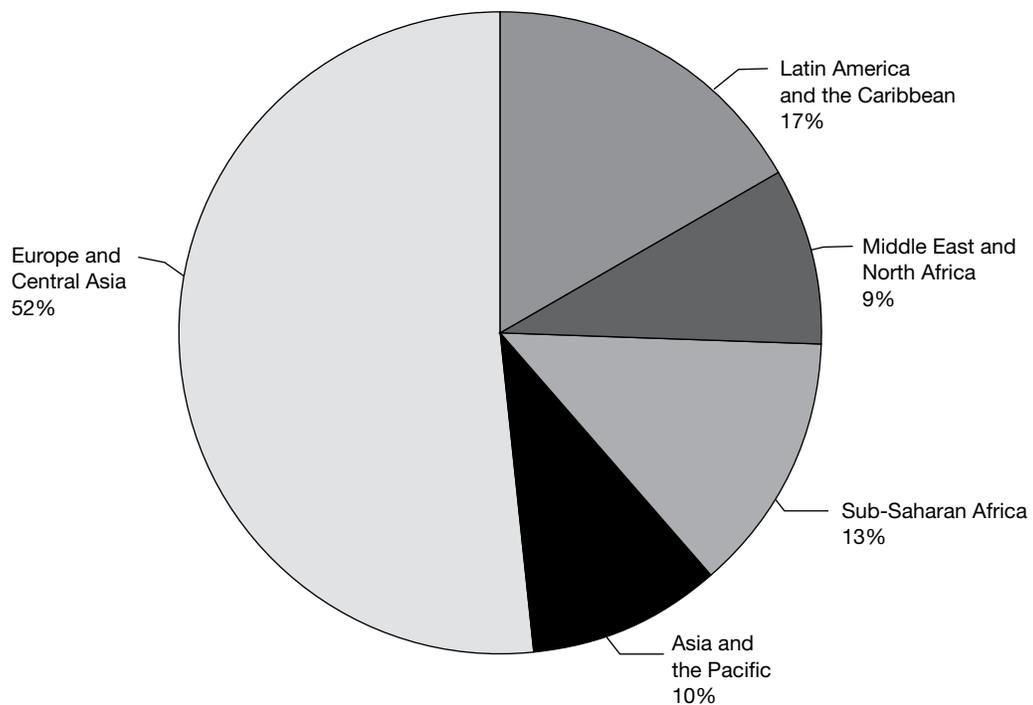
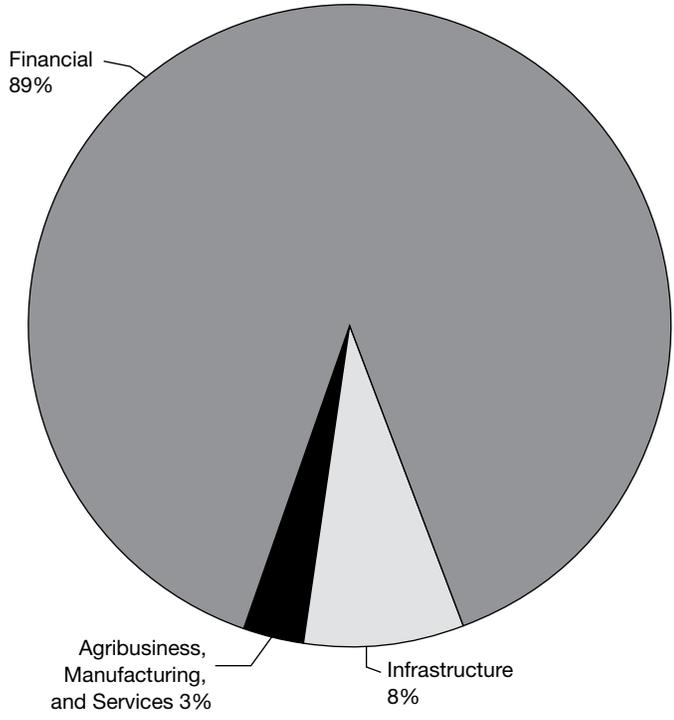


Chart 8
Total MIGA Risk Guarantees Issued by Sector, 2009
 (% share of US\$1.4 billion)



ICSID—International Centre for Settlement of Investment Disputes

ICSID at a Glance

- Established: 1966
- Members: 144
- Mission: Investment dispute resolution mechanism

ICSID provides conciliation and arbitration mechanisms for investment disputes between member countries and private investors. Canada is not currently a member of ICSID. However, in 2008, legislation to implement the Convention of the Settlement of Investment Disputes between States and Nationals of Other States, received Royal Assent. The new legislation will come into force on a day to be fixed by Order of the Governor in Council, enabling Canada to move towards ICSID membership. 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, aiming to provide an objective assessment of their work, create accountability in the achievement of the Bank's objectives and ensure that the Bank learns from its experiences. In 2009, the IEG conducted 25 evaluations of individual Bank projects and 5 corporate reviews. These reports are available online at: <http://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 homepage 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 110 complaints since 2000, including 11 in 2009. The CAO's annual report can be accessed at: <http://www.cao-ombudsman.org/publications/>.

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 2009, the Panel completed four investigations and received four new requests for inspection. The Panel's website can be accessed at: <http://www.worldbank.org/inspectionpanel>.

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 186 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 them 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 two-year terms. In October 2008, Mr. Samy Watson was re-elected to represent the constituency that 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 at the World Bank (IBRD)

Country	% of Total Voting Shares
United States	16.36
Japan	7.85
Germany	4.48
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
The 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\$8.7 billion in donor contributions to IDA. Our voting power ranges from 2.51 per cent to 3.38 per cent within the Bank's different institutions.



Table 6

Canada's Capital Subscription

	IBRD	IDA	IFC	MIGA
		(US\$ millions)		
Capital subscription	5,403.8	–	81.3	56.5
Amount paid in	334.9	8,719.55 ¹	81.3	10.7
Amount callable	5,068.9	–	–	45.8
Subscription share (%)	2.85	3.60	3.43	2.96
Voting power (%)	2.78	2.51	3.38	2.48

Note: Figures are from the 2009 financial statements and annual reports for the World Bank, IFC and MIGA respectively.

¹ IDA figure represents Canada's cumulative contributions.

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

Executive Director	Samy Watson (Canada)
Alternate Executive Director	Kelvin Dalrymple (Barbados)
Senior Advisor	Donal Cahalane (Ireland)
Senior Advisor	Cal MacWilliam (Canada)
Advisor	Robert Chiew (Canada)
Advisor	Sharon Krooks (Jamaica)
Advisor	Anne Donegan (Ireland)
Advisor	Anita Ambrose (Canada)
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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 to replenish 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 Financial Contributions in 2009

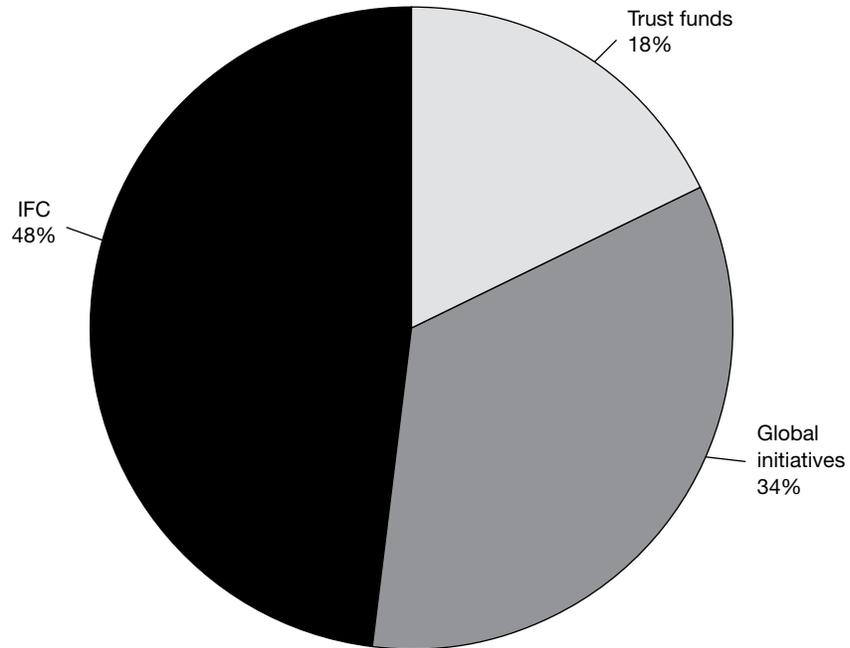
Canada is an important provider of donor funding for the World Bank Group. In 2009, we made the following contributions:¹¹

- IFC: In June 2009, Canada became the first donor to participate in the IFC's Global Trade Liquidity Program, with a US\$200-million contribution.
- 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 11 shows Canada's contributions in previous years. These trust funds have been set up to mobilize donor resources to address key strategic development priorities at the country level. Canada contributed \$75.6 million to World Bank MDTFs from April 1 to December 31, 2009.
- 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 and the Global Environment Facility. Canada contributed \$141.9 million to these initiatives from April 1 to December 31, 2009.

¹¹ Canada's first demand note issuance under IDA15 (\$384 million) 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 9
Canada's Financial Contributions in 2009
(% share of \$417.5 million)





Canada at the Bretton Woods Institutions: What Happened in 2009¹²

The Global Financial and Economic Crisis

The global financial and economic crisis was the major focus for the international community and the Bretton Woods Institutions in 2009. The onset of financial instability in 2007 and its subsequent deepening in 2008 resulted in a global economic downturn and steep declines in capital flows to emerging markets. Economic crises spread across advanced, emerging and low-income countries. The IMF's 2009 Article IV Consultation With Canada, an annual report that reviews Canada's economic developments and policies, noted that the global economic slowdown and financial market turmoil hurt growth in Canada, but that Canada "entered the crisis from a position of strength, reflecting a track record of strong policy management that has supported underlying macroeconomic and financial stability."

In 2009, governments around the world continued and expanded the extraordinary actions they initiated in the previous year to shore up confidence, support key financial institutions, and restore credit market conditions. They also implemented large and coordinated fiscal stimulus packages to spur economic activity. For its part, Canada implemented one of the largest economic stimulus plans in the G7—as a per cent of gross domestic product (GDP)—through the Government's two-year Economic Action Plan.

The crisis also created large financing needs in many less developed economies. In 2009, the G20 committed to ensuring that the IMF and the multilateral development banks, including the World Bank, have the resources they need to help the world's poorest. Canada demonstrated strong international leadership on this by providing these international financial institutions with US\$22 billion in additional resources in 2009 to help them respond to the crisis.

The IMF's Crisis Response and Lending Activity

The financial and economic crisis reinvigorated the IMF's central role as a "crisis responder" and provided a key impetus for reviewing how the IMF can be most effective in preventing future crises. The G20 mobilized its support for the IMF and backed significant new measures to ensure that the IMF had adequate resources to help countries respond to the global economic crisis. IMF members supported a general allocation of SDR 160 billion to respond to global liquidity concerns. At the same time, G20 nations recognized that the crisis necessitated a larger lending capability for the IMF. As a result, they committed over US\$250 billion in new bilateral resources for the Fund, including US\$10 billion from Canada, and endorsed an expansion of the IMF's contingency financing source—the New Arrangements to Borrow—by over US\$500 billion. The IMF's lending facilities were also retooled to effectively target and constructively deal with the issues at hand, and IMF surveillance processes were reformed to enhance financial stability.

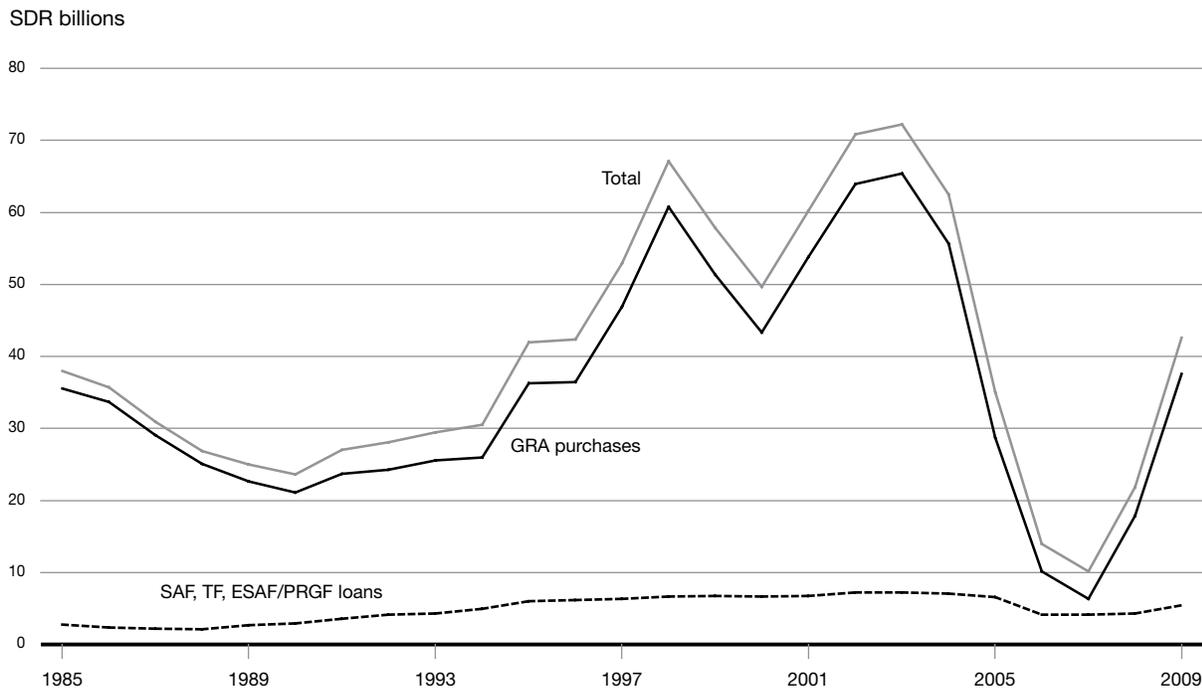
In last year's report, Canada committed to play a strong role in ensuring that the IMF has adequate lending resources and that the lending role of the Fund is tailored to the 21st century economy. The section "2009 Report on Canada's Commitments at the Bretton Woods Institutions" details how Canada pursued its goals in these areas and provides further information on the extraordinary actions that the IMF took in 2009.

¹² As required under the Bretton Woods and Related Agreements Act, this report outlines Canada's activities at the IMF and World Bank during the 2009 calendar year. In some cases, however, the listed data are sourced from the financial reports of either Canada, the IMF or the World Bank. As a result, some reported items follow fiscal reporting schedules rather than the calendar year. Canada's fiscal year is April 1 to March 31, the IMF's fiscal year is May 1 to April 30, and the World Bank Group's fiscal year is July 1 to June 30.



The impact of the global financial crisis on many emerging and developing economies (the IMF's traditional borrowers) resulted in a sizeable expansion of IMF lending in the latter half of 2008 and throughout 2009 (see Chart 10). For many of these economies (in particular emerging Europe), the global downturn brought a sharp reversal of capital inflows from boom years preceding the crisis, which led to large balance of payments funding gaps. Currently, half of all outstanding IMF Stand-By Arrangements are with Eastern European countries (detailed in Annex 7).

Chart 10
IMF Credit Outstanding for All Members, 1985–2009



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



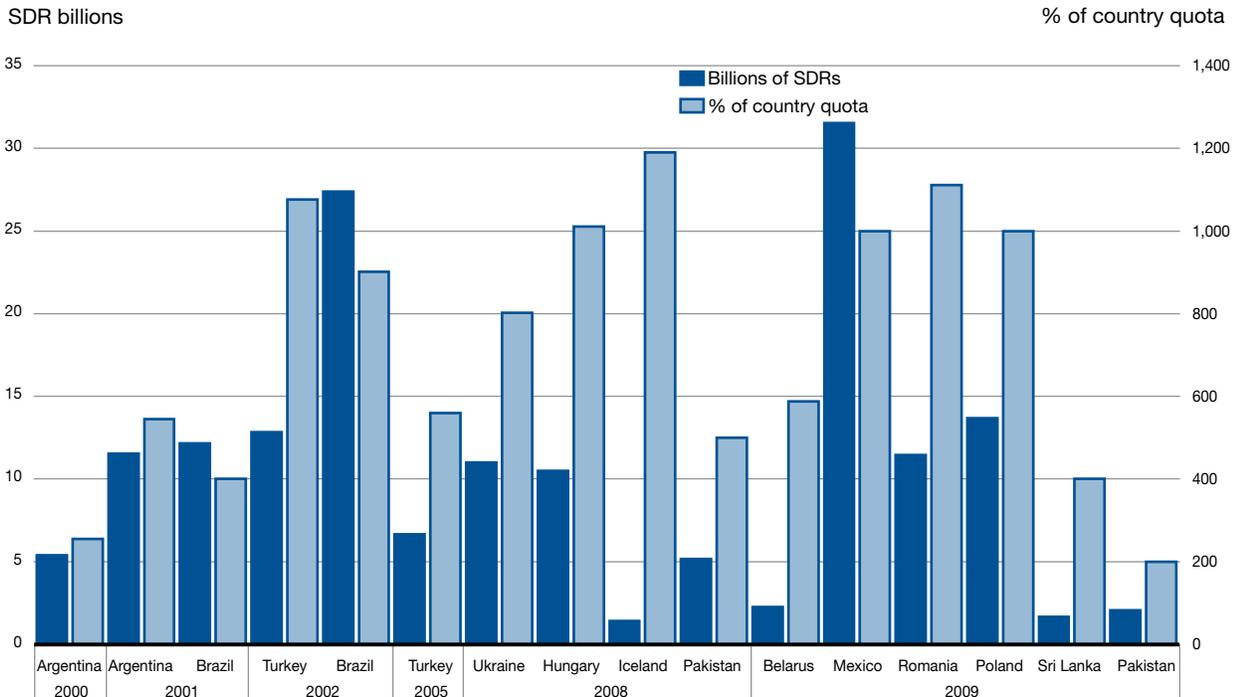
Table 7

Highlights of IMF Lending Activity, 2009

Lending Facility	Purpose	Total Amount	Countries Entering Arrangements
Stand-By Arrangement	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	SDR 23.3 billion	Angola, Armenia, Belarus, Bosnia and Herzegovina, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mongolia, Romania, Serbia and Sri Lanka.
Exogenous Shocks Facility	Short-term assistance to address a temporary balance of payments need arising from an exogenous shock (e.g. a spike in energy prices).	SDR 494.4 million	Ethiopia, Maldives, Mozambique and Tanzania.
Poverty Reduction and Growth Facility	Longer-term assistance for deep-seated balance of payments difficulties of a structural nature; aimed at sustained poverty-reducing growth.	SDR 830 million	Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Ghana, São Tomé and Príncipe, and Tajikistan.
Flexible Credit Line (FCL)	Provides large-scale, targeted and cautionary assistance to member countries with access to international capital markets.	SDR 52 billion	Mexico, Poland and Colombia became the first countries to receive new precautionary FCL arrangements. As of March 2010, no FCL has been drawn upon, and Mexico has concluded its arrangement.



Chart 11
Large Approved IMF Lending Amounts: 2000–2009



Note: These lending arrangements include total lending amounts made available, including cases where lending arrangements were extended beyond initial stand-by facility timelines. Also note that the amounts above show the total amounts of lending made available: not all of these funds were fully drawn upon. For instance, Poland and Mexico have yet to draw on their FCL arrangements.
Source: <http://www.imf.org/external/fin.htm>.

The World Bank’s Crisis Response and Reform Efforts

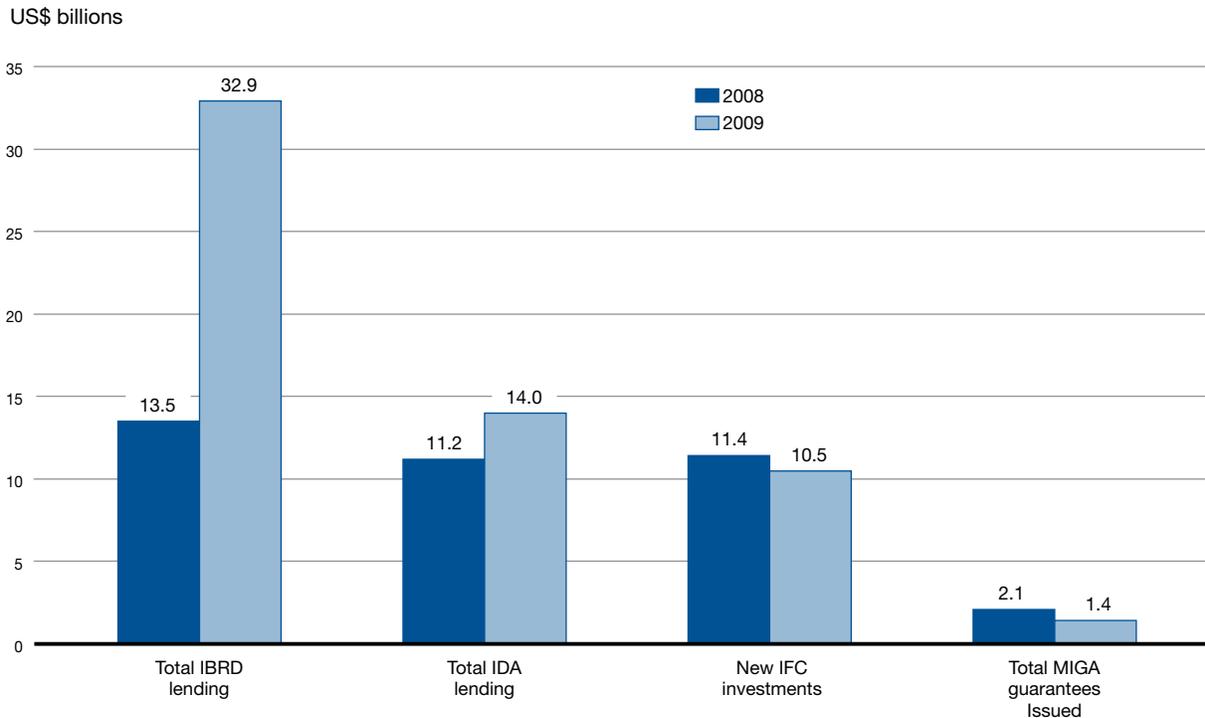
While the global economy is showing signs of recovery, poor countries are still suffering the consequences of the global recession. In 2009, poor countries were hit hard as private capital inflows, remittances, and income from tourism fell. As a result of these factors, the number of people living in poverty is projected to rise in 2010.

As at the IMF, the World Bank Group’s lending increased in 2009. It committed nearly US\$60 billion—an historic high for the World Bank Group and a 54-per-cent increase from 2008.

Highlights of World Bank Group lending, grant and investment activities in 2009 include (see Chart 2):

- US\$32.9 billion in lending by the IBRD to middle-income and creditworthy low-income countries.
- US\$14 billion in concessional financing to the world’s poorest countries by IDA.
- US\$10.5 billion in new financing by the IFC to promote private sector investment in developing countries.
- US\$1.4 billion in new guarantees by MIGA to promote foreign direct investment in developing countries through protection against loss from non-commercial risks.

Chart 12
World Bank Group Lending, Grant and Investment Activities, 2008 and 2009



Taken together, the credits, loans, grants and guarantees issued by the World Bank Group supported 767 projects in 2009.

In addition to ramping up its own lending activities, the World Bank Group played a leadership role in creating a number of specialized facilities to target specific crisis needs and to help catalyze additional donor resources.

This includes the creation of the Global Food Crisis Response Program, a Global Agriculture and Food Security Program, an Agriculture Finance Support Facility, a Rapid Social Response Program, an Infrastructure Recovery and Assets Platform, and an IDA Crisis Response Window. These initiatives provide relief from high food prices, income and food security improvements, access to basic social services and safety net programs, additional infrastructure funding, and extra resources to help vulnerable countries recover from the economic crisis.

The IFC also launched a new Global Trade Liquidity Program, Global Equity Fund, Infrastructure Crisis Facility and Microfinance Enhancement Facility to improve global trade, and provide financing to recapitalize important emerging market banks, viable infrastructure projects and microfinance institutions.

Donor Support for the International Financial Institutions’ Crisis Response

At their 2008 Summit in Washington, the G20 Leaders committed to ensure that the World Bank and other multilateral development banks had sufficient resources to continue playing their role in overcoming the crisis.



As part of this commitment, Canada provided financial support for the World Bank Group's crisis response measures, including by contributing US\$200 million to the IFC's Global Trade Liquidity Program. In addition, as part of its \$600-million G8 commitment on food security, Canada will fund the World Bank's Global Food Crisis Response Program and its new Global Agriculture and Food Security Program.

Canada supported a 200-per-cent general capital increase at the Asian Development Bank, contributing US\$5.3 billion. In addition, Canada implemented an innovative idea to strengthen the Inter-American Development Bank (IDB) with US\$4.0 billion and the African Development Bank (AfDB) with US\$2.6 billion of extra callable capital, on a temporary basis. These initiatives allowed the IDB and AfDB to increase their lending levels in 2010 by almost 70 per cent and 75 per cent, respectively, helping them address the challenges resulting from the global economic crisis in their member countries. These initiatives are a further demonstration of Canada's commitment to these institutions and to their development efforts in the Americas and Africa.

Canada's Participation in the Global Trade Liquidity Program: Supporting Trade in Developing Economies

The global financial crisis created an important gap in the supply of trade finance, which is vital to the approximate US\$10 trillion in annual global trade flows. Developing economies were particularly vulnerable to this shortage. The Global Trade Liquidity Program (GTLP) was created by the IFC to address this vulnerability by raising funds from international finance and development institutions, governments and banks, and working through global and regional banks to extend trade finance to importers and exporters. Through this arrangement, the award-winning facility is also enticing a return of private sector trade financing sources in developing economies. Canada was the first donor to participate in the GTLP, and its US\$200-million contribution is expected to support up to US\$2 billion in trade over the next three years. With the contributions of all donors, the facility is expected to support up to US\$45 billion in trade over the next three years.

Reform Efforts

Over the past year, the World Bank Group also continued to move forward on several important reforms including internal governance, decentralization, human resources, transparency and voice. Canada considers internal governance reforms to be an especially important element, as they involve streamlining administrative processes for more timely project approvals and will allow the Executive Board to focus on strategic, rather than operational, issues.

While there has been sound progress, the Bank's reform efforts are still far from complete, and 2010 will provide a unique opportunity to take a big step forward, as shareholders will be aiming to reach final agreements on four interrelated issues by the 2010 Spring Meetings: voice reforms; the Bank's request for more capital; the World Bank Group's post-crisis directions; and other important institutional reforms. The IDA16 replenishment discussions beginning in early 2010 will provide an opportunity to pursue additional reforms, including improvements in the Bank's support for fragile states, gender and global public goods, as well as climate change.

The section "2009 Report on Canada's Commitments at the Bretton Woods Institutions" details Canada's efforts to advance work in these areas.



Canada's IMF and World Bank Voting Record and Outreach in 2009

Canada's Voting Record in 2009 at the IMF

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 affects policy proposals before they are brought to the Board (through informal discussion with staff and management) and works collaboratively with other members of the Executive Board before or during the course of Board deliberations. In 2009, the Executive Director representing Canada, Ireland and the Caribbean did not abstain from or oppose any items voted upon by the Executive Board. The Board of Governors took several resolutions in 2009. The positions taken by Canada's Governor are described below.

Voting Record of the Canadian Governor in 2009

- Canada supported the proposal to create US\$250 billion in new Special Drawing Rights, injecting liquidity into emerging market and developing economies' central banks to help cope with the effects of the financial crisis.
- Canada supported Kosovo's application to join the IMF.
- Canada supported the proposal to hold Annual Meetings of the IMF and World Bank in Washington in 2010 and 2011 and in Egypt in 2012.
- Canada's Governor did not submit a vote on amendments to the statute guiding the operations of the IMF's Administrative Tribunal.

Canada's Voting Record in 2009 at the World Bank

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 2009, the Executive Director representing Canada supported all policies and projects approved by the Board, with one exception.

Voting Record of the Executive Director Representing Canada in 2009

(Only oppositions or abstentions listed)

- In February 2009, Canada's Executive Director at the World Bank abstained on the decision to finance an offshore oil project in Ghana through the IFC. While it was recognized that the investment had a significant potential development impact for Ghana, specific concerns such as the environmental classification of the project, the use of a single-hulled tanker instead of a double-hulled one for storage and transfer, as well as an exception to IFC guidelines concerning the oil content of cuttings disposed into the sea contributed to Canada's decision. Canada recommended that the IFC insist on better environmental performance before the corporation continued its involvement.



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 2009.

Voting Record of the Canadian Governor in 2009

- Canada supported the first phase of voice and participation reforms, which will provide developing countries with more voice in the Bank's decision-making processes.
- Canada supported the transfer of US\$55 million from the IBRD surplus to replenish the Trust Fund for Gaza and West Bank.
- Canada supported Kosovo's application to join the World Bank Group.
- Canada supported the proposal to hold Annual Meetings of the IMF and World Bank in Washington in 2010 and 2011 and in Egypt in 2012.
- Canada's Governor did not submit a vote on amendments to the statute guiding the operations of the World Bank's Administrative Tribunal.

Outreach in 2009

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 2009, 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, Results-Résultats Canada and the Canadian Forces College. Staff from the Executive Director's office also participated in seminars and events with various civil society guests, hosted by the IMF's External Relations Department.

In 2009, the World Bank Executive Director's Office met with representatives from Canadian and international civil society, including the Debt and Development Coalition of Ireland, Results-Résultats Canada, Oxfam International, ActionAid International, the Halifax Initiative, the Social Justice Committee of Montréal, Bridges Across Borders and the North-South Institute. Staff from the Executive Director's office also met with students from Queen's University, the University of Ottawa and McGill University.



2009 Report on Canada's Commitments at the Bretton Woods Institutions

Last year's report outlined the Government of Canada's 2009–2011 priorities for the IMF and the World Bank Group, which would guide the Government's engagement at these institutions. The priorities are grouped under three themes: 1) governance and accountability; 2) institutional effectiveness; and 3) sustainable poverty reduction and growth. Canada indicated specific short- and medium-term actions the Government would take to pursue these priorities.

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.



Assessment of Progress on the 2009 Priorities and Planned Actions

Overall, encouraging progress has been made in Canada's priority areas. For easy reference, this summary chart lists Canada's priority actions from the 2008 report and provides a colour-coded assessment of Canada's views on progress made at the Bretton Woods Institutions (BWIs). Full reporting on actions, results and remaining challenges is provided after this chart.

Colour code:  Good progress  Some progress  Little progress

1) Governance and Accountability

Priority 1.1 Governance Reforms: Enhance the legitimacy of the BWIs through a more representative governance structure.

Timeframe	Action Item	Progress
Short-Term 2009	Ratify the 2008 agreements on IMF quota and voice and World Bank Group voice and participation reforms and urge other members to do the same.	Good Progress
Medium-Term 2009–2011	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, we will also push the major emerging market economies to take on more responsibility in donor financing, including IDA.	Some Progress
Medium-Term 2009–2011	Work to promote corporate governance changes that increase IMF legitimacy, effectiveness and credibility.	Some Progress

Priority 1.2 Transparency: Build on past progress on institutional transparency.

Timeframe	Action Item	Progress
Short-Term 2009	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.	Good Progress

2) Institutional Effectiveness

Priority 2.1 IMF Surveillance and Crisis Prevention: Support reforms to give more “bite” to surveillance.

Timeframe	Action Item	Progress
Medium-Term 2009–2011	Continue to push all IMF members to undertake and publish the results of Financial Sector Assessment Program (FSAP) reviews. Encourage better integration of FSAP results into IMF Article IV reviews of member economies and call for mandatory publication of these reviews, enhancing the usefulness of those annual surveillance exercises.	Some Progress
Medium-Term 2009–2011	Support enhanced IMF-Financial Stability Forum collaboration on early warning systems for financial sector weaknesses and determining regulatory responses.	Some Progress



Medium-Term 2009–2011	Work to improve the integration of the IMF's analysis of financial system developments in the <i>Global Financial Stability Report</i> with the assessment of trends in the real economy provided by the <i>World Economic Outlook</i> . Support Fund work to make this analysis more applicable to policy making in member countries.	Some Progress
Priority 2.2 Aid Effectiveness: Get the most development impact from IMF and World Bank resources.		
Timeframe	Action Item	Progress
Short-Term 2009	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.	Good Progress
Medium-Term 2009–2011	Canada will 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, Canada will push the Group to make more of its program evaluations public in a timely fashion.	Some Progress
Medium-Term 2009–2011	Urge the Bank to use Poverty and Social Impact Analyses (PSIAs), as appropriate, for programs Canada jointly supports with the World Bank Group. We will also ensure that Bank management implements the recommendations from the current independent assessment of PSIAs.	Some Progress
Priority 2.3 Innovation for Private Sector Participation in Development: Continue to support new ways to promote private sector participation.		
Timeframe	Action Item	Progress
Medium-Term 2009–2011	Push for greater use of innovative tools to tackle global public goods (e.g. Advance Market Commitment, Caribbean Catastrophe Risk Insurance Facility [CCRIF]).	Good Progress
Medium-Term 2009–2011	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.	Good Progress
Priority 2.4 Resources and Lending Facilities: Ensure that the IMF and World Bank Group have adequate resources and appropriate instruments to fulfill their mandate.		
Timeframe	Action Item	Progress
Short-Term 2009	Engage at the IMF to ensure it has adequate lending resources through transparent, flexible and timely mechanisms.	Good Progress
Short-Term 2009	Support IMF efforts to modernize and rationalize its lending toolkit. Lead international efforts to develop a common view on the Fund's lending role in today's globalized economy.	Some Progress
Short-Term 2009	Work with G20 partners to ensure that the World Bank has sufficiently flexible resources and instruments to respond to the financial crisis.	Some Progress



3) Sustainable Poverty Reduction and Growth

Priority 3.1 Debt Sustainability: Avoid another lend-and-forgive cycle.

Timeframe	Action Item	Progress
Medium-Term 2009–2011	Press for the full compliance of all participants in the joint IMF-World Bank Debt Sustainability Framework.	Little Progress
Medium-Term 2009–2011	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.	Some Progress
Medium-Term 2009–2011	Promote increased levels of IDA grant financing to low-income countries to enable them to weather the current crisis without jeopardizing their debt sustainability.	Some Progress

Priority 3.2 Failed and Fragile States: Better tools to assist fragile states.

Medium-Term 2009–2011	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 prolonged inactivity.	Some Progress
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Priority 3.3 Gender: Mainstreaming gender considerations across operations.

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

Priority 3.4 Environment: Linking development and the environment in a manner that is consistent with BWI core mandates.

Timeframe	Action Item	Progress
Medium-Term 2009–2011	Canada will leverage its 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.	Good Progress



1) Governance and Accountability

The Government of Canada is committed to promoting good governance and accountability both at home and in its relations with 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 members. It is critical that the BWIs' governance structures represent their members and that their operations reflect the priorities agreed to by those members. Further, the BWIs 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 BWIs over the last few years has been to adopt a more representative governance structure in order to reflect a changing global economy.

2009 Action: Ratify the 2008 Agreement on IMF Quota and Voice Reform

 *Good progress*

In July 2009, Canada ratified amendments to the IMF Articles of Agreement to reflect the 2008 IMF quota and voice agreement, and has used venues such as the IMFC and the G20 to encourage other countries to do the same. As of December 31, 2009, 47 countries have ratified the amendments.

The 2008 agreement represented an initial step towards a deeper agreement that is still under negotiation. With the increased urgency to prevent future crises, there is a heightened global desire for a more effective and representative IMF. As a result, IMF member countries have agreed to an ambitious target of January 2011 to complete the next quota review agreement.

In preparation for the next quota review, Leaders agreed at the G20 Pittsburgh Summit in September 2009 to a shift IMF quota share to dynamic emerging markets and developing countries of at least 5 per cent from over-represented countries to under-represented countries using the current quota formula as the basis. This quota shift is a priority for Canada, and we will push for an accelerated agreement in time for the October 2010 IMF Annual Meetings and November 2010 G20 Summit. Throughout 2010, Canada will be active in supporting voice reforms at both BWIs, including negotiations for a new, lasting IMF quota agreement.

Going Forward

New

Short-Term Action: Support negotiations for a new, lasting quota agreement to boost IMF legitimacy by increasing the voice of under-represented emerging markets and developing country members.

Timeline: 2010



2009 Action: Ratify the 2008 World Bank Voice Reforms

Good progress

In January 2009, the World Bank's Board of Governors voted to approve the fall 2008 agreement for the first phase of the Bank's voice reforms, and this included a positive vote submitted by Canada's Governor. This cleared the way for part of the agreement to be implemented, including an additional seat for Sub-Saharan Africa on the Executive Board. However, another part of the agreement related to increasing the voice of low-income countries through additional voting power and required an amendment to the World Bank's founding Articles of Agreement. This necessitated formal ratification by member countries' parliaments. Canada took the steps required for this ratification, and in February 2010 Canada officially ratified the agreement.

2009 Action: Reaching a Final Agreement on World Bank Voice Reforms

Some progress

Phase II voice reforms, furthering and extending the 2008 reforms, have been challenging. Significant disagreements remain unresolved and a concerted effort will be required to reach resolution by April 2010.

Canada has been working to advance these discussions. This includes playing an active role in promoting an agreement at the G20 Leaders Summit in Pittsburgh, and at the October 2009 Development Committee meeting, to move "towards equitable voting power in the World Bank over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates in the next shareholding review a significant increase of at least 3 per cent of voting power for developing and transition countries, in addition to the 1.46 per cent increase under the first phase of this important adjustment, to the benefit of under-represented countries. While recognising that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries." We view this as a significant step forward in moving towards a final voice reform agreement in 2010.

We intend to continue participating as a constructive partner in these discussions as shareholders move towards a final agreement by spring 2010. We will advocate for the final agreement to include two features in particular: 1) protection for both the smallest and poorest countries to ensure that they do not see their voting power diminished; and 2) inclusion of a measure of IDA contributions that provides incentives for donors, including emerging donors, to provide support for the institution.

In addition, Canada's Executive Director at the World Bank currently chairs the Committee on Governance and Executive Directors' Administrative Matters, which leads the voice reforms process within the Bank. As such, Canada has played a lead role in forging consensus, advancing the voice discussions and will be key to any eventual agreement.



Going Forward

New

Short-Term Action: Work towards a final agreement on World Bank voice reforms in 2010, including protection for both the smallest and poorest countries, and building in incentives for donors, including emerging donors, to support IDA.

Timeline: 2010

Altogether, the ongoing voice reforms at both the IMF and World Bank are important in enhancing the legitimacy of these institutions. As such, these reforms will be a Canadian priority going forward.

Going Forward

New

Priority—Voice Reforms: In 2010, enhancing the legitimacy of the BWIs through meaningful voice reforms will be a priority for Canada.

2009–2011 Action: Promoting IMF Corporate Governance Changes

Some progress

While the IMF membership is focused on increasing legitimacy through quota reforms, the Fund must also ensure that its institutional governance framework supports effective engagement with member governments to meet global economic challenges. The Fund must be able to make decisions quickly and transparently, member governments must be ready to act to address threats identified by credible Fund surveillance, and IMF management and staff must be more accountable for the quality of their work. In the 2008 report, Canada noted its intention 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.

Debate on IMF corporate governance reforms intensified in 2009, with the March publication of a report by the Committee on IMF Governance Reform, chaired by Trevor Manuel, former Minister of Finance for South Africa. At subsequent IMFC, G20 and IMF Executive Board meetings, Canada reiterated the importance of pushing ahead on corporate governance reforms, with some success. The Minister of Finance argued strongly that the Fund needs greater input from Governors, Executive Directors that focus more on strategic issues and less on day-to-day operations, and a Managing Director who is selected on merit—regardless of nationality—and who operates under an appropriate accountability framework. In 2009, thanks to pressure from Canada and like-minded countries, the G20 called for all international financial institution (IFI) heads to be selected through open, transparent and merit-based processes. At the Annual Meetings in Istanbul, the IMFC committed to adopt such a process for IMF management at the 2010 Spring Meetings in April 2010. Canada will actively push for this to come to fruition not only at the IMF this year, but at all IFIs, with a view to ending the long-standing tradition of reserving certain IFI leadership positions for nationals of select countries or regions.



Examining IMF Reform

1. Committee on IMF Governance Reform (Manuel Committee)

In September 2008, Dominique Strauss-Kahn, Managing Director of the IMF, appointed former South African Minister of Finance Trevor Manuel to chair a committee of eminent persons to discuss and provide recommendations on IMF governance reforms. Mr. Strauss-Kahn tasked the committee with determining what changes to the Fund's institutional framework would enhance its capacity to respond to its membership's needs.

The committee found that the relationship between the IMF and its members no longer appropriately reflects the distribution of economic activity in the world economy. It also found that IMF effectiveness requires a governance structure that is adaptable and gives members who use IMF lending and capacity-building services a meaningful voice in decision-making.

The committee recommended several specific actions to improve the Fund's governance. These included: realigning quota shares between members; activating a ministerial council that would make strategic decisions for the Fund; increasing the responsibility and accountability of senior management; setting a strategic focus for the Board; and ensuring an open and transparent selection of the Managing Director. In Canada's view, many of the committee's recommendations represent principled proposals for IMF corporate governance, while others do not adequately increase the IMF's legitimacy, credibility and effectiveness. We expect these recommendations to form the basis of further analysis and IMF and G20 deliberations over the short to medium term. The committee's report can be found at: <http://www.imf.org/external/np/omd/2009/govref/032409.pdf>.

2. G20 Working Group on IMF Quota and Governance Reforms

G20 countries have assembled a working group to build consensus around quota and governance reforms underway within the IMF. South Africa and Australia are co-chairing the group.

The working group intends to reach agreement in several specific areas, as directed by G20 leaders. The group must determine a "G20 view" on an acceptable redistribution of quota share from over-represented countries to emerging market and developing countries by at least 5 per cent, while protecting the voting share of the poorest member countries of the IMF. Parallel to this rebalancing, the working group will also advise on an appropriate increase to IMF quotas. Regarding corporate governance, the working group will discuss the size and composition of the IMF's Executive Board, as well as ways to enhance the Board's effectiveness. Finally, working group members will propose new open, transparent and merit-based processes to appoint heads and senior leadership of IFIs.

The working group expects to gain G20 Leaders' agreement for its proposals in November 2010, with the goal of broader IMF member agreement by January 2011.



Further, in December 2009, the IMF Executive Board reviewed the Fund’s transparency policy and supported several proposals to enhance transparency at the IMF. As part of these proposals, the Board endorsed a new overarching transparency principle stating, “the Fund will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure.” Canada supported the new transparency proposals and will continue to push for increased transparency at the Fund.¹³

Progress on other corporate governance reforms, however, has been delayed by the massive IMF effort exerted on dealing with the global financial and economic crisis, as well as the desire of many members to settle the issue of quotas before delving into other reform debates. Canada remains of the view that an updated quota and voting structure aimed at increasing legitimacy should be complemented by corporate governance reforms to make the Fund more effective and credible. Therefore, we will push in 2010 at the G20 and at the IMF Board to make concrete progress on Board effectiveness, ministerial engagement, management selection and operational accountability.

Going Forward

New

Medium-Term Action: Promote IMF corporate governance changes to bolster ministerial oversight, increase the Executive Board’s strategic role and introduce a more robust independence-accountability framework for senior management who are hired on merit.

Timeline: 2010–2012

New 2009–2011 Action: World Bank Institutional Reforms

As we consider the World Bank’s requests for capital and replenishment resources, we will also want to see that the Bank has a comprehensive reform agenda. We want to make sure that this is not just a bigger bank, but a better bank as well.

The Bank has put tremendous effort into initiating a number of reforms, including those in the areas of internal governance, decentralization and human resources. These reforms have the potential to be transformative and we commend the Bank’s leadership on this. Going forward, we would like to see a clear results framework for this reform agenda, with measurable targets, and a regular performance review by the Board to ensure accountability.

We also think it would be useful to have a focal point to consolidate budget and operational authority within Bank management to align expenditure with strategic priorities, including the reform agenda, and drive operational adjustments for cost savings where there is scope.

In addition, we want to be sure that the Bank has a sound business model, in which revenues and costs line up sustainably. This includes loan pricing that covers administrative costs. This is a critical part of putting the Bank on sound financial footing to meet future challenges and goals.

¹³ For more information on the Executive Board’s review, see <http://www.imf.org/external/np/sec/pn/2010/pn1004.htm>.



Finally, as chair of the Committee on Governance and Executive Directors' Administrative Matters (COGAM), Canada's Executive Director has played a leading role in proposing, considering and gaining agreement on numerous reforms. While significant work on internal governance reform remains, many important reforms have already been implemented, particularly reforms aimed at improving Board-Management engagement and the Board's effectiveness and efficiency. COGAM will now increasingly focus on the ambitious broader institutional reforms noted above.

Going Forward

New

Medium-Term Action: Press for a World Bank Group corporate strategy that incorporates benchmarks to track progress and review performance on its reform agenda. Push for a focal point under the President, responsible for bringing together all operational and budgetary aspects of the reform agenda, and ensuring a sound and sustainable business model.

Timeline: 2010–2012

Canada Provides Leadership on Improving Governance and Strengthening Accountability and Institutional Effectiveness

The Committee on Governance and Executive Directors' Administrative Matters (COGAM) is one of the Board's five standing committees. Its role is to assist the Board on issues related to the governance of the institutions of the World Bank Group, the Boards' own effectiveness, and the administrative policy applicable to Executive Directors' offices. On August 21, 2009 Mr. Samy Watson, the Executive Director for Canada, Ireland and the Caribbean, was selected as Chair of COGAM.

In March 2009, Mr. Watson led consultations with Executive Directors to strengthen internal governance at the World Bank Group. The report, entitled *Review of Internal Governance: Conclusions and Proposals*, was considered and endorsed by the Development Committee at the Spring Meetings in April 2009. Many of these recommendations have been introduced or are being advanced at both the Board and operational levels. COGAM's work program since September has facilitated the discussion and development of proposals and policy enhancements based on the report. In February 2010, COGAM reviewed and reported progress in a paper entitled *Review of Internal Governance: Update*. The committee, under Mr. Watson's leadership, will continue to address reforms of the Bank's internal governance going forward. Some of the elements of COGAM's ambitious work program are outlined below.

Voice and Participation

Since September 2009, COGAM has met both formally and informally to discuss the topic of enhancing voice and participation for the IBRD and IFC, with all Executive Directors being invited to participate on an equal basis. The Chairman arranged the informal meetings in advance of COGAM as a means of clarifying and addressing contentious issues and facilitating progress. In this complex area, which has a myriad of stakeholder concerns, COGAM continues to facilitate progress by highlighting members' positions and bringing forward a range of options for consideration by both the Development Committee Governors and Deputies.



Canada Provides Leadership on Improving Governance and Strengthening Accountability and Institutional Effectiveness *(cont'd)*

Board Effectiveness

Enhancing Board effectiveness focuses on improving systems, structures, documentation, Board agenda and practices. Proposals for strengthening agenda setting have been endorsed by COGAM and agreed by the Board. This will facilitate a greater strategic oversight role by clustering sectors and regions to enhance discussion and comparison, identify trends and provide performance monitoring data. A revised policy paper template was also endorsed, and successful implementation will ensure that policy papers will be consistent across the Bank both in terms of structure and format.

Board Oversight

COGAM also considered a proposal for early conditional approval of low-risk operations. This will facilitate a small but significant shift from project approval to Board oversight. COGAM also agreed to a proposal to introduce a quarterly Financial and Operational Outcomes Flash Report. Its purpose is to produce a more timely, focused and consistent view of the key financial indicators of the Bank on a quarterly basis. Finally, COGAM considered and made recommendations on proposals to advance work on the review of the oversight agencies, on delegation of authority and on waivers.

Access to Information

Mr. Watson also moderated at an event on International Right to Know Day on September 28, 2009. The focus of discussion was on the World Bank's disclosure policy and featured presentations from the Global Transparency Initiative and from the World Bank Group. On November 17, 2009, the Board approved the Access to Information Policy.

As the IMF and World Bank continue to refine their mandates, necessary resources and governance structures, Canada will emphasize that any institutional reforms should result in legitimacy, credibility and accountability.

Going Forward

New

Priority—Institutional Reforms:

Building on our previous reform efforts at the Bretton Woods Institutions, we will continue to push the IMF and World Bank to increase their legitimacy, credibility and accountability.



Priority 1.2: Transparency

Governance and operational transparency are a basic tenet of effective institutions, and we are pleased that the World Bank continues to take steps to become an increasingly transparent institution.

2009 Action: Greater Transparency at the World Bank Group

 *Good progress*

In November 2009, the Executive Board approved the Bank's new Access to Information Policy, which achieves the desired move from a list of information that the Bank would disclose, to a policy under which the Bank will disclose any information in its possession that is not on a list of exceptions. We see this as an important paradigm shift in how the Bank approaches access to information and a model for other multilateral institutions. We look forward to the implementation of this policy in July 2010.

2) Institutional Effectiveness

A second major Canadian objective is to ensure that the BWIs carry out their mandates effectively. This means focusing services on BWI core competencies, responding to member country demands, coordinating with other international partners, and exploring innovative ways to reach the BWIs' goals.

Priority 2.1: IMF Surveillance and Crisis Prevention

Canada has an ongoing interest in effective IMF surveillance of members' economic and financial policies that reduces the risk of global economic, financial and monetary instability. Despite recent improvements in surveillance, there is still much to accomplish on the effectiveness and willingness of IMF members to heed Fund advice, publish all surveillance reports, and cooperate to identify solutions to common economic and financial threats. Canada is thus concentrating on initiatives to promote member engagement, as well as providing advice to the IMF through the Executive Board on more technical issues that affect the accuracy and appropriate scope of IMF surveillance.

2009–2011 Action: Creating Stronger Surveillance

 *Some progress*

In 2008, Canada committed to several actions that aimed to enhance the effectiveness of surveillance. These included supporting an improvement and expansion of Financial Sector Assessment Program (FSAP) reviews, enhanced IMF-Financial Stability Board collaboration, and better integration of IMF analysis across the Fund's financial and economic reports. Each of these achieved some progress in 2009, and due to their overlapping nature, reporting is combined below.

To encourage greater transparency regarding financial sector vulnerabilities, Canada has been working hard to increase member participation in the joint IMF-World Bank 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. In 2008–2009, Canada championed mandating public FSAPs within the G20 and ensured that G20 members each committed in the November 2008 Washington Declaration to undertake an FSAP review. In last year's report, we committed to continue to push other members to undertake and publish the results of FSAP reviews, as well as to encourage better integration of FSAP results into IMF Article IV reviews of member economies to enhance the usefulness of those annual surveillance exercises. The Minister of Finance repeated this message in the G20 and at the IMFC.



While some key IMF members have shown an increased receptiveness to FSAP participation and publication, other members remain to be convinced of the merits of a more transparent and independent IMF. Canada will continue to push for greater commitment to FSAP participation, especially for systemically important national financial sectors.

IMF collaboration with the Financial Stability Board (FSB), a group of leading national financial sector regulators and policy makers, has gained prominence since the 2008–2009 crisis. As both an FSB and IMF member, Canada supported broadening the FSB membership in 2009 to include key emerging market economies, as well as enhancing IMF-Financial Stability Forum collaboration to create “early warning” systems to identify national and international financial sector and real economy threats, and then determine appropriate regulatory responses. A concrete output in 2009 was the initiation of a new Early Warning Exercise (EWE) at the semi-annual IMFC meetings, where IMFC members (IMF Governors) are briefed in a confidential session on the key risks in financial sectors and national and regional economies. Canada hopes that going forward, this session will provide a frank reality check for key policy makers, helping to solidify their resolve for action if and when needed. As well, we will promote the use of EWE findings in informing the focus of Fund surveillance reviews and special reports.

The relative performance and strong regulation of Canada’s financial sector became more apparent to the world during the recent crisis and has given us more clout in multilateral efforts to counter future crises through better regulation, international cooperation and surveillance. Canada was a lead player in the G20 and FSB in 2009 and will provide leadership in 2010, including through our hosting of the G20 Summit in June. We will continue to push in both fora for an effective division of labour and surveillance cooperation as the FSB continues to build its resources over the medium term. It will be important for the IMF to better define its role in financial sector systemic stability oversight, to balance the more microprudential/regulatory focus of the FSB.

As mentioned, however, member commitment to the goal of strengthened IMF surveillance is not universal, and the IMF is still revising the focus of its FSAP reviews and macrofinancial surveillance to prevent the emergence of new stability threats. This work will be ongoing, and the Government of Canada and our representative at the IMF Executive Board will seek to provide guidance and deliver our messages of support for more effective and transparent surveillance when opportunities arise.

Going Forward

New

Medium-Term Action: Encourage IMF members to increase surveillance engagement and transparency, and the Fund to improve its ability to identify, communicate and spur member responses to stability threats.

Timeline: 2010–2012



Priority 2.2: Aid Effectiveness

Getting the best development outcomes from our aid spending is a priority for Canada. To this end, the Government of Canada has set out an ambitious agenda to improve the cost effectiveness, focus and results of our aid programs, including our multilateral support.

2009 Action: World Bank Decentralization of Authority and Personnel

 *Good progress*

The World Bank has increased its field presence to respond better to clients and integrate better global and country knowledge. In 2009, the World Bank had 37 per cent of its staff in country offices, and the World Bank is now looking at a more flexible and global model to pursue greater decentralization. Canada welcomes the World Bank's efforts towards greater decentralization of authority and personnel as these efforts are producing benefits for both the entire Group and its clients. Going forward we would like to see the Bank improve and ensure an effective presence in fragile states.

Canada is satisfied with the IFC's flexible and prudent decentralization policy with the goal of increasing development results by having greater contact with clients on the ground. In 2009, the IFC had more than 54 per cent of its staff in the field. We are particularly pleased with the IFC's significantly increased field presence in the Caribbean, a region traditionally considered under-served by the IFC. We now consider the Caribbean, as a region, to be well served by the IFC. This is an important development as the region responds to the economic crisis and the downturn in tourist revenues.

The IFC is to be commended for enhancing its presence in IDA countries and fragile states as such decentralization increases opportunities to respond proactively to client needs and is critical for countries that require support to mitigate the impact of global economic changes. IFC efforts have also demonstrated a strong link between increased field presence and growth in their business volumes and diversification of their investment portfolio.

2009–2011 Action: Increase World Bank Use of Randomized Impact Evaluations

 *Some progress*

In 2009, Canada urged the World Bank to increase the use of randomized impact evaluations— specifically raising this issue at the IDA15 mid-term review in November. Randomized impact evaluations are the most rigorous form of evaluation and while not applicable to all situations, they should form a larger part of the toolkit to determine effective interventions and improve aid effectiveness.

The Independent Evaluation Group (IEG) is an independent unit within the World Bank that reports directly to the Bank's Board of Executive Directors and uses randomized impact evaluations. Its findings and recommendations are based on its independent evaluations of strategies, projects, programs and corporate activities of the World Bank Group. The Bank could benefit from improving the ease with which these evaluations are accessed, as well as setting clear goals in terms of the frequency of and the budget for these evaluations. Canada will use IDA16 negotiations to push for benchmarks on the number of and the budget for these evaluations.



Going Forward

New

Medium-Term Action: Encourage the World Bank Group to increase the use of randomized impact evaluations, as appropriate, to affect policy decisions.

Timeline: 2010–2012

New 2010–2012 Action: Managing and Tracking Development Results

In our view, the World Bank has leveraged the collective body of work from its own research unit, the IEG, and best practices from other multilateral and bilateral development partners, to design the right instruments and processes to improve the ability of the World Bank to manage and track development results. This is a significant achievement considering the scope and complexity of the delivery model and the rapidly evolving operating environment.

Canada welcomes the continued improvement of the IDA results management system. This system tracks the improvement in outcomes in IDA countries and the effectiveness of the World Bank initiatives in producing these outcomes. Several significant actions have been taken since its inception to strengthen and improve the system, such as introducing standardized core sector indicators and improving the quality of results frameworks.

It is also important that the IFC, as a development institution, be measured not only by its economic and financial results, but by its development results as well. While the IFC has made significant progress recently in this regard, our Executive Director's office intends to remain firmly engaged in ensuring that the IFC remains committed to achieving development results, at both the individual project and institutional levels, and has the tools and systems to measure such results.

As this year will mark a decade since the World Summit on Sustainable Development established the Millennium Development Goals and their respective targets, we anticipate that the World Bank will be asked to focus more on outcomes, where challenges and opportunities for improvement exist. In its latest *Annual Review of Development Effectiveness*, the IEG observed that “in many projects information is not sufficiently rigorous or comprehensive to provide stakeholders a picture of what really changed as a result of the project.” The IEG also noted that the IDA results management system “still faces significant challenges to fuller implementation” and its systematic use is not a reality.

Going Forward

New

Medium-Term Action: Push the World Bank Group to strengthen its capacity to manage and track development results.

Timeline: 2010–2012



2009–2011 Action: Poverty and Social Impact Analyses (PSIAs)

Some progress

The Bank has created a PSIA Trust Fund to increase the application of PSIAs throughout the Bank. We are hopeful that this will have a positive impact on both the number of PSIAs undertaken and incorporation of their findings into Bank programs and operations. The IEG conducted the first independent evaluation of the World Bank PSIA work in June 2009. The evaluation concluded that, while some PSIAs have been highly effective, the overall approach has had limitations, such as the inconsistent integration of PSIA information in policy and program prescriptions.

Canada considers the Bank Management’s agreement with these IEG recommendations a step forward in the enhanced integration of this analysis. Canada will continue to monitor the implementation of the recommendations agreed to by the Bank and will encourage the Bank to use PSIAs in programs and projects that are funded by Canada.

New 2010–2012 Action: Maternal and Child Health

Of all the Millennium Development Goals (MDGs), the least progress has been made on MDG 5—maternal health, as each year 500,000 women die from causes related to pregnancy or childbirth. In addition, MDG 4 targeting child health is not on track, as each year 9 million children die before their fifth birthday. This unacceptable situation is why Canada has made maternal and child health in the world’s poorest regions the top priority for our G8 Summit in June.

The essential package of interventions needed to improve child and maternal health is known and is not expensive. The cost of training health workers, vaccinations, better nutrition and clean water is within reach of the international community. It is also known that the effective delivery of these basic, inexpensive and effective health and nutrition services is dependent on the strength of health systems in each country. In addition to championing a major initiative to improve the health of women and children in the world’s poorest regions at this year’s G8 Summit, Canada will press the World Bank to increase its focus on strengthening health systems—a comparative advantage for the Bank. Strong health systems will form the foundation that allows progress on maternal and child health indicators and we will push to make this a focus for the upcoming IDA16 replenishment discussions.

Going Forward

New

Medium-Term Action:

Press the World Bank to improve health system investments, which will be foundational for improvements in maternal and child health.

Timeline:

2010–2012



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. We believe this is particularly important as the Bank explores its role in providing global public goods. The magnitude of the financial and technical challenges that many of these issues present is beyond the scope of what governments can provide on their own. We cannot expect to succeed unless this challenge is also taken up in the marketplace.

2009–2011 Action: Innovative Tools to Tackle Global Public Goods

Good progress

The Bank has responded proactively to demands that it engage on global public goods by launching the new Climate Investment Funds and a Global Trade Liquidity Program. The Bank also focused its 2008 *World Development Report* on agriculture, and responded on the food security front with innovations such as the Global Food Crisis Response Program and the Global Agriculture and Food Security Program.

In addition, the Advance Market Commitment (AMC) for pneumococcal disease reached a major milestone in October 2009 when four manufacturers submitted offers to supply vaccines under the AMC structure. 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. Under an AMC, donors provide incentives for vaccine makers to accelerate their efforts by putting money aside with a promise to supplement the purchase price of vaccines if they are developed and meet specified efficacy and safety standards.

Industry's participation provides initial proof of the power of the AMC concept, and was a significant step towards realizing the goals of the AMC. The supply offers are now under evaluation to ensure that they offer developing countries the best results in terms of longer-term supply.

Canada was the first country to announce a financial contribution to the pneumococcal AMC and is now the third largest donor, contributing US\$200 million to the US\$1.5-billion initiative. In addition to Canada, the other donors to the pneumococcal AMC include Italy, the United Kingdom, Norway, Russia and the Bill & Melinda Gates Foundation.

Canada has proactively encouraged the application of the pilot AMC to other global health areas, and with other like-minded partners has called on the World Bank and the Global Alliance for Vaccines and Immunization to reconvene an independent committee of experts to consider options for a potential second global health AMC.

Going forward, Canada will continue to collaborate with other donors and World Bank staff to explore opportunities to apply the AMC concept to areas including global health, agriculture and financial services.

Going Forward

New

Medium-Term Action: Push for greater and more effective use of innovative tools to tackle global public goods (e.g. AMC and catastrophic risk insurance facilities).

Timeline: 2010–2012



2009–2011 Action: Improve the Caribbean Catastrophe Risk Insurance Facility (CCRIF)

Good progress

Good progress was made on expanding the Bank's insurance facilities to areas such as heavy rainfall and agriculture. On February 24, 2010, the CCRIF and the Caribbean Institute for Meteorology and Hydrology launched the Regional Rainfall Model, enabling the provision of excess rainfall insurance policies for Caribbean countries. Also, in December 2009, the IFC launched the Global Index Insurance Facility, an innovative program that expands developing countries' access to insurance for natural disaster and weather risks. Going forward, Canada will continue to look at ways to support the development and implementation of these and other innovative insurance products.

Caribbean Catastrophe Risk Insurance Facility (CCRIF)

Haiti Earthquake

Canada provided US\$1.29 million in financing to contribute to Haiti's 2009-2010 CCRIF premium. The CCRIF's timely payment to Haiti in early 2010 further demonstrated the Facility's value and efficiency; the Haitian government received a US\$7.75-million payout from the CCRIF within 14 days of the January 12, 2010 earthquake.

CCRIF Background

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 early 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. Canada remains the top donor to date.

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.



Priority 2.4: Resources and Lending Facilities

The negative effects of the economic crisis are threatening hard-won development gains. A Canadian priority is to ensure that the IMF and the World Bank Group have adequate resources and appropriate instruments to fulfill their lending mandates and respond to crises, as per our G20 commitment.

2009 Action: Ensuring Sufficient and Flexible Resources at the World Bank

Some progress

In 2009, the World Bank was very responsive to the global financial crisis, showing leadership in setting up a number of crisis facilities to encourage additional donor resources to help developing countries. Canada participated in these efforts, and was the first donor to participate in the IFC's Global Trade Liquidity Program, with a US\$200-million contribution. This program was designed to support trade in developing markets and address the shortage of trade finance resulting from the global financial crisis. In addition, the Prime Minister announced at the 2009 G8 Summit that Canada would provide a three-year \$600-million agriculture package—a doubling of our existing spending in this area. A portion of these resources will be channelled to the World Bank for the new Global Agriculture and Food Security Program, as well as to assist with immediate food security concerns through the Global Food Crisis Response Program.

These efforts complement an innovative Canadian initiative to bolster the Inter-American Development Bank and the African Development Bank with extra callable capital on a temporary basis. This ensured that these institutions could sustain their lending to developing countries through the crisis and recovery periods. This temporary callable capital gave the Inter-American Development Bank and the African Development Bank US\$4 billion and US\$2.6 billion in additional lending space, respectively.

However, additional donor resources to help developing countries, especially low-income countries, recover from the crisis have been slow to materialize. Therefore, although the Bank has been very proactive in addressing the crisis, lacklustre donor performance regarding low-income countries necessitates a ranking of “some progress” for this action item. For this reason, Canada supported the creation of a temporary IDA Crisis Response Window, approved by IDA donors and the Executive Board in December 2009, to provide US\$1.3 billion in additional resources to help low-income countries recover over the next year.

Looking ahead, one priority for Canada in 2010 will be to work with other shareholders to complete a review of the IBRD's capital needs. We were pleased that the IBRD was able to provide a rigorous response to the crisis and dramatically increase lending activity, and we recognize that this has now put pressure on its resources. However, as a capital increase would involve a direct budgetary impact for shareholders, the size and cost will have to be well justified before a decision is made. Canada hopes that the next cycle of discussions for the replenishment of IDA resources, due to start in the first half of 2010, will be accelerated to allow for early agreement on this financing for low-income countries. We will want decisions on capital and replenishment resources to be linked to a sound reform agenda at the Bank.



Going Forward

New

Short-Term Action: Complete the review of the Bank's financial capacity, including capital needs, and seek early conclusion of the IDA16 replenishment.

Timeline: 2010

The Global Agriculture and Food Security Program (GAFSP)

The World Bank established the GAFSP in response to calls, in 2009, from the G8 in L'Aquila and the G20 in Pittsburgh to develop a multilateral trust fund to scale up sustainable agricultural and food security assistance to low-income countries. The primary objective of the GAFSP is to improve the income and food security of poor people in developing countries by filling existing financing gaps in ongoing country and regional programs through more and better public and private sector investment in agriculture and rural sectors.

The GAFSP aims to achieve this objective by ensuring country ownership, reinforcing existing efforts, such as the Comprehensive Africa Agriculture Development Programme ensuring rapid disbursement of funds and facilitating participation by the private sector and non-governmental organizations. The GAFSP adds value by strengthening public-private sector links, providing additional and rapidly available resources for sustainable agricultural development, and ensuring country ownership by linking funding to developing countries' identified priorities and strategies.

Canada views the GAFSP as an excellent example of donors taking a collective step towards meeting the L'Aquila commitment. The GAFSP is being funded with new resources, is focused on food security and sustainable agricultural development, and most importantly, is explicitly linked to regional and country identified priorities and strategies. We see the GAFSP as an effective means to improve food security through sustainable agricultural development, and Canada plans to be among the first contributors to the program.



2009 Action: Ensuring Adequate and Flexible Resources at the IMF

Good progress

As the financial and economic crisis deepened and progressed, the IMF sought novel measures to actively respond to and mitigate the effects of the crisis. The Fund received substantial support from G20 Leaders who backed new resource allocations for IMF use. Canada was a leading partner in this G20 support.

Among the increased lending resources for the IMF was over US\$250 billion in bilateral financing from G20 members. In July 2009, Canada was among the first to announce that it reached a (US\$10-billion) borrowing agreement with the IMF to provide the Fund with temporary resources for member countries that require balance of payments assistance during the economic crisis. These resources are offered in addition to our roughly US\$10-billion permanent quota commitment. Canada worked with other IMF members throughout 2009 to bring these new lending arrangements into an expanded and more flexible New Arrangements to Borrow (NAB), which provides a multilateral set of rules for the activation and use of bilateral loans over and above the quota commitments of select creditor countries. The NAB reforms are expected to be finalized in the first half of 2010.

To address global liquidity concerns, the IMF also gained member support (led by the G20) for an allocation of SDR 160 billion to its member countries. These SDRs are held at the IMF and can be traded in for the hard currency of other members if one member country's central bank needs additional foreign exchange liquidity during a crisis. As the allocation was done in relation to countries' quota shares in the Fund, more than a third of the allocation went to emerging market and developing country members. Canada supported the SDR allocation as a stability-enhancing measure during a time of constrained global foreign exchange liquidity, a fundamental role of the SDR.

Finally, the G20 endorsed doubling the IMF's concessional lending capacity for low-income countries, and doubling access limits for each loan under the Poverty Reduction and Growth Trust (PRGT). Canada backed these changes in order to ensure adequate resources were available to low-income countries hit particularly hard by the global economic crisis. We also led the way in providing the resources to make this happen by negotiating an additional loan commitment of \$800 million to the IMF's PRGT to be used for lending to low-income countries. Along with these resource increases, the IMF reformed its concessional lending toolkit, as explained above in "An Introduction to the International Monetary Fund."

Going forward, the final piece of the resources workplan will be to determine an appropriate increase in IMF quotas at the quota reform discussions in 2010, which are aimed at bolstering the voice of under-represented emerging market economies and developing countries, and thus enhancing IMF legitimacy. Although IMF quotas relative to the size of the global economy are below the historical average, a quota increase must be consistent with the lending role the membership wants the IMF to take. Over the coming year, Canada will advocate for a quota increase that would appropriately reflect this and would enable the Fund to respond to the needs of members in the 21st century global economy.



Going Forward

New

Short-Term Action: As part of quota negotiations, push for the increase in quota resources to reflect the lending role of the Fund.

Timeline: 2010

2009 Action: A Modern Lending Toolkit and Lending Role for the IMF

Some progress

In last year's report, Canada noted that the Fund's lending toolkit must evolve to keep up with the diverse needs of the membership and the globalized economy. It is noteworthy, therefore, that in 2009, the IMF developed an effective lending framework to support both the needs of low-income countries as well as those of dynamic emerging market economies that could be susceptible to international financial crises and contagion problems.

As a long-standing creditor to the Fund—and donor to its low-income country lending trust fund, the PRGT—Canada played an active role in the debates at the Executive Board, G7 and G20 over the lending reforms proposed by the IMF. In all discussions, Canada sought to ensure any reforms produced the right incentives for governments (e.g. appropriate charges and financing limits to dissuade excessive borrowing), the right signals for markets (e.g. providing confidence) and the most appropriate forms of policy conditionality to promote adjustment where needed to help countries emerge from crisis. Canada argued that too much money, offered at too little a cost without appropriate protections, could lead to the risk-inducing perception in markets that the IMF will always bail out countries and investors, possibly causing more instability in the long run.

The financing structure that materialized for both low-income and emerging market countries is detailed above in “An Introduction to the International Monetary Fund.” Overall, Canada views the structure as a good balance between the desire for the IMF to provide confidence to markets and liquidity support for members during crises, and the need for countries to pursue adjustments to correct for failings in their policy frameworks. Though these reforms are very new, the IMF is considering further lending innovations, specifically targeted at liquidity provision for members as an alternative to accumulating their own foreign reserves. This issue will be debated at the G20 in 2010.

Canada will argue for a considered and deliberate approach to further reforms, given the limited experience with the new framework and the fact that many countries are facing increased debt pressures stemming from economic stimulus spending during the crisis. Future crises may thus arise from insolvency, and providing more, inexpensive IMF liquidity (and thus debt) would not solve those situations.

Canada also committed in last year's report that we would push the IMF to not only appropriately reform its existing lending toolkit, but also to carefully review its optimal lending role. Some have noted a desire to provide financing solutions for all members in all situations, even if it is not the appropriate lending role of the Fund. This can weaken the safeguards on IMF resources (which allow Canada and others to book their resources at the IMF as safe international reserves), and can go counter to the IMF's basic role of promoting an appropriate balance between providing financing and promoting policy adjustment.



In IMFC statements, at the Executive Board, and in G7 and G20 fora, Canada called for a reconsideration of the role of IMF lending in the 21st century global economy. Consistent with our efforts, the Fund will release a staff report in early 2010 with considerations on the desired role and resulting form of IMF lending. Canada will push at the Executive Board and in the G20 for a stronger consensus on members' expectations regarding what lending role the IMF can and cannot be expected to play. It will be important to have a clearer idea of when and how the IMF should provide financing to inform its appropriate size and any changes to the broader global architecture in resolving financial and economic crises.

Beyond lending, Canada has consistently argued that the challenges of the 21st century global economy, and the fundamental changes that have occurred since the Fund was created over 60 years ago, call for the IMF membership to debate again what role we want the IMF to play today in pursuit of its basic stability promotion mandate. A better-defined role and expectations for the IMF in stability promotion are needed. This would also inform the types of surveillance and corporate governance innovations that are required for the IMF to carry out its mandate in a transparent and credible manner. The IMF's mandate is therefore of central importance.

In 2009, Canada began to lobby more strongly for the consideration of the IMF's mandate in reforms. Canada and some like-minded members successfully put mandate discussions on the IMF's 2010 policy agenda, and this discussion about the mandate will inform IMF revisions to the scope and focus of surveillance and lending, the size of quota resources and changes to corporate governance in 2010 and beyond. However, open questions surrounding the appropriate Fund role for the 21st century global economy have led to some calls for IMF involvement in new areas, creating pressure for an expansion of the IMF's mission and the possibility of inappropriate overlap with the work of the multilateral development banks (e.g. longer term development initiatives), or with national central banks (e.g. the IMF as a true lender of last resort or a global central bank).

Canada will engage actively in the mandate/role discussion, proposing that the IMF focus on its core surveillance, lending and technical assistance functions, including:

- On surveillance, the IMF needs to focus on macroeconomic and financial system-wide risks, with appropriate attention to national-level events and cross-border spillovers. The Fund also needs levers to push for action by member governments when threats arise.
- On lending, the IMF needs the tools to provide liquidity (along with central banks and private markets) for the types of situations that this recent crisis presented. The IMF must also have a robust framework to determine when a crisis is one of solvency (and thus when lending should be minimal and conditionality should be greater) to be ready for future crises that may arise due to government debt levels.
- On technical assistance, the IMF needs to provide targeted services to members focused on macroeconomic, fiscal, monetary and financial sector management, to help members reap the benefits of globalization through stronger national policy and regulatory frameworks.

This must be supported by an appropriate corporate governance framework.



Going Forward

New

Priority—IMF Mandate: Canada will encourage the IMF to remain focused on its core mandate of stability promotion.

New

Medium-Term Action: Engage in IMF mandate review and push for the Fund to focus on bolstering its core surveillance and crisis lending/conditionality functions, and not expand its operations into non-core areas.

Timeline: 2010–2012

New 2010–2012 Action: Supporting Effective IMF Lending Programs

After a relatively benign global economic environment in the years leading up to 2008, IMF lending picked up significantly with the onset of the global financial crisis. For Eastern Europe in particular, a number of new IMF programs were introduced throughout 2008 and 2009, all of which were monitored closely by Canada. While many of these programs have been effective in bringing about much-needed adjustments, some have experienced considerable difficulties, resulting in a number of lengthy program delays. In most instances, political considerations have been the driving force behind these difficulties.

This has brought to the forefront our desire to revisit the fundamental nature of IMF lending programs with a view to ensuring that they are as effective and principle-based as possible. The basic purpose of IMF lending is to provide assistance to countries in balance of payments difficulty, restore macroeconomic stability and ensure sustainable economic growth. Canada supports the consideration of all available policy options to achieve balanced macroeconomic adjustment rather than focusing IMF country programs too narrowly on one area. For instance, the adjustment burden should not be unfairly borne by the poorest within the domestic population. Further, to help facilitate the adjustment process through policy and financial cooperation, Canada encourages crisis resolution strategies that appeal to regional peers and private financial institutions operating in recipient countries. An example of this is obtaining commitments from parent banks to maintain exposure to their subsidiaries operating in the crisis country.

Canada has consistently advocated for IMF programs that include sound macroeconomic frameworks and minimize domestic or international political constraints from forming the basis of program advice. Going forward, Canada will continue to be actively engaged in IMF program monitoring and will push for programs that are centred on sound economic fundamentals and that seek to transfer the least amount of the adjustment burden onto the poor.

Going Forward

New

Medium-Term Action: Push for Fund programs to be based on sound economic principles and workable solutions, with targeted conditionality.

Timeline: 2010–2012



3) Sustainable Poverty Reduction and Growth

Sustained and balanced economic growth is critical for poverty reduction. Another main objective for Canada is to ensure that the poverty reduction, growth, and macroeconomic stability that the IMF and World Bank foster have lasting results.

Priority 3.1: Debt Sustainability

The IMF and the World Bank have played a vital role in changing borrowing and lending behaviours to prevent the reaccumulation of unsustainable debt levels. Canada has also taken a leadership role in these efforts through the continuous evaluation and provision of constructive input on the Debt Sustainability Framework, which monitors and aims to prevent the reaccumulation of unsustainable debt; the enhancement of the Debtor Reporting System, to collect debt data to improve the transparency of lending and borrowing activities; and 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 (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). Their efforts to make progress are further complicated by the frequency of external financial, economic and environmental shocks that often threaten the recovery, growth and stability of these nascent economies. 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.

2009–2011 Action: Full Compliance—The Debt Sustainability Framework

 *Little progress*

The World Bank and the Fund both use debt sustainability analyses when making lending decisions. Canada strongly supports the concept of basing lending decisions for low-income countries on their individual debt sustainability analyses. Unfortunately, not all creditors observe these guidelines, and some loans continue to be made that jeopardize the debt sustainability of recipient countries. Therefore, although the BWIs comply with the Debt Sustainability Framework, the lending actions of a limited number of countries necessitate a “little progress” ranking for this action item.

Going Forward

New

Medium-Term Action: Push for agreement from all creditors to abide by lending limit guidelines established by the IMF-World Bank’s Debt Sustainability Framework when providing resources to low-income countries.

Timeline: 2010–2012



2009–2011 Action: The World Bank’s New Debt Management Facility for Low-Income Countries

 *Some progress*

In April 2009 the Debt Management Facility (DMF) steering committee met to launch the initiative. As a member of the steering committee, Canada will scrutinize the results of the DMF’s first year of operations at the next scheduled meeting in Tunis in March 2010.

Going Forward

New

Medium-Term Action: Use Canada’s membership in the newly established Debt Management Facility steering committee to ensure it provides targeted, cost-effective technical assistance to low-income countries.

Timeline: 2010–2012

2009–2011 Action: Help Developing Countries Maintain Sustainable Debt Levels

 *Some progress*

Low-income countries have been hard hit by the economic crisis through declining external trade, remittances and foreign direct investment. In 2009, Canada supported the creation of a new temporary financial support mechanism at the World Bank to mitigate the impact of the economic crisis on poor countries. This temporary IDA Crisis Response Window will provide US\$1.3 billion in additional resources to help low-income countries recover over the next year.



To complement IDA's efforts to increase financing to low-income countries, the Fund in 2009 revamped its concessional lending window, the Poverty Reduction and Growth Trust (PRGT), whose eligibility list is almost identical to that of IDA. Over and above substantial positive improvements to its lending and financing framework, the Fund instituted two measures to increase the concessionality of its PRGT operations. First, it permanently lowered the lending rate on all current and future PRGT loans by 50 per cent, so that after the grace period the new rate is at a historic low of only 25 basis points. Second, low-income countries will receive an exceptional suspension of all interest payments due to the IMF under the PRGT through to the end of 2011.

New 2010 Action: Haiti IFI Debt Forgiveness

After reaching its "HIPC completion point" in mid-2009, Haiti was granted debt relief under both the MDRI and HIPC initiatives. As part of this process Canada forgave all outstanding bilateral debts owed by Haiti and contributed to substantial debt relief on its outstanding multilateral debt obligations. On January 12, 2010, Haiti suffered the most devastating earthquake in the western hemisphere in a century, crippling its economy and threatening its long-term debt sustainability. Given the exceptionally difficult task of crisis response and reconstruction, Canada called for extraordinary financial support to Haiti and pushed for this to include further debt relief on its remaining multilateral and bilateral debt. At a Canadian-hosted G7 finance ministers meeting in February 2010, ministers agreed that Haiti's debts to IFIs should be forgiven and that the G7 will work with partners to ensure this is accomplished expeditiously.

Going Forward

New

Medium-Term Action: Ensure that Haiti's outstanding debt to international financial institutions is completely forgiven and that reconstruction assistance be provided in the form of grants or highly concessional loans so as not to compromise Haiti's long-run development efforts.

Timeline: 2010



Canadian Response to Haiti's Earthquake

Canada has a long-standing and close relationship with Haiti. On top of leading a consensus on forgiving all remaining bilateral debt for Haiti at the G7, the Canadian Government took unprecedented action in responding to the devastating earthquake Haiti suffered on January 12, 2010. Our rapid response mechanisms, including the dedicated Disaster Assistance Response Team, allowed us to get urgently needed relief supplies to Haiti, to deploy personnel to UN humanitarian agencies, and to provide cash contributions to key humanitarian partners in the immediate aftermath of the disaster. This was an important boost that assisted the overall Canadian and international response.

Additionally, the Canadian Government agreed to match eligible funds raised by private donations, estimated to be close to \$130 million, and to continue tariff-free treatment for Haitian exports to Canada.

Canada has also been a leader in the international coordination of the response to the Haiti earthquake. Two weeks after the earthquake, we hosted the Montréal Conference with the Government of Haiti, where world leaders set in motion a joint approach to Haiti's reconstruction and development. Canada will continue to play a leadership role in the humanitarian and long-term response to the earthquake in Haiti.

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. Close to 15 per cent of the world's population, or 1 billion people, live in fragile states. The World Bank estimates that poverty rates in these countries average 54 per cent compared with 22 per cent for low-income countries as a whole. 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. We are encouraged by the Bank's analysis and knowledge-sharing work related to failed and fragile states, and we have collaborated with the Bank to provide financial and policy support to the upcoming *World Development Report 2011* on security and development.

2009–2011 Action: Exceptional IDA allocations

 *Some progress*

While the Bank has been improving its capacity to support fragile states over the last few years, we believe further enhancements are still needed. We would in particular like to see an increase in the volume and length of IDA's special allocations for fragile states, as we are concerned that the current approach does not go far enough. Engagement in fragile states is a long-term commitment, and as reflected in Organisation for Economic Co-operation and Development best practices, at least 10 years of engagement and sufficient levels of financing are needed to ensure tangible and lasting results.



In this respect, we are especially concerned that IDA does not provide countries like Haiti enough in special allocations to allow them to achieve results before transitioning them back to the Performance-Based Allocation (PBA) mechanism, under which they experience a major fall in funding from IDA. As a fragile state that is not considered a “post-conflict” country, but a country “re-engaging with IDA” after a prolonged period of inactivity, Haiti receives only two years of special allocations with three years of phase-in to the regular PBA system. This compares to four years of special allocations with six years of phase-in to the PBA for countries classified as post-conflict. Re-engaging countries also receive a much smaller volume of assistance from IDA compared to post-conflict countries. Canada pushed for these re-engaging countries to be treated the same as post-conflict countries during the IDA15 replenishment discussions, but we were unable to secure agreement. We plan to pursue this again during the 2010 IDA16 replenishment discussions.

Additionally, the Bank has embarked on reform efforts towards decentralization and delegation of authorities to the field. Canada supports the Bank’s efforts to acknowledge and address remaining challenges in ensuring adequate human resources and decision-making are devolved to country offices in fragile and conflict states, such as Sudan, where programming requires efficient, flexible and consistent responses.

Going Forward

New

Medium-Term Action: Use IDA16 negotiations to push for an increase in the length and volume of exceptional IDA allocations for failed and fragile states, such as Haiti, while pressing for the implementation of reforms to ensure that the World Bank offices in these states have the right human resources and delegated authority.

Timeline: 2010

Priority 3.3: Gender

Although the World Bank Group has policies on gender and development in place, their implementation has been uneven and as such, Canada will continue to be a strong advocate of gender issues at the World Bank Group.

2009–2011 Action: Mainstream Gender Equality Considerations

Some progress

While there has been some good progress in this area, we would like to see continued effort in integrating gender equality objectives into World Bank programming. There has been a lot of discussion and debate on this issue over the last year, including an IEG evaluation and response from management. The IEG evaluation highlights some recent success, including positive results from the 2007 Gender Action Plan and a four-year initiative to target specific gaps that had earlier been identified in the Bank’s gender work. However, the evaluation also points out that gender is still not being properly mainstreamed across all of the World Bank’s programming. For example, the Bank is still not meeting its goal of carrying out a gender assessment for every country in which it has a program, and the IEG found that overall there was slow progress or even a decline in incorporating gender considerations into project proposals in a meaningful way.



The World Bank will be preparing a transition plan to preserve the positive momentum generated by the Gender Action Plan beyond its closing date in 2010. We will push for this exercise to include a monitoring framework, with clear targets for progress on gender mainstreaming.

Going Forward

New

Medium-Term Action:

Push the World Bank to include a monitoring framework, with clear and measurable targets for progress on gender mainstreaming, as part of its Gender Action Plan's transition strategy.

Timeline:

2010–2012

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 and collapsed fisheries—threatens the health of millions of people. Pollution also 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 has a role in combating and coping with environmental threats and climate change.

2009–2011 Action: Monitoring and Evaluation for Climate Change Financing

Good progress

The World Bank Climate Investment Funds (CIFs) are 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. Canada has contributed \$100 million to the Pilot Program for Climate Resilience (PPCR) within the Strategic Climate Fund (SCF) of the overall investment fund, which focuses on assisting developing countries to adapt to the effects of climate change. Canada is represented on the Trust Fund Committees for both the PPCR and the SCF.

As part of both of these committees, Canada has been active in the establishment of performance measurement frameworks for funds developed under the SCF, including the PPCR. Moreover, given that there are multiple funds currently being developed, we have worked with the Trust Fund Committee to establish a working group on the harmonization of the CIF results measurement framework. This will enable us to compare the performance and results across the various climate investments underway through the CIF over time.

Moving forward, we intend to continue to work through the Trust Fund Committee to ensure that the CIFs are achieving results, incorporate learning over time, and take necessary steps to harmonize activities with any new climate funds that may emerge from international climate change negotiations.



This year, the World Bank has been taking steps to implement its 2008 Strategic Framework for Development and Climate Change. Canada agrees with the IEG's 2009 findings that the World Bank's approach to the environment has become increasingly proactive and multilevel. The Bank's increased emphasis on mainstreaming environmental results in its operations is encouraging, although the uneven performance in country programs remains a key challenge.

Canada will continue to monitor the Framework's implementation, and we will remain active in consultations regarding new energy and environment strategies. In particular, we will work to ensure that climate change considerations are incorporated into other bank activities, particularly those financially supported by Canada, such as in agriculture.

Going Forward

New

Short-Term Action: Ensure climate change considerations are integrated into other World Bank activities, notably those related to agriculture and new project decision-making. Ensure appropriate linkages to climate change in the preparation of both the World Bank's Environment and Energy Strategies throughout 2010, and encourage enhanced environmental indicators as part of IDA16.

Timeline: 2010

New

Medium-Term Action: Ensure that the Climate Investment Funds are achieving results, incorporating learning over time, and taking necessary steps to harmonize activities with any new climate funds that may emerge from international climate change negotiations.

Timeline: 2010–2012



Summary of Canada’s Priorities for 2010–2012

The following summary chart includes actions identified in last year’s report that will be carried forward for 2010–2012, as well as the new priorities and actions introduced in the previous section. To provide a more cohesive reporting structure in next year’s report, priorities have been reordered but are still grouped with the action items under three broad themes: (1) Governance and Accountability; (2) Institutional Effectiveness; and (3) Sustainable Poverty Reduction and Growth.

1) Governance and Accountability	
New Priority 1.1 Voice Reforms: Enhance the legitimacy of the BWIs through meaningful voice reforms.	
Short-Term Action (2010)	Medium-Term Action (2010–2012)
Work towards a final agreement on World Bank voice reforms in 2010, including protection for both the smallest and poorest countries, and building in incentives for donors, including emerging donors, to support IDA. New	
Support negotiations for a new, lasting quota agreement to boost IMF legitimacy by increasing the voice of under-represented emerging market and developing country members. New	
New Priority 1.2 Institutional Reforms: Building on our previous reform efforts at the BWIs, we will continue to push the IMF and World Bank to increase their legitimacy, credibility and accountability.	
	Promote IMF corporate governance changes to bolster ministerial oversight, increase the Executive Board's strategic role and introduce a more robust independence-accountability framework for senior management who are hired on merit. New
	Press for a World Bank Group corporate strategy that incorporates benchmarks to track progress and review performance on its reform agenda. Push for a focal point under the President, responsible for bringing together all operational and budgetary aspects of the reform agenda, and ensuring a sound and sustainable business model. New



2) Institutional Effectiveness	
New Priority 2.1 IMF Mandate: Canada will encourage the IMF to remain focused on its core mandate of stability promotion.	
Short-Term Action (2010)	Medium-Term Action (2010–2012)
	Engage in IMF mandate review and push for the Fund to focus on bolstering its core surveillance and crisis lending/conditionality functions, and not expand its operations into non-core areas.
Priority 2.2 IMF Surveillance and Crisis Prevention: Support reforms to make surveillance more effective.	
	Encourage IMF members to increase surveillance engagement and transparency, and the Fund to improve its ability to identify, communicate and spur member responses to stability threats.
Priority 2.3 Resources and Lending Facilities: Ensure that the IMF and World Bank Group have adequate resources and appropriate instruments to credibly fulfill their lending mandates.	
As part of quota negotiations, push for the increase in quota resources to reflect the role of the Fund. New	Push for Fund programs to be based on sound economic principles and workable solutions, with targeted conditionality. New
Complete the review of the Bank's financial capacity, including capital needs, and seek early conclusion of the IDA16 replenishment. New	
Priority 2.4 Aid Effectiveness: Get the most development impact from World Bank resources.	
Encourage the World Bank Group to increase the use of randomized impact evaluations, as appropriate, to affect policy decisions.	Push the World Bank Group to strengthen its capacity to manage and track development results. New
	Press the World Bank to improve health system investments, which will be foundational for improvements in maternal and child health. New
Priority 2.5 Innovation for Private Sector Participation in Development: Continue to support new ways to promote private sector participation.	
	Push for greater and more effective use of innovative tools to tackle global public goods (e.g. AMC and catastrophic risk insurance facilities).



3) Sustainable Poverty Reduction and Growth	
Priority 3.1 Debt Sustainability: Avoid another lend-and-forgive cycle.	
Short-Term Action (2010)	Medium-Term Action (2010–2012)
Ensure that Haiti’s outstanding debt to international financial institutions is completely forgiven and that reconstruction assistance be provided in the form of grants or highly concessional loans so as not to compromise Haiti’s long-run development efforts. New	Push for agreement from all creditors to abide by lending limit guidelines established by the IMF-World Bank’s Debt Sustainability Framework when providing resources to low-income countries. New
	Use Canada’s membership in the newly established Debt Management Facility steering committee to ensure it provides targeted, cost-effective technical assistance to low-income countries. New
Priority 3.2 Failed and Fragile States: Better tools for assisting fragile states.	
	Use IDA16 negotiations to push for an increase in the length and volume of exceptional IDA allocations for failed and fragile states, such as Haiti, while pressing for the implementation of reform to ensure that the World Bank offices in these states have the right human resources and delegated authority. New
Priority 3.3 Gender: Mainstreaming gender considerations across operations.	
	Push the World Bank to include a monitoring framework, with clear and measurable targets for progress on gender mainstreaming, as part of its Gender Action Plan’s transition strategy. New
Priority 3.4 Environment: Linking development and environment in a manner that is consistent with BWI core mandates.	
Ensure climate change considerations are integrated into other World Bank activities, notably those related to agriculture and new project decision-making. Ensure appropriate linkages to climate change in the preparation of both the World Bank’s Environment and Energy Strategies throughout 2010, and encourage enhanced environmental indicators as part of IDA16. New	Ensure that the Climate Investment Funds are achieving results, incorporating learning over time, and taking necessary steps to harmonize activities with any new climate funds that may emerge from international climate change negotiations. New



Annex 1

The Official Development Assistance Accountability Act (ODAAA)

The ODAAA came into force on June 28, 2008, and applies to all federal departments providing Official Development Assistance, including the Department of Finance. The Act lays out three conditions that must be satisfied for international assistance to be considered Official Development Assistance: (1) contributes to poverty reduction; (2) takes into account the perspectives of the poor; and (3) is consistent with international human rights standards.

The ODAAA requires the Minister of Finance to provide information related to Canada's engagement with the BWIs. To facilitate Finance specific reporting required in the Act, the BWI report provides a summary of any representation made by Canadian representatives at the BWIs (as seen throughout the report), summarizes how Canada's activities under the Bretton Woods and Related Agreements Act have contributed to the ODAAA (as seen throughout the report), and documents the position taken by Canada on any resolution adopted by the BWI's Board of Governors (as seen in the section "Canada's IMF and World Bank Voting Record and Outreach in 2009"). CIDA's annual ODAAA and statistical reports will document Finance's 2008–09 ODA payments, consisting of IDA, bilateral debt relief, MDRI, and arrears clearance.

As part of Finance's implementation of the Act, it held Web consultations in December 2008, inviting input from the Canadian public, civil society organizations, governments and international agencies on whether the Department's international assistance payments met the three conditions listed above. Finance also asked how the next consultation process in December 2010 could be improved.

To support communication with the Canadian public, the Government has taken the initiative to significantly improve the scope and depth of the annual BWI report. This report, in combination with CIDA's annual ODAAA and statistical reports, meets the ODAAA's reporting requirements.



Finance's Four Types of ODA Payments

<http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAT-9288209-GGP>

Total fiscal year 2008–09 payments (April 1, 2008–March 31, 2009) = C\$705.70 million

1. International Development Association (IDA): \$384,280,000

IDA is the World Bank's principal financing tool for the world's poorest countries, providing them with interest-free loans and grants. More information is available on IDA's website.

2. Bilateral Debt Relief: \$172,111,000¹⁴

Bilateral and multilateral debt relief disbursements are considered to be ODA-eligible as they contribute to poverty reduction by freeing up resources (which would otherwise be used to service sovereign debts) for use toward social expenditures. Further, debt relief recipients self-direct poverty alleviation efforts based on their individual heavily indebted poor countries (HIPC) Poverty Reduction Strategy Paper and must demonstrate that debt relief efforts include equity (e.g. human rights) commitments.

Canada has been an international leader in the area of poverty reduction by forgiving more than \$1 billion in debt owed to it by the world's poorest, most indebted countries. More information is available on the following websites: Club de Paris and (HIPC) The Enhanced Heavily Indebted Poor Countries Initiative.

3. Multilateral Debt Relief: \$149,280,000

Canada has been active in the development and formatting of debt relief through the Multilateral Debt Relief Initiative (MDRI). Canada committed to provide the IMF, the World Bank and the African Development Fund (ADF) with \$2.5 billion to cover its MDRI share. More information is available on the MDRI website at imf.org/external/np/exr/facts/mdri.htm.

4. Arrears Clearance: \$0

When poor countries are in arrears to multilateral institutions, they are not eligible to receive any additional program funding from these institutions, thus inhibiting their ability to reduce poverty. When Canada clears these arrears on behalf of a poor country, we help the country to obtain additional program funding from international institutions and adopt debt relief initiatives such as HIPC and MDRI.

¹⁴ This figure has been revised upwards by \$29.4 million to account for exchange rates.



Annex 2

Canadian Statements at the International Monetary and Financial Committee of the Board of Governors of 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 25, 2009

This meeting is taking place against the backdrop of the most synchronized global recession since the International Monetary Fund (IMF) was created 65 years ago. The credit crisis that originated in the financial systems of advanced members has radiated out to other Fund members, resulting in the contraction of credit, and sudden stops and reversals in capital flows. Moreover, the crisis has spread from the financial sector to the “real” economy as output, employment and trade volumes have fallen dramatically.

These effects have been felt by Fund members around the globe. In Canada, real GDP declined by 3.4 per cent in the fourth quarter of 2008 and current indicators point to a further sharp decline in the first quarter of 2009. The Government’s Economic Action Plan, which was tabled in January, provides support to the Canadian economy over the next two years equivalent to 3.2 per cent of gross domestic product (GDP), including leverage from other levels of government. In addition, the Plan includes a \$200-billion Extraordinary Financing Framework to improve access to financing for Canadian households and businesses. As a result, after a decline in Canadian real GDP of 2.5 per cent in 2009, the IMF expects a rebound in growth to 1.2 per cent in 2010—the strongest performance of any Group of Seven (G7) economy. This relative vigour reflects the sound policy frameworks and comparative strength of Canadian banks, which support credit flows and provide the foundation for a resumption of growth.

Ireland’s economy is set to contract by 7.75 per cent this year as a combination of deteriorating domestic and external conditions weigh upon activity. In the recent supplementary budget, a number of revenue-raising measures and public expenditure cuts were implemented in order to limit the deterioration in the general government deficit to 10.75 per cent of GDP for 2009. In addition, to address the issue of asset quality in the banking system, the Government will establish on a statutory basis a National Asset Management Agency to which certain assets will be transferred from the banks. The purpose of this initiative will be to strengthen the banks’ balance sheets and achieve a sustained flow of credit to the economy.

In our Caribbean constituencies, economic activity has decelerated: tourism, the region’s major foreign exchange earner, has declined; similarly, remittances, a major contributor to the region’s national income, are down; and there has been a substantial drop in foreign direct investment flows. While seeking to address these challenges, the region remains committed to implementing sound macroeconomic policies and reforms to strengthen the economic and financial architecture to reduce vulnerabilities and to build the necessary safeguards for the future. The role of the international financial institutions and other development partners remains critical in assisting the Caribbean region in implementing short- and long-term financial and macroeconomic policy responses to the crisis.



Some of our Caribbean countries have significant financial sector activities. There is a risk that changes to financial sector regulation in advanced countries could have negative unintended consequences on these activities. In particular, there is a risk that measures taken against non-cooperative jurisdictions, including tax havens, could have unintended negative impacts on well-regulated, transparent, financial centres. I believe that this should be avoided. Countries that comply with international standards should be protected from such measures.

The Global Recession and the International Response

The severity of the current downturn has naturally led to comparisons with earlier episodes of global economic contractions, particularly the Great Depression. The Fund was designed to assist its members to avoid the policy pitfalls that contributed to the prolonged economic stagnation of the 1930s: monetary policy did not provide liquidity in response to severe financial shocks; fiscal policy turned pro-cyclical as national economies started to contract; and trade protectionism exacerbated the downturn, turning a severe recession into a global depression.

We have learned from these policy failures. In the last six months, global leaders have agreed on the importance of taking concrete steps to quarantine impaired assets and recapitalize banks, where necessary; to implement fiscal and monetary stimulus as quickly as possible; to guard against protectionism in all of its forms; and to strengthen the financial system through sound national regulatory and supervisory frameworks and better international cooperation and surveillance.

Moreover, we have a set of institutions to promote international economic and financial cooperation. The IMF's mandate of promoting international monetary cooperation and global financial stability, which has facilitated the expansion of international trade, has never been more relevant.

Response to the Crisis

In London a few weeks ago, global leaders reaffirmed the central role of the IMF by agreeing to a number of measures to ensure that the Fund has the capacity to address the current crisis. These measures include:

- Negotiating temporary bilateral credit arrangements with the Fund totaling US\$250 billion, of which Canada has agreed to provide US\$10 billion.
- Expanding the New Arrangements to Borrow (NAB) by up to US\$500 billion. Canada's proposed US\$10-billion bilateral credit arrangement will be rolled into a new NAB commitment, increasing our stake in this important multilateral arrangement five-fold. We encourage other creditor members to follow suit, particularly those who are not currently NAB members.
- A general Special Drawing Right allocation equal to US\$250 billion, which will quickly provide almost US\$100 billion in reserve assets to emerging market and low-income countries.
- Doubling the IMF's concessional lending capacity for low-income countries in a manner that is consistent with debt sustainability.
- Implementing the 2008 quota agreement as quickly as possible, which will increase the IMF's quota resources by almost 12 per cent. Canada is completing the domestic steps required to ratify this agreement and I urge other IMF members to do the same.
- And, finally, completing the next review of IMF quotas by January 2011, accelerating the process by two years.



Reforms have also taken place at the IMF in response to this crisis, such as the development of the Flexible Credit Line for precautionary purposes. All of these efforts reflect the ongoing relevance of the IMF and demonstrate that the role of the institution will never be static.

The Changing Role of the IMF

As important as these measures are, it is clear that further concerted efforts are needed if the Fund is to play a stronger role in resolving this crisis and in preventing future ones. Prior to the current crisis, there were fundamental tensions among the membership with respect to the legitimacy, credibility and effectiveness of the Fund. These issues remain, notwithstanding the broad agreement on the continued importance of the Fund in assisting its members in the current crisis, and will have to be addressed to the satisfaction of the entire membership. Indeed, as IMF Governors, we have a collective responsibility to set a long-term course for the Fund. The upcoming quota review provides a unique opportunity to develop this common vision. A clear agreement on the IMF's role will ultimately help us to determine the resources and tools that it should have at its disposal, the responsibilities its members have to the institution and each other, and how it is best organized and governed.

The fundamental objective of the Fund remains the same—to promote international monetary cooperation and financial stability by assisting its members respond appropriately to external shocks through a judicious balance of financing and adjustment. And, yet, we have to recognize that, as a result of the remarkable process of financial integration that we have witnessed over the past two decades, the environment in which the Fund operates has changed. Our collective challenge is to ensure that the Fund is capable of fulfilling its mandate.

As a result, the quota review should consider a number of fundamental questions:

- *What are the appropriate tools and level of IMF resources required for effective short-term crisis response?* The present environment has revealed the difficulties in distinguishing between illiquidity and insolvency. In examining the IMF's role in providing liquidity to members, it is important that we determine whether we have the appropriate mechanisms to address sovereign insolvency cases in a timely and orderly fashion.
- *What responsibilities do IMF members have to the institution and to each other?* The IMF relies on the willingness of its members to participate in the surveillance of macroeconomic and macroprudential policies, such as through Article IV and Financial Sector Assessment Program reviews. We need to determine the extent of the liberties we, as Governors, are willing to give IMF management and staff in pursuit of their independent surveillance and advisory mandates.
- *For low-income countries (LICs), do we have the right balance between short- and medium-term support, to help countries respond to temporary shocks, and longer-term assistance to help LICs with entrenched macroeconomic and structural imbalances?*

Governance

The quota review also provides a good basis for parallel consideration of the appropriate governance structure for the IMF. We are pleased that, in London, governments agreed on the need for an open process for the selection of the Managing Director, a long-standing position held by Canada. Leaders also agreed to study IMF governance and ways to increase Governors' involvement in the institution. Reports from the eminent persons' committee, chaired by Trevor Manuel, and from the Independent Evaluation Office (IEO) provide valuable insights deserving of reflection.



Looking forward, key governance questions include:

- *How is the IMF best organized and governed?* We need to achieve an appropriate balance between respecting Fund independence and maintaining appropriate oversight.
- *What are the appropriate responsibilities of each level in the organization?* Consistent with recommendations of the IEO and the eminent persons' committee, there should also be a clear delineation of the roles and responsibilities of each level of decision maker (within a transparent accountability framework).

As a key element of the quota review, which should start as soon as possible after these Spring Meetings, it is incumbent upon Governors, the Board and the Staff to engage on these fundamental mandate and governance questions in a thoughtful, constructive and collegial manner.

Conclusion

The extraordinary responses of IMF members to the economic and financial crisis reaffirm the international community's determination not to repeat the errors of the Great Depression. Under the Managing Director's leadership, the Fund has played a critical role in mobilizing international efforts to limit the risks of a prolonged global slump. Our work is not over, however, and we must continue to work collectively and cooperatively to return the global economy to the path of sustained growth.

The past few months have demonstrated the critical importance of the IMF in promoting international coordination and providing crisis support. Canada remains committed to the underlying objectives of the Fund—to promote international monetary cooperation, financial stability and international trade—which are the foundations of global growth and wellsprings of prosperity for all. As we move towards the next quota review, of central interest to all members is ensuring that the IMF is able to fulfill its mandate of promoting the public good of international monetary and financial stability in an effective manner. This will require a pragmatic discussion of the role of the IMF and the instruments, resources and governance structure required to achieve its mandate.

The international community has demonstrated how it can effectively come together to respond to a crisis. We must show a similar degree of collaboration and commitment in ensuring the IMF is equipped to play a central role in the 21st-century global economy.

Istanbul, Turkey October 4, 2009

I thank our Turkish hosts for creating a very welcoming venue for the 2009 International Monetary Fund (IMF) and World Bank Annual Meetings.

This past year has been very challenging for us all. Confronted with the biggest threat to the global economy in 70 years, many countries took extraordinary measures to protect both their economies and citizens from economic collapse. The “green shoots” of stabilization and recovery that we are now seeing are the result of the collective policy response that individual countries have implemented in a spirit of cooperation. As we emerge from a crisis atmosphere, we cannot reduce our efforts to deal with the many, shared global challenges:

- Despite encouraging signs of stabilization and indications of modest growth in the second half of 2009, the global outlook remains weak and a private-sector led recovery has yet to be established. Moreover, mounting unemployment rates have yet to stabilize and will remain a challenge in many countries in 2010. As such, it is essential that stimulus measures continue through 2010 and are fully implemented.



- Looking forward to the post-crisis period, attention must shift to fiscal consolidation and medium-term debt sustainability. The goal should be to maintain confidence and create the fiscal space needed to meet long-term challenges such as climate change and aging populations.
- As well, all financial sector regulatory reform elements that were agreed within the Group of Twenty (G20) need to be implemented.
- Finally, as the global recovery takes hold, unbalanced patterns of global growth will also need to be addressed. While global imbalances have eased in the wake of the global financial crisis, the improvement may prove temporary unless the factors underlying their emergence are resolved. We need to facilitate timely, orderly adjustment in the global economy.

Given its core mandate of promoting international monetary and economic cooperation, the Fund has a central role in helping us—its members—face these challenges and facilitate orderly adjustments to an evolving global economy.

Canadian Developments

In Canada, the rate of decline in real gross domestic product (GDP) eased to -3.4 per cent in the second quarter of 2009 after dropping by 6.1 per cent in the first quarter of 2009. However, Canada has fared much better than most other major advanced economies over the last year. Canada was the last major advanced country to enter recession, and the fall in output in Canada has been among the lowest of all Group of Seven (G7) countries since the start of the global recession. Current indicators suggest that the Canadian economy will recover in the second half of 2009 and gain momentum through 2010. To ensure that the economic recovery is secured, the Government will complete the implementation of Canada's Economic Action Plan so that growth takes hold and jobs are created and maintained. Canada's fiscal stimulus package of 4 per cent of GDP over the next two years, including leverage from other levels of government, is tied with Japan as the largest in the G7 and is among the highest in the G20. In line with an expected sustained recovery, the IMF expects a rebound in growth of 2.1 per cent in 2010, the strongest performance of any G7 economy.

Irish and Caribbean Developments

The Irish economy is undergoing a very substantial adjustment. Output last year declined by 3 per cent, and is projected to fall by a further 7.75 per cent this year. With a further decline expected next year, activity is projected to fall by a cumulative 15 per cent in the three years to 2010. For a number of years, activity had been artificially boosted by excess production of residential housing. The resulting increase in living standards was consequently unsustainable. The most recently published data do provide tentative grounds for some optimism. While activity continues to decline, it is doing so at a slower pace, helped in part by demand for exports. The deterioration in the economic environment, especially the downturn in tax-rich sectors, has had severe implications for the public finances. To limit the deterioration, measures amounting to 5 per cent of GDP this year have been adopted. Employment has fallen significantly, and despite outward migration, unemployment has risen to its highest rate in over a decade. On a harmonized basis, prices in Ireland are falling at the fastest rate in the euro area (-2.4 per cent year-on-year in August), in part due to excess economic capacity.



The past year has also been a difficult one for the Irish financial system. A cleansed and reformed banking system is fundamental to underpin economic recovery and the Irish Government has taken a number of decisive actions in this regard. Most recently, the Irish Government has published legislation to establish a National Asset Management Agency, to remove certain portfolios of risky property-related assets from the balance sheets of relevant banks. This will remove the systemic threat posed by these assets and allow Irish banks to focus on their core function, lending to the real economy to support businesses and ordinary people.

As a result of the global crisis, output in the Caribbean is projected to contract in 2009, with only a very mild recovery likely during 2010. Countries experienced declines in tourism, foreign investments, mining sector exports and remittance inflows. This has placed increased negative pressures on net international reserves. However, the financial sectors remained relatively stable as a result of enhanced regulatory and supervisory frameworks and prompt actions to contain spillover risks. With governments already facing serious resource constraints, the need to mitigate the impact of the crisis has contributed to significantly increased deficits. Outcomes could have been worse if the authorities had not pursued prudent policies before the crisis. Nevertheless, there is a serious risk of eroding the recent gains made in improving social indicators. The need for access to concessional financing from international financial institutions is therefore important, as governments commit to medium-term structural reforms to reduce debt levels. Support is also vital as authorities explore medium-term strategies to strengthen economic activities and reduce vulnerabilities.

Financial sector activities are a significant part of some Caribbean economies. Regional authorities remain concerned that the changes contemplated to regulations in advanced countries could have negative unintended consequences on these activities. There is still a risk that transparent well-regulated jurisdictions could be harmed by the measures taken against non-cooperative jurisdictions, including tax havens. Again, countries that comply with international standards should be protected from such measures.

IMF Reform

Our response to the recent crisis has put into sharp focus the critical role the IMF has to play in supporting our collective efforts. The Fund faced criticism in recent times as it tried to deal with 21st century crises stemming from volatile international capital flows, but using tools aimed at combating 20th century current account problems. Since last year, the Fund has moved swiftly to adapt its operations to help members weather the economic and financial turmoil—we should applaud their efforts over the last year. While the IMF and its membership acted decisively to address shortcomings, we need to take advantage of this momentum to push for further progress on strengthening the Fund and preparing it to fulfil its role of promoting global stability. This includes the need for members to provide clearer direction on the role we want the IMF to play in surveillance and lending.

We need the IMF to meet three tests in order to be ready for the challenges going forward. The IMF needs to be legitimate, credible and effective:

- A legitimate Fund requires that voice and representation reflect the economic realities of the 21st century.
- A credible IMF requires the necessary resources and instruments to achieve its agreed mandate, but also the trust of its members.
- Finally, an effective Fund requires a strategic and accountable governance structure, as well as members committed to carrying out their responsibilities to the institution and to each other.

These three characteristics are interrelated, and unless we make progress on all three fronts, we will have missed an historic opportunity.



Legitimacy

In terms of legitimacy, a key challenge is to ensure that the Fund reflects the changing economic weight of members in the global economy, while also safeguarding the voice of the Fund's poorest low-income members. In this respect, I hope all IMF members will support the historic agreement among G20 Leaders in Pittsburgh:

- to a shift in quota share to dynamic emerging market and developing countries of at least 5 per cent from over-represented to under-represented countries using the current IMF quota formula as the basis to work from; and
- to protect the voting share of the poorest in the IMF.

Legitimacy, however, is not just about quota. It is also reflected in an open, transparent and merit-based selection process for the Managing Director and senior management that does not reserve a place for select countries. The best candidate for the job needs to be selected, irrespective of nationality, based on their qualifications and factoring in the need for diversity.

By the 2010 Spring Meetings, the Executive Board should present to Governors a process for Managing Director and senior management appointments that fulfills these criteria. We as Governors should endorse that process through a Governors' vote and implement it for all future competitions. This effort at the IMF needs to be matched by the World Bank and the regional development banks, as endorsed by G20 Leaders in Pittsburgh.

Credibility

The second pillar that we need to continue to make concrete progress on is IMF credibility, which means two things. First, the IMF needs sufficient resources and the right tools to do the job. I am encouraged here because much has been achieved in the last year to bolster Fund resources and reform its lending facilities. Indeed, its credibility as global firefighter has been re-established through innovations like the Flexible Credit Line and low-income country facility reforms, the Special Drawing Right allocation, New Arrangements to Borrow expansion efforts, and the upcoming increase in IMF quotas. We now need to take time to see how these important reforms will work out in practice before we look to implement further changes.

But, as we look ahead, it is important that we collectively give greater consideration to the future role of the IMF in promoting international economic stability. While the traditional role of the Fund—to promote international monetary cooperation and economic stability by supporting a judicious balance of financing and adjustment—will continue to remain relevant, we must also face the reality that our economies now operate in an environment where private capital flows dwarf those from the official sector. Indeed, the international financial crises of the past 15 years have demonstrated the need to deal effectively with volatile cross-border flows of capital in a way that does not impose an unsustainable burden on members on the one hand, or undermine the efficient allocation of capital on the other.

This points to the need to strengthen the Fund's mandate of macrofinancial stability in all its dimensions—financial sector, domestic macroeconomic policies, and currency arrangements. Credibility demands that the Fund's mandate remain relevant and up-to-date.



To this end, I am very pleased that the Chairman of the International Monetary and Financial Committee (IMFC) is hosting a meeting dedicated solely to the question of the IMF's mandate. It will be important that we all work together to articulate a common vision of the Fund's role in the global architecture, one that reinforces that macrofinancial stability is at the core of the Fund's mandate. Our first task in Istanbul must be to define a venue to continue this productive discussion, so that this important review may begin.

The second front on IMF credibility is gaining the trust of members, which—while the situation has definitely improved—in some cases remains a challenge for the IMF. In practice, this means the Fund must give its members analytically strong, candid, even-handed policy advice. Even-handed means similar circumstances yield similar advice, while reflecting relevant national circumstances. But the membership must also be receptive to critical advice. We cannot compromise on the Fund's role as a tough truth teller.

Effectiveness

The third pillar of IMF reform is effectiveness, and it means two things. First, the IMF needs a modern, accountable governance structure. Governors need an effective venue to set the strategic direction for the Fund and Bank, which argues for seeking improvements to the IMFC. I applaud our Chair for taking initiative in this regard. The format of this meeting is an improvement over the past, and we should continue to seek improvements in the deputies' and communiqué development processes.

In turn, the Managing Director needs to implement the strategic direction set by Governors. That means giving the Managing Director the leeway to operate, but Governors and the Executive Board in turn must hold the Managing Director and senior management to account for their performance. The Executive Board needs to focus on strategic policies, streamline its workload and promote institutional accountability.

In short, we need to make progress on corporate governance issues if the Fund is to reach its full potential. This reform effort should maintain an effective forum for Governors to provide strategic direction to the Fund, and engage capitals in holding the IMF to account for its lending and surveillance decisions. Article IV reviews and the governance arrangements for IMF lending should encourage efficiency and accountability. Management and staff must have the independence they need to speak truth to power, but must be constrained by clearly defined responsibilities, performance standards, and reporting mechanisms. The Manuel Committee report and the recommendations of the IMF's Independent Evaluation Office will be very useful in this exercise.

While I believe these reforms are needed, they are not enough. The IMF is a member-based institution, and if members do not take their responsibilities seriously, it does not matter if the IMF is legitimate or credible. It still will not be effective. The Fund membership needs to improve its record of responding to and implementing IMF policy advice.

As mentioned, this latest crisis has demonstrated the interconnectedness of the global economy. We all face immense challenges that will only be tackled through collective action and we need to avoid policies that have negative spillover effects for each other. Thus, transparency amongst governments and with markets is critical. Article IV and Financial Sector Assessment Program (FSAP) reports have a key role—IMFC members should publish their reports as a symbol that we are taking our responsibilities seriously. Systemically important countries should also commit to regular, published FSAP updates.

Beyond transparency, real cooperation is needed between IMF members and with the Fund. This is why I fully support G20 efforts to institute a new peer review mechanism under the G20 Framework for Strong, Sustainable, and Balanced Growth, announced in Pittsburgh last week. While the modalities for this exercise must be set, I see a strong role for the IMF in this process as a trusted advisor and tough truth teller.



Conclusion

In closing, we have made significant progress on IMF reform since last year. We now need to finish the job to ensure the institution is legitimate, credible and effective. We all need to show flexibility, look beyond narrow self-interests and invest political capital in making this happen, because we need a strong IMF to help sustain the cooperation we need to succeed over the coming years. I hope the roadmap that I have laid out here will help in this regard.



Annex 3

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 26, 2009

The financial and economic turmoil that began in advanced economies is now truly a global crisis that is spilling over into developing countries, and with serious repercussions. This meeting of the Development Committee is an opportune time for us to discuss the risks for developing countries and share views on what can be done to help.

It is now clear that for many countries, the effects of the crisis are being felt sooner and are harder than expected. Over the last few months, the International Monetary Fund (IMF) and World Bank have adjusted their growth projections for developing countries downwards rapidly and sharply, with negative growth now projected for Latin America and the Caribbean, Central and Eastern Europe, and Central Asia.

The crisis is hitting developing countries from a number of directions—a deterioration of trade, sharply lower commodity prices, and a serious fall in private capital flows, foreign direct investment and remittances. This is made worse by the fact that the crisis is following on the heels of a global food and energy crisis that has drawn down the fiscal space that existed in many countries. The risks in terms of deepening poverty, child mortality and loss of development progress are significant.

Staving off an extended global recession and promoting early recovery is of primary importance in containing the impact on all countries, whether advanced, middle-income or low-income economies. In this respect, leaders provided a strong response at the London Summit on April 2, 2009, including commitments in the four highest priority areas: fixing the financial system and getting credit flowing, implementing coordinated stimulus activity, avoiding protectionism and strengthening financial market regulation. Restoring global growth to a sustainable, balanced path is the most significant thing members can do to help mitigate the impact of the crisis on developing countries.

At the same time, assistance to help developing countries through the turmoil will be critical. The World Bank Group and IMF have begun responding to needs and working to improve the tools they have available. We need to ensure that the World Bank and IMF can play a counter-cyclical role through the crisis, providing additional assistance to developing countries through the economic downturn. This is not only a matter of providing a higher volume of assistance, but also of having the right tools to provide assistance that is timely and targeted to the most vulnerable populations. At the same time, however, we need to be mindful of avoiding a new build-up of unsustainable debt levels in low-income countries and not jeopardizing the financial sustainability of the international financial institutions themselves. Finally, it remains important to make progress on governance reforms at the World Bank to strengthen it as a platform for international cooperation.



World Bank Group Assistance

We very much support the concrete actions taken by the World Bank Group and IMF in this respect. For the World Bank, this includes the near tripling of lending from the International Bank for Reconstruction and Development (IBRD) to provide up to \$100 billion over three years, the crisis response facilities set up by the International Finance Corporation (IFC), and the new Vulnerability Financing Facility to fast-track funding to low-income countries for critical social and infrastructure spending, food security and social safety nets to protect the most vulnerable. We commend the Bank for moving quickly on these initiatives, for exploring innovative responses and for its efforts to mobilize broad participation by donors and the private sector.

We note that small island states in the Caribbean region have been particularly hard hit by the fuel, food and economic crises. These events have caused a significant fall in remittances, inflation in essential food items, and negative growth in their tourism sector. We hope to see the World Bank direct more resources to these countries, especially with the new crisis mechanisms in place, and we urge it to develop innovative approaches to assist these countries and to look at what policies might be unduly constraining their access to financing.

Canada stands ready to assist developing countries through the crisis. We are providing US\$200 million to the IFC's Global Trade Liquidity Program to help counter the ongoing collapse of trade finance in the developing world.

Last year, Ireland was the sixth-largest aid donor in the world in per capita terms. Notwithstanding recent difficult decisions in relation to adjustments of the Irish overseas aid program, this is likely to be maintained in 2009. Ireland remains very much engaged in overseas development, with a clear emphasis on hunger, food security and poverty alleviation, especially in Africa.

At the time of the United Nations (UN) Summit last September, Ireland launched the Report of the Hunger Task Force, which was warmly welcomed and focuses on three areas where action can have a great impact: increasing smallholder agricultural productivity in Africa; targeting maternal and infant under-nutrition; and making hunger eradication a priority at both the national and international level. Ireland also announced, in January 2009, that the eradication of hunger would become a cornerstone of the Irish aid program, and appointed a Special Envoy for Hunger to assess the international response to the global food security crisis and advance measures to tackle this challenge. Ireland is also actively working with the UN Secretary-General's High Level Task Force on the Global Food Security Crisis, and is keen to see the development of a new partnership that can put hunger at the top of the political and development agenda.

IMF Assistance for Low-Income Countries

The IMF has an essential role to play in assisting those with urgent balance of payment needs and we therefore welcome the action it has taken to promptly implement the outcomes of the London Summit, including the proposed doubling of access limits for low-income countries in a manner that is consistent with debt sustainability. Looking ahead, the IMF has laid out an ambitious work plan to thoroughly review its low-income country facilities and financing framework to ensure that it has the right tools to help the poorest and most vulnerable respond to this and future crises. I am encouraged by the direction in which this work is headed, and I encourage the Fund to work with the Executive Board to complete this review process rapidly.



Debt Sustainability

As the international financial institutions and donors continue to explore ways to mobilize additional resources to help low-income countries through the crisis, it will be important to keep in mind the need to avoid a new build-up of unsustainable debt levels. We must be mindful of safeguarding the significant progress achieved under the Enhanced Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. We believe that the emphasis should be on providing additional resources to low-income countries in the form of grants, and proposals to provide more non-concessional resources to low-income countries should be approached with great caution, as countries' risk of debt distress could shift in line with deteriorating economic conditions.

World Bank Financial Sustainability

As a financial institution, the World Bank has itself been affected by the crisis, with the result that, should this be a prolonged crisis, the IBRD and IFC will experience pressure on their capital adequacy and ability to generate net income, including for continued contributions to support the International Development Association. It is essential that the IBRD and IFC remain financially healthy and viable in order to play their critical role in economic growth and poverty reduction, and we ask management to fully assess the implications of a prolonged crisis on the resource adequacy of these institutions and the role they will be able to play in crisis response. Management should bring forward a range of measures to strengthen the IBRD and IFC's financial positions, for consideration by the Executive Board.

World Bank Governance Reforms

The economic crisis underscores the need for the international community to work together, and in this respect the World Bank and IMF play a critical role as both are key platforms for international cooperation and dialogue. A clear demonstration of this is the central role they are playing in monitoring the impact of the crisis on developing countries, bringing it to the attention of the international community and encouraging action. These institutions are important assets for the international community, and it is important that we ensure their legitimacy and effectiveness for the future. An important part of this is completing the World Bank's governance reforms.

This includes the ongoing work to improve the voice and participation of developing countries in the institution's decision-making processes. We were very supportive of the agreement reached last fall to add a third seat on the Executive Board for Sub-Saharan Africa and to double "basic votes" to increase the relative voting power of the poorest and smallest member countries. Within this constituency, the governments of Ireland, Jamaica, Barbados, the Bahamas and Saint Lucia have already formally ratified this agreement and others, including the Government of Canada, are now taking necessary steps to do so.

Over the next few months, we will actively participate in shaping a further phase of reforms, focused on a review and realignment of shareholding. We believe that an equitable shareholding alignment would be best achieved through the regular and reliable application of a World Bank-specific formula that has global economic weight as its foundation, but may also include other relevant factors given the institution's development mandate.

In addition, we note the importance of the work being done by the Executive Board on internal governance reforms, to support efficient and effective Executive Board decision-making, and to ensure that it provides strong oversight, accountability and strategic direction, while also leaving World Bank management with enough flexibility to respond to changing recipient country needs and circumstances in a timely manner.



We also strongly believe that the heads and senior leadership of the international financial institutions, including the World Bank and IMF, should be appointed through open, transparent and merit-based selection processes, regardless of nationality. We are pleased that many members have expressed support for this.

Istanbul, Turkey October 5, 2009

We would like to thank our host, the Turkish government, for having us here today in this beautiful and historic city.

The financial and economic crisis has underscored just how valuable it is for us to have strong international financial institutions to support us in global cooperation. These institutions have been instrumental in alerting us to the challenges facing developing countries through the crisis and have been on the front line in responding to their needs.

This meeting comes at an important juncture. We have worked hard over the last few months to ensure swift action. The multilateral development banks have ramped up their lending significantly and are on track to meet the goal set at the London Summit of providing \$100 billion in additional financing. They have also set up specialized crisis facilities to tackle critical gaps, such as food security and trade finance. And, shareholders have helped to support this with capital and other financial contributions.

We now have an opportunity to harness this momentum to move forward on key institutional reforms. In this regard, I want to reiterate the importance of strengthening the legitimacy, credibility and effectiveness of the World Bank Group. We need to take the steps necessary to ensure that this institution meets all three of these essential tests if we want it to continue to serve as a strong platform for our cooperation into the future.

- A legitimate World Bank Group requires that voice and representation reflect the economic realities of the 21st century.
- A credible World Bank Group requires sufficient resources and responsive toolkits.
- Finally, an effective World Bank Group requires a strategic and accountable governance structure.

Legitimacy

It is important that we continue to move forward on the World Bank Group's voice and participation reforms and meet our goal of reaching a final agreement by spring 2010.

Last fall we reached an agreement on phase one of these reforms. We now need to follow through with it, and to do so, we need members to signal their formal acceptance. Many of the members in our constituency have done so, including members from the Caribbean, as well as Ireland. I am pleased to say that Canada has taken many of the steps required for formal acceptance and we intend to complete the process as soon as possible.



On phase two of these reforms, including the realignment of shareholding, we think it is worth taking stock of the progress we have made so far. In our view, we have taken two very important steps forward. First, we have broad recognition that the World Bank should finally have its own unique formula for representation and that the past practice of basing it loosely on International Monetary Fund quotas and making ad hoc adjustments is no longer adequate. Second, we have support for this to be a dynamic process, so that representation can reflect the natural evolution of our global economy. This will provide the foundation to move over time towards parity in voting power and beyond, between developed and developing countries. At the Pittsburgh Summit, Leaders agreed that in this phase there would be an increase of at least 3 per cent of voting power for developing and transition countries.

Developing a formula that is acceptable to the membership as a whole and is right for the Bank as a financial institution will require a lot of work over the next six months. In Pittsburgh, Leaders also laid down key principles to help guide this exercise.

First, as the World Bank is a financial institution, economic weight should remain the primary foundation for the shareholding formula. The formula should be dynamic in order to take into account changes over time in economic weightings.

Second, the formula should take into account the relative strengths of donors' contributions to the International Development Association (IDA), in order to provide incentives to maintain strong support.

Third, there is a need to be fair to everyone in this exercise, which means setting one standard from which under-represented countries will move up and over-represented countries will move down in shareholding, regardless of whether they are categorized as a developed or developing country. That said, we support the preservation of the voting power of the smallest and poorest states, to ensure an adequate minimum level of voice.

And finally, voice must be matched by responsibility. In this regard, it will be critical that new shares have an appropriate paid-in portion, so that we are all making equal effort to support the Bank's financial capacity.

Credibility

The efforts of the World Bank Group in responding to the crisis should be recognized—it moved quickly to more than triple lending and put in place innovative, specialized crisis facilities such as the Global Food Response Program and the Global Trade Liquidity Facility. By being flexible and creative, the World Bank Group has succeeded in front-loading a large amount of resources.

The World Bank Group's vigorous response has placed pressure on its resources and we are open to a dialogue on its financial capacity—it must have enough resources to address the crisis and fulfill its important mandate post-crisis.

However, several important factors remain unknown at this point. The path of the recovery is unknown, and this has a great influence on what its financing needs will be going forward. It is also unclear how much of the \$1.5 billion in paid-in capital that is currently in an unusable form at the Bank will be released as usable equity. We also do not know how much capital will come in through the upcoming voice reform agreement.



As the World Bank Group does not face an immediate financing shortfall, however, we can take the time necessary to evaluate its long-term needs and do a comprehensive analysis of all possible solutions, including temporary ones. We should consider how mechanisms such as contingent capital could be used to increase World Bank lending at times of crisis. On this same timeline, we can also look at whether the current pricing model is sustainable.

Credibility also requires the World Bank Group to have a toolkit that is responsive to the needs of its clients. Through the crisis, the Bank has made a lot of effort to help developing countries protect public expenditure programs and implement urgent measures. But we need to continue strengthening the Bank's crisis response capabilities, especially in the predictability and flexibility of its financial support. In particular, the Bank has had limited flexibility in responding to the needs of low-income countries, and we need to look at options to address this. An important consideration is how to provide assistance through times of difficulty without creating future debt sustainability problems.

Effectiveness

With respect to fostering a more strategic and accountable governance structure, we think the internal governance reforms led by the Executive Board's Committee on Governance and Administrative Matters are very important. The reforms aim to lift the Executive Board and senior management out of transactional procedures to allow them to focus more on setting strategic direction. However, we need to make sure that we follow through properly on these, and we believe it would be useful to confirm in the spring that full implementation has been achieved.

Another area for continued attention is deepening the country-led development model and enhancing the Bank's ability to listen and respond to its client's individual needs. In this respect, true decentralization of decision making is critical, including in fragile states. We believe we also need more opportunities to hear directly from borrowing countries about their experiences with the Bank. In this respect, we would ask management to strengthen the voice of borrowing countries in the IDA replenishment discussions, including new ways of facilitating real dialogue and collaborative generation of ideas.

Finally, I want to reiterate my support for open, merit-based and transparent selection processes for the heads and senior leadership, irrespective of nationality, at the World Bank Group and at all other international financial institutions.

In conclusion, the crisis has demonstrated the importance of international cooperation. The international financial institutions, including the World Bank Group, are a concrete manifestation of that cooperation and it is incumbent on the membership to ensure that they are capable of supporting and sustaining our collective efforts. This requires that we work together to strengthen their legitimacy, credibility and effectiveness.



Annex 4

Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2009

Washington, DC

April 25, 2009

1. The International Monetary and Financial Committee held its nineteenth meeting in Washington, D.C. on April 25, 2009, chaired by Dr. Youssef Boutros-Ghali, the Minister of Finance of Egypt. It will hold its next meeting in Istanbul, Turkey on October 4, 2009.

Crisis Management

2. We restate our resolve to work collaboratively to restore international financial stability and global growth. We underline the central role of the IMF and welcome the vigorous actions taken to support countries in responding to the crisis. We commit ourselves to further strengthening the Fund's ability to assist in meeting members' external needs. We welcome the prompt response by Fund members in committing sizable support to the Fund's loanable resources, and encourage others to come forward.

3. We are committed to taking additional actions needed to ensure economic recovery, and in particular to:

- Take further decisive and cooperative action necessary to ensure the soundness of systemically important institutions, and to restore the financial health of banks, domestic lending, and international capital flows;
- Deliver the scale of sustained fiscal effort necessary to restore growth, within credible fiscal frameworks to ensure long-term sustainability;
- Maintain expansionary monetary policies where appropriate and for as long as needed, consistent with price stability; and
- Develop credible exit strategies from extensive government action as the crisis subsides.

4. We stress the importance of members taking account of the effects of their economic, financial, and investment policies on others, and refraining from protectionism in any form. The IMFC calls for urgently concluding an ambitious and balanced Doha Development Round, which will help boost the recovery of the global economy, and emphasizes the importance of ensuring the availability of sufficient trade finance.

5. We call on the IMF to assess regularly the actions taken and still required to restore macroeconomic stability, sustainable growth, and international financial stability. We will evaluate progress and the need for further action at our next meeting.

6. We welcome the G-20 Leaders' Statement, including the Declaration on Strengthening the Financial System. We underscore the importance of enhancing sound regulation, strengthening transparency, and reinforcing international cooperation. We urge the IMF to play a key role in contributing to international efforts toward these ends, consistent with its mandate.



Mobilizing Fund Resources

7. We call on the IMF to continue acting promptly to make available, under adequate safeguards, substantial resources to member countries with external financing needs. Since the IMF is, and shall remain, a quota-based institution, we urge a prompt start to the fourteenth general review of quotas so that it is completed by January 2011. We have agreed to increase the resources available to the IMF through immediate financing from members of US\$250 billion, subsequently incorporated into expanded and more flexible New Arrangements to Borrow (NAB), increased by up to US\$500 billion, and to consider market borrowing if necessary. We welcome progress by the NAB meeting yesterday, chaired by Japan and attended by NAB current and potential participants, and ask the group to carry this work forward expeditiously. While an expanded NAB is an important backstop for Fund resources, we recognize that it is not a substitute for a quota increase. We also stress the need to ensure that the Fund has adequate financing capacity to meet the needs of low-income countries.

8. A key achievement of today's meeting is ensuring the doubling of the Fund's loanable resources. The Committee commends the loan by Japan already approved, and recent commitments made by Canada, members of the European Union, Norway, Switzerland, and the United States.

Fund Programs and the Global Financial Safety Net

9. We welcome the overhaul of the IMF's lending and conditionality framework, including the new Flexible Credit Line (FCL) and high access precautionary arrangements (HAPAs). We also welcome the doubling of normal access limits for all borrowers, including under the PRGF and ESF. We support sufficient flexibility within IMF-supported programs, consistent with the Fund's mandate. In particular, we support giving due attention to the fiscal needs of countries with solid medium-term fiscal prospects, and the needs arising from bank restructuring and recapitalization, working with MDBs as appropriate. We call on the IMF to ensure the successful and evenhanded implementation of this new lending and conditionality framework, and ask the Managing Director to report on progress at our next meeting.

10. To strengthen the global financial safety net in the face of this severe crisis, the Committee supports:

- Doubling the Fund's concessional lending capacity for low-income countries, while ensuring debt sustainability, and exploring scope for increased concessionality. Subsidies could be financed through a combination of bilateral contributions—possibly by new donors—and the Fund's resources and income, including the use of additional resources from agreed gold sales, consistent with the new income model. Separately, the Committee calls on donors to honor their existing ODA commitments;
- Rapid completion of the reform of the Fund's facilities for low-income countries to make them more responsive to diverse country needs, and the review of options to enhance the flexibility within the Debt Sustainability Framework; and
- Rapid approval by members of (a) the pending amendment of the Articles of Agreement for a special one-time allocation of SDRs; and (b) a general allocation of SDRs equivalent to US\$250 billion, to become effective well before the 2009 Annual Meetings. We call on the IMF to put forward a concrete proposal assessing the case for the allocation and describing how it could be implemented.



Surveillance

11. We stress the need for efforts by both the Fund and members to enhance the effectiveness of surveillance and follow up by members of the Fund's recommendations. Particular attention to sources of systemic risks will be essential to help prevent future crises. We call for improving the surveillance process through, inter alia, greater focus on the effectiveness of the policy dialogue and clear communications, with an emphasis on candor, evenhandedness, and independence. We look forward to reviewing the Fund's transparency policy by the Annual Meetings.

12. We call for enhancing IMF surveillance through improving its analysis of the macro-financial linkages, cross-border spillovers, and sources of systemic risk wherever they may arise. We welcome the work of the IMF with the Financial Stability Board (FSB) to provide better indicators of systemic risks and address data gaps, and underline the importance of international cooperation in preventing such systemic risks. We welcome the work so far on the joint IMF-FSB early warning exercise, and look forward to discussing means of facilitating peer review and incorporating continuous monitoring of risk indicators in surveillance exercises that would provide signals of increased vulnerability and needed policy responses at our next meeting. We will also review progress in reshaping the FSAP. Embedding financial sector surveillance more effectively as an element of the Article IV consultation, and integrating its results into the broader macroeconomic surveillance work are important. We welcome the commitment by G20 members to undertake an FSAP.

Quota and Voice Reform

13. Early action by national authorities to make the April 2008 agreements on quota and voice reform and on the Fund's new income model effective is crucial. The upcoming review of quotas is expected to result in increases in the quota shares of dynamic economies, particularly 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. This work should start before the 2009 Annual Meetings.

14. Also, broader reforms to ensure International Monetary and Financial Committee active participation in the Fund's strategic decision making process should be promptly considered. The Committee calls on the Executive Board to report on this issue, as well as the Report by the Eminent Persons Group, and the work done by other groups, on enhancing the IMF governance structure by the next Annual Meeting in October 2009.

Istanbul, Turkey October 4, 2009

The International Monetary and Financial Committee held its twentieth meeting on October 4, 2009 in Istanbul, chaired by Dr. Youssef Boutros-Ghali, Minister of Finance of Egypt.

Policies for Sustainable Recovery and Financial Stability

1. Decisive and concerted policy actions are yielding signs of early recovery. We commit to maintaining supportive fiscal, monetary, and financial sector policies until a durable recovery is secured, and stand ready to act further as needed to revive credit, recover lost jobs, and reverse setbacks in poverty reduction. We emphasize that agreed financial sector and regulatory reforms should be completed without delay. We reaffirm our collective responsibility to avoid protectionism in all its forms. It is also important to continue international support for low-income countries' efforts to implement their long-term development plans and to combat poverty, and to continue monitoring the impact of the crisis on these economies.



2. We welcome the outcomes of the G-20 Summit in Pittsburgh and support its commitment to articulating policies for strong, sustained, and balanced growth in the global economy. Building on the IMF's central role in bilateral and multilateral surveillance, we call on the Fund to assist the G-20 mutual assessment by developing a forward-looking analysis of whether policies are collectively consistent with more sustainable and balanced trajectories for the global economy. We will remain vigilant to prevent financial sector excesses and the reaccumulation of unsustainable global imbalances. To this end, all countries need to reinvigorate their structural reform agendas supported by sound fiscal, monetary, exchange rate, and financial sector policies. We look forward to an update on these efforts by the time of our next meeting.

3. As the recovery takes hold, we are committed to work together in articulating and implementing credible and coordinated exit strategies for the withdrawal of public support for the financial sector, orderly unwinding of monetary policy support, and fiscal consolidation needed to underpin long-term sustainability. We call on the Fund to develop, by the time of our next meeting, principles for orderly and cooperative exit strategies taking into account country specific circumstances, and to advise on the development of exit policies and their consistency with global recovery and macro-financial stability.

Governance Reforms

4. Quota reform is crucial for increasing the legitimacy and effectiveness of the Fund. We emphasize that the IMF is and should remain a quota-based institution. We recognize that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries. In this context, we support a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented countries to under-represented countries using the current quota formula as the basis to work from. We are also committed to protecting the voting share of the poorest members. We urge all members to promptly consent to the still pending 2008 quota and voice reform. We call on the Executive Board to meet the agreed target of January 2011 for completing the Fourteenth General Review of Quotas. We ask the Fund to report on progress achieved in these areas at our next meeting.

5. We thank the Executive Board for its report on Fund governance reforms. We ask the Executive Board to continue to examine the full range of governance reforms. The Executive Board will report on progress on these issues at our next meeting. We intend to adopt an open, merit-based and transparent process for the selection of IMF management at our next meeting.

Fund Surveillance and Mandate

6. Important strides have been made to enhance Fund surveillance, including the launch of the IMF-FSB Early Warning Exercise, and ongoing efforts to strengthen financial sector and cross-country analysis. We ask the Fund to begin implementing rapidly the new flexible framework for the Financial Sector Assessment Program (FSAP), and to ensure that it can deliver sharper macro-financial surveillance and better integration into bilateral surveillance. Undertaking regular FSAP reviews and updates, particularly by systemically important countries, would contribute to effective macro-financial surveillance. We encourage further strengthening cross-country, regional, and multilateral surveillance, and look forward to the review and enhancement of the Fund's transparency policy. We endorse the updated Surveillance Priorities, and call on members to work with the Fund in achieving its goals.



7. More broadly, the crisis has shown that a further reassessment of the Fund's mandate is in order. We call on the Fund to review its mandate to cover the full range of macroeconomic and financial sector policies that bear on global stability, and to report back to the Committee by the time of the next Annual Meetings.

Fund Financing and International Liquidity

8. We thank members that have committed temporary resources to the Fund, allowing more than a tripling of its lending capacity in response to the crisis, and welcome the expected agreement on a renewed and more flexible NAB expanded by over US\$500 billion, which will be reviewed in light of the outcome of the Fourteenth General Review of Quotas. In the context of this review, the Fund should examine the appropriate size and composition of its resources needed to safeguard its long-term ability to meet members' needs, consistent with the Fund's status as a quota-based institution. We look forward to discussing the size of the overall increase in quotas, which also helps facilitate changes in quota shares.

9. We commend the Fund's innovative efforts to improve financial safety nets for member countries. Fund financial support to many members as well as the SDR allocations of US\$283 billion have helped restore confidence. The Flexible Credit Line (FCL), in particular, has provided important support to a number of emerging market economies. At the same time, increased concessional support has provided additional space in low-income countries for countercyclical policies.

10. The Fund should continue to strengthen its capacity to help its members cope with balance of payments problems, including financial volatility, and reduce the perceived need for excessive reserve accumulation. We ask the Fund, by the time of the next Annual Meetings, to study and report on the future financing role of the Fund. Building on the success of the FCL and high access precautionary arrangements, this study should consider whether there is a need for enhancing financing instruments and whether this can offer credible alternatives to self-insurance, while preserving adequate safeguards. We also call on the Fund to study other policy options to promote long-term global stability and the proper functioning of the international monetary system.

11. The overhaul of the Fund's concessional lending framework and its commitment to more than double concessional lending are welcome and significant steps. They will help meet the increased financing needs of low-income countries, with due regard for debt sustainability. We look forward to full implementation of the new income model, including the agreement on gold sales, and the commitment to provide additional subsidy resources. We welcome the commitment by some members to provide additional loan and subsidy resources. We urge other potential contributors to step up expeditiously their loan and subsidy contributions to ensure adequate resources for the agreed increase in IMF concessional lending.

12. The next IMFC meeting will be held in Washington, D.C. on April 24, 2010. An IMFC Deputies' meeting will be convened to prepare our next meeting and to take stock on progress made.



Annex 5

Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2009

Washington, DC

April 26, 2009

1. The Development Committee met today, April 26, in Washington, D.C.
2. The global economy has deteriorated dramatically since our last meeting. Developing countries face especially serious consequences, as the financial and economic crisis turns into a human and development calamity. Hard-earned progress towards the Millennium Development Goals (MDGs) is now in jeopardy. The crisis has already driven more than 50 million people into extreme poverty, particularly women and children. We must alleviate its impact on developing countries and facilitate their contribution to global recovery.
3. The World Bank Group (WBG) and the IMF have shown leadership and complement each other in helping developing countries respond to the crisis, enabling countercyclical measures, and helping to bridge the huge financing gap, including efforts to revive private capital flows. Multilateral institutions need the resources and capacity for effective crisis response and prevention. We welcomed member countries' commitments to a substantial increase in resources for the IMF.
4. More needs to be done as the crisis unfolds further. We now need to translate our respective commitments, including those made by the participants at the recent London Summit, into concerted action and additional resources. We urged all donors to accelerate delivery of commitments to increase aid, and for us all to consider going beyond existing commitments.
5. We welcomed the WBG's efforts to ensure a timely crisis response while maintaining its focus on long term development challenges, including those posed by climate change and the need to accelerate progress towards the MDGs. We noted the expected trebling of IBRD lending this fiscal year and the fast tracking of IDA 15 commitments. We supported the initiatives the WBG has launched and encouraged their timely implementation:
 - **To protect the poorest**, the Bank has set up the Vulnerability Financing Facility, including the Global Food Crisis Response Program and the new Rapid Social Response Program. IFC has also created the Microfinance Enhancement Facility to help poor borrowers.
 - **To reinvigorate trade finance**, IFC has expanded its Global Trade Finance Program from \$1 billion to \$3 billion, and has also launched its Global Trade Liquidity Program, expected to support up to \$50 billion of trade over the next three years.
 - **To maintain infrastructure development and create jobs**, the Bank has established the Infrastructure Recovery and Assets Platform. The Bank will lend up to \$15 billion a year for infrastructure, while IFC has launched the Infrastructure Crisis Facility.
 - **To help support the financial sector**, IFC has created the Capitalization Fund, to provide additional capital for developing country banks. MIGA has extended guarantees to loans to Eastern Europe for coverage of \$500 million.



Many of these initiatives are designed to mobilize more resources, both public and private. We welcomed the additional contributions that have been made and urged governments to consider further support. In addition, we called upon the WBG to update as appropriate its policies, instruments and strategies in light of lessons learned from the crisis.

6. We confirmed our support for making optimal use of IBRD's balance sheet with lending of up to \$100 billion over three years. Given the possibility of a slow recovery, we considered the potential need to deploy additional resources and asked the WBG to review the financial capacity, including the capital adequacy, of IBRD and IFC, and the adequacy of the concessional resources going to IDA countries, for our further consideration at the 2009 Annual Meetings.

7. The crisis and the need for a strong multilateral response further highlight the relevance of ensuring enhanced voice and participation of developing and transition countries in the governance of the WBG. Based on agreement at our last meeting for the Board to develop principles, criteria and proposals for Bank shareholding, we agreed to accelerate work on the second phase of the reform with a view to reaching agreement by the 2010 Spring Meetings. This must involve all shareholders in a transparent, consultative and inclusive process.

8. We welcomed the Board's review of internal governance and asked the WBG to continue the work, as part of the comprehensive approach to strengthening WBG governance and overall effectiveness.

9. The Committee's next meeting is scheduled for October 5, 2009 in Istanbul.

Istanbul, Turkey October 5, 2009

1. The Development Committee met today, October 5, in Istanbul. We wish to convey our sympathy to the people of Asia and the Pacific affected by the recent natural disasters, and the Bank stands ready to assist them.

2. The global economy has shown signs of recovery, but risks remain. In many developing countries, the impact on poverty and on the most vulnerable people is rising. As a result of the crisis, by end-2010, some 90 million more people risk being forced into extreme poverty. Hard-earned progress towards the Millennium Development Goals is in danger of being reversed. To protect the poor, we urged members to follow through on commitments to increase aid and its effectiveness. Developing countries play an important role in the global recovery and their progress will be essential for future growth. We welcomed continued progress by developing countries to improve their policy frameworks, and recognized that addressing financing constraints and investing in developing countries is critical for sustainable growth. We also acknowledged that the revival of world trade and investment will drive growth and urged members to avoid protectionist measures.

3. We welcomed the vigorous response by the World Bank Group (WBG) to the crisis, noting that IBRD's commitments almost tripled to \$33 billion this year, and IDA's reached an historic level of \$14 billion. IFC combined strong innovation with effective resource mobilization, providing \$10.5 billion in investments from its own account, and mobilizing an additional \$4 billion through new initiatives in global trade, infrastructure, microfinance, and bank capitalization. We stressed the importance of incorporating appropriate lessons from the crisis into the WBG's future work. We support the WBG's efforts to tackle long term development challenges in line with its comparative advantage, including investing in infrastructure development, support for private sector led growth and employment, climate change, food security, fragile states, and governance reform, including the Stolen Assets Recovery initiative.



We welcomed the ongoing work on a post-crisis strategy for the WBG and look forward to reviewing it at our next meeting. We called on the WBG to work with the regional development banks to assess their respective roles and methods of collaboration.

4. We welcomed the timely and effective efforts of the IMF. Member countries are delivering on promises to triple the IMF's resources. We welcomed the new SDR allocation, the more-than-doubling of the IMF's medium term concessional lending capacity to \$17 billion, the reform of IMF facilities for low-income countries (LICs), and streamlining of IMF structural conditionality. We supported the joint efforts by the Fund and the Bank to increase the flexibility of the Debt Sustainability Framework and the Financial Sector Assessment Program.

5. We encouraged the WBG to make full use of its existing resources, and are pleased the WBG is on track to provide over \$100 billion in IBRD financing over three years. We welcomed the progress in examining measures to improve the WBG's financial capacity and sustainability. We committed to ensure that the WBG has sufficient resources to meet future development challenges, and asked for an updated review, including on the WBG's general capital increase needs, to be completed by Spring 2010 for decision. The review should also address all possible contingent approaches as well as keep in mind the infusion of capital that would come from a special capital increase for voice reform. In considering the potential general capital increase needs of the IFC, the review should also examine the use of hybrid capital.

6. Core spending on health, education, social safety nets, infrastructure, and agriculture in LICs needs to be protected, while maintaining debt sustainability. In these circumstances, we committed to ensure that IDA has the concessional resources it needs. We committed to explore the benefits of a new crisis response mechanism in IDA to protect LICs from crises, to be considered as part of the IDA 15 Mid-term Review. We called on the Bank to develop a multilateral trust fund to support the Food Security Initiative for LICs in coordination with other relevant multilateral institutions and initiatives. We also asked the WBG to review further ways to make more resources, including IBRD enclave lending, available to LICs.

7. We committed to pursue governance and operational effectiveness reform in conjunction with voting reform to ensure that the World Bank is relevant, effective, and legitimate. We stressed the importance of moving towards equitable voting power in the World Bank over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates in the next shareholding review a significant increase of at least 3% of voting power for developing and transition countries, in addition to the 1.46% increase under the first phase of this important adjustment, to the benefit of under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries. We recommitted to reaching agreement by the 2010 Spring Meetings.

8. Continuing improvements in the corporate governance, accountability and operational effectiveness of the WBG are essential for confronting the development challenges of the 21st century. We welcomed progress to date and asked for a report for our next meeting on progress and proposals for advancing these reforms.

9. The Committee expressed its appreciation to the Government of the Republic of Turkey for hosting the Annual Meetings. It thanked Mr. Agustin Carstens, Secretary of Finance of Mexico, for his valuable leadership and guidance as Chairman of the Committee during the past three years, and welcomed his successor, Mr. Ahmed bin Mohammed Al Khalifa, Minister of Finance of Bahrain.

10. The Committee's next meeting is scheduled for April 25, 2010 in Washington, DC.



Annex 6

Operational Highlights and Key Financial Indicators of the IMF for Fiscal Year 2009

The flow of IMF disbursements (purchases) was larger than the flow of repayments (repurchases) in FY2009. However, between FY2005 and FY2008, the opposite was the case. FY2009 saw a large increase in purchases and a small decrease in repurchases.

IMF Resource Flows as of April 30

	FY2008	FY2009
	(millions of SDRs)	
Purchases	1,468	16,363
PRGF loans	484	719
Total disbursements	1,952	17,082
Repurchases	2,905	1,833
PRGF repayments	419	468
Total repurchases and repayments	3,324	2,301

Note: Numbers may not add due to rounding.

The IMF's outstanding credit increased significantly from FY2008 to FY2009, primarily due to increases in purchases (use by members) of Stand-By Arrangements.

Outstanding Credit by Facility and Policy as of April 30

	FY2008	FY2009
	(millions of SDRs)	
Stand-By Arrangements	5,182	19,925
Extended Arrangements	676	468
Supplemental Reserve Facility	–	–
Compensatory and Contingency Financing Facility	38	33
Systemic Transformation Facility	–	–
Subtotal, General Resources Account	5,896	20,426
SAF Arrangements	9	9
PRGF-ESF Arrangements	3,873	4,124
Trust Fund	66	66
Total	9,844	24,625

Note: Numbers may not add due to rounding.

Please see the IMF 2009 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 2009 Annual Report.



Annex 7

Active IMF Lending Arrangements—As of December 31, 2009

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(millions of SDRs)	
Stand-By Arrangements				
Angola	November 23, 2009	February 22, 2012	858,900	629,860
Armenia	March 6, 2009	July 5, 2011	533,600	231,660
Belarus	January 12, 2009	April 11, 2010	2,269,517	437,929
Bosnia and Herzegovina	July 8, 2009	June 30, 2012	1,014,600	831,970
Costa Rica	April 11, 2009	July 10, 2010	492,300	492,300
Dominican	November 9, 2009	March 8, 2012	1,094,500	894,500
El Salvador	January 16, 2009	March 31, 2010	513,900	513,900
Gabon	May 7, 2007	May 6, 2010	77,150	77,150
Georgia	September 15, 2008	June 14, 2011	747,100	364,600
Guatemala	April 22, 2009	October 21, 2010	630,600	630,600
Hungary	November 6, 2008	October 5, 2010	10,537,500	2,900,500
Iceland	November 19, 2008	May 31, 2011	1,400,000	735,000
Latvia	December 23, 2008	March 22, 2011	1,521,626	807,834
Maldives	December 4, 2009	December 3, 2012	49,200	45,100
Mongolia	April 1, 2009	October 1, 2010	153,300	45,990
Pakistan	November 24, 2008	December 30, 2010	7,235,900	3,066,565
Romania	May 4, 2009	May 3, 2011	11,443,000	5,355,000
Serbia	January 16, 2009	April 15, 2011	2,619,120	1,597,975
Sri Lanka	July 24, 2009	March 23, 2011	1,653,600	1,240,200
Ukraine	November 5, 2008	November 4, 2010	11,000,000	4,000,000
Total			55,845,413	24,898,633
Extended Arrangements				
Seychelles	December 23, 2009	December 22, 2012	19,800	18,920
Total			19,800	18,920
Flexible Credit Line				
Colombia	May 11, 2009	May 10, 2010	6,966,000	6,966,000
Mexico	April 17, 2009	April 16, 2010	31,528,000	31,528,000
Poland	May 6, 2009	May 5, 2010	13,690,000	13,690,000
Total			52,184,000	52,184,000



Active IMF Lending Arrangements—As of December 31, 2009 (cont'd)

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
(millions of SDRs)				
Poverty Reduction and Growth Facility				
Afghanistan	June 26, 2006	March 31, 2010	81,000	11,300
Burkina Faso	April 23, 2007	April 22, 2010	48,160	1,004
Burundi	July 7, 2008	July 6, 2011	46,200	26,400
Central African Republic	December 22, 2006	June 30, 2010	69,620	8,670
Comoros	September 21, 2009	September 20, 2012	13,573	9,345
Congo, Democratic Republic of the	December 11, 2009	December 10, 2012	346,450	296,957
Congo, Republic of the	December 8, 2008	December 7, 2011	8,460	4,834
Côte d'Ivoire	March 27, 2009	March 26, 2012	373,980	178,860
Djibouti	September 17, 2008	September 16, 2011	12,720	7,380
Gambia, The	February 21, 2007	February 20, 2010	20,215	1,995
Ghana	July 15, 2009	July 14, 2012	387,450	319,800
Grenada	April 17, 2006	April 16, 2010	16,380	1,680
Guinea	December 21, 2007	December 20, 2010	69,615	45,135
Haiti	November 20, 2006	January 31, 2010	114,660	7,610
Liberia	March 14, 2008	March 13, 2011	239,020	13,320
Mali	May 28, 2008	May 27, 2011	27,990	8,000
Nicaragua	October 5, 2007	October 4, 2010	78,000	23,900
Niger	June 2, 2008	June 1, 2011	23,030	13,160
São Tomé and Príncipe	March 2, 2009	March 1, 2012	2,590	2,220
Sierra Leone	May 10, 2006	May 9, 2010	51,880	19,185
Tajikistan	April 21, 2009	April 20, 2012	78,300	52,200
Togo	April 21, 2008	April 20, 2011	84,410	26,400
Zambia	June 4, 2008	June 3, 2011	220,095	55,185
Total			2,413,798	1,134,540
Exogenous Shocks Facility				
Ethiopia	August 26, 2009	October 25, 2010	153,755	80,220
Kyrgyz Republic	December 10, 2008	June 9, 2010	66,600	33,300
Maldives	December 4, 2009	December 3, 2011	8,200	7,175
Mozambique	June 30, 2009	June 29, 2010	113,600	14,200
Senegal	December 19, 2008	June 18, 2010	121,350	32,360
Tanzania	May 29, 2009	May 28, 2010	218,790	19,890
Total			682,295	187,145
Grand total			111,145,306	78,423,238

Note: Numbers may not add due to rounding.

Source: <http://www.imf.org/external/fin.htm>.



Annex 8

Operational Highlights and Key Financial Indicators for the World Bank Group in Fiscal Year 2009

Operational highlights and key financial indicators for World Bank Group associations are summarized in the following tables. IBRD lending commitments to member countries were \$32.9 billion in FY2009, up \$19.4 billion from \$13.5 billion in FY2008. The large increase is due to the large resource mobilization that the organization undertook in the wake of the global financial crisis. IDA lending increased by \$2.8 billion to \$14 billion for 176 projects in FY2009. The IFC committed \$10.5 billion in FY2009, a decrease of \$0.9 billion from FY2008 commitments. MIGA issued guarantees worth \$1.4 billion in FY2009, a decrease of 33 per cent from FY2008. MIGA attributes the decrease to a decline in investment due to the financial crisis.

International Bank for Reconstruction and Development

	FY2008	FY2009
	(millions of US dollars)	
Administrative expenses	1,258	1,441
Operating income	2,217	572
Total assets	233,599	273,681
Fiscal-year commitments	13,468	32,911
Number of projects	99	126
Gross disbursements	10,490	18,564
Principal repayments including prepayments	12,610	10,217
Net disbursements (losses)	(2,120)	8,347
Equity-to-loans ratio (per cent)	38	35

Sources: The World Bank Group Annual Report (2009) and IBRD financial statements (2009).

International Development Association

	FY2008	FY2009
	(millions of US dollars)	
Net income	(283)	1,850
Cumulative commitments	193,000	207,000
Fiscal-year commitments	11,235	14,041 ¹
Number of projects	199	176
Gross disbursements	9,160	9,219
Principal repayments	2,182	2,209
Net disbursements	6,978	7,010

¹ Includes a HIPC grant of \$45.5 million for Côte d'Ivoire.

Source: The World Bank Group Annual Report (2009).



International Finance Corporation

	FY2008	FY2009
	(millions of US dollars)	
Administrative expenses	549	582
Operating income (loss)	1,938 ¹	(153)
Total assets	49,471	51,483
Committed portfolio	32,400	34,502
Fiscal-year commitments	11,400	10,547
Number of projects	372	477
Loan and equity investments, net	23,319	22,214

¹ As restated—World Bank Group Annual Report (2009).

Source: IFC Annual Report (2009) and IFC consolidated financial statements (2009).

Multilateral Investment Guarantee Agency

	FY2008	FY2009
	(millions of US dollars)	
Administrative and other expenses	28.5	29.8
Operating income	55	50.6
Total assets	1,220	1,190
Statutory underwriting capacity	11,593	12,096
Fiscal-year guarantees issued	2,098	1,377
Number of new projects	23	20
Net exposure	3,578	3,966
Return on operating capital, before provisions (per cent)	7.3	3.2

Source: MIGA Annual Report (2009).



Annex 9

IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2009

By Area	IBRD	IDA	Total
	Amount	Amount	Amount
	(millions of US dollars)		
Africa	362	7,841	8,203
East Asia and Pacific	6,905	1,247	8,153
Europe and Central Asia	8,978	384	9,363
Latin America and the Caribbean	13,829	203	14,031
Middle East and North Africa	1,551	172	1,470
South Asia	1,286	4,148	5,434
Total	32,911	14,041 ¹	46,952 ¹
By Theme			Total Amount
Economic Management			2,304.7
Environmental and Natural Resources Management			5,085.4
Financial and Private Sector Development			9,694.8
Human Development			6,378.6
Public Sector Governance			6,108.4
Rule of Law			15.8
Rural Development			4,298.6
Social Development, Gender and Inclusion			813.2
Social Protection and Risk Management			5,295.7
Trade and Integration			3,444.1
Urban Development			3,466.7
Total			46,906.0
By Sector			Total Amount
Agriculture, Fishing, and Forestry			3,400.0
Education			3,444.8
Energy and Mining			6,267.4
Finance			4,235.6
Health and Other Social Services			6,305.5
Industry and Trade			2,806.5
Information and Communication			329.2
Law and Justice and Public Administration			9,491.6
Transportation			6,260.6
Water, Sanitation, and Flood Protection			4,364.9
Total			46,906.0
Of which IBRD			32,910.8
Of which IDA			13,995.2

¹ Includes a HIPC grant of \$45.5 million for Côte d'Ivoire.
Source: The World Bank Group Annual Report (2009).



Annex 10

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2009, by Region and Country

Region/country	IBRD		IDA		Total	
	No.	Amount (\$ millions)	No.	Amount (\$ millions)	No.	Amount (\$ millions)
Africa			4	461.6	4	461.6
Eastern Africa			1	90.0	1	90.0
Central Africa			1	50.0	1	50.0
Angola			2	87.0	2	87.0
Benin			2	100.0	2	100.0
Botswana	2	236.0			2	236.0
Burkina Faso			3	280.0	3	280.0
Burundi			4	115.0	4	115.0
Cameroon			2	100.0	2	100.0
Cape Verde			1	10.0	1	10.0
Central African Republic			3	21.0	3	21.0
Congo, Democratic Republic of the			3	354.0	3	354.0
Congo, Republic of the			2	20.0	2	20.0
Côte d'Ivoire			2	200.0	2	200.0
Ethiopia			5	1,145.0	5	1,145.0
Gambia, The			1	7.0	1	7.0
Ghana			4	550.0	4	550.0
Guinea			1	10.0	1	10.0
Guinea-Bissau			1	8.0	1	8.0
Kenya			3	465.0	3	465.0
Lesotho			1	25.0	1	25.0
Liberia			3	72.2	3	72.2
Madagascar			2	70.0	2	70.0
Malawi			1	30.0	1	30.0
Mali			4	226.0	4	226.0
Mauritania			1	4.5	1	4.5
Mauritius	2	118.0			2	118.0
Mozambique			3	159.6	3	159.6
Namibia	1	7.5			1	7.5
Niger			3	110.0	3	110.0
Nigeria			9	1,760.0	9	1,760.0
Rwanda			2	86.0	2	86.0
Senegal			4	178.5	4	178.5
Sierra Leone			2	14.0	2	14.0
Tanzania			6	620.0	6	620.0
Togo			3	57.0	3	57.0
Uganda			4	345.0	4	345.0
Zambia			1	10.0	1	10.0
Total	5	361.5	94	7,841.4	99	8,202.9



**Projects Approved for IBRD and IDA Assistance in Fiscal Year 2009,
by Region and Country (cont'd)**

Region/country	IBRD		IDA		Total	
	No.	Amount (\$ millions)	No.	Amount (\$ millions)	No.	Amount (\$ millions)
East Asia and Pacific						
Cambodia			1	20.0	1	20.0
China	13	2,360.0			13	2,360.0
Indonesia	9	4,225.0			9	4,225.0
Lao People's Democratic Republic			1	25.0	1	25.0
Mongolia			2	42.0	2	42.0
Philippines	3	320.4			3	320.4
Solomon Islands			1	4.0	1	4.0
Tonga			1	5.4	1	5.4
Timor-Leste			1	2.1	1	2.1
Vietnam			8	1,148.8	8	1,148.8
Total	25	6,905.4	15	1,247.4	40	8,152.7
South Asia						
Afghanistan			4	198.3	4	198.3
Bangladesh			9	1,096.9	9	1,096.9
Bhutan			1	20.2	1	20.2
India	5	1,286.0	4	956.4	9	2,242.4
Maldives			1	3.8	1	3.8
Nepal			4	140.2	4	140.2
Pakistan			8	1,609.7	8	1,609.7
Sri Lanka				122.1		122.1
Total	5	1,286.0	31	4,147.6	36	5,433.6
Europe and Central Asia						
Albania	2	83.0			2	83.0
Armenia	1	50.0	5	80.0	6	130.0
Azerbaijan	1	113.0	1	70.0	2	183.0
Belarus	2	185.0			2	185.0
Bosnia and Herzegovina	1	25.0		15.0	1	40.0
Bulgaria	3	409.0			3	409.0
Croatia	3	238.3			3	238.3
Georgia	1	70.0	1	100.0	2	170.0
Kazakhstan	1	2,125.0			1	2,125.0
Kyrgyz Republic			4	33.9	4	33.9
Macedonia, former Yugoslav Republic of	2	50.0			2	50.0
Moldova			3	25.0	3	25.0
Montenegro	3	41.3			3	41.3
Poland	2	2,550.2			2	2,550.2
Serbia	2	63.5			2	63.5
Tajikistan			3	32.5	3	32.5
Turkey	5	2,075.1			5	2,075.1
Ukraine	2	900.0			2	900.0
Uzbekistan			1	28.0	1	28.0
Total	31	8,978.5	18	384.4	49	9,362.8



**Projects Approved for IBRD and IDA Assistance in Fiscal Year 2009,
by Region and Country (cont'd)**

Region/country	IBRD		IDA		Total	
	No.	Amount (\$ millions)	No.	Amount (\$ millions)	No.	Amount (\$ millions)
Latin America and the Caribbean						
Argentina	7	1,840.0			7	1,840.0
Barbados	1	35.0			1	35.0
Bolivia			1	30.0	1	30.0
Brazil	12	3,604.2			12	3,604.2
Chile	1	30.0			1	30.0
Colombia	5	1,275.0			5	1,275.0
Costa Rica	2	565.0			2	565.0
Dominican Republic	1	27.5			1	27.5
El Salvador	1	450.0			1	450.0
Grenada			2	4.9	2	4.9
Guatemala	2	285.0			2	285.0
Haiti			5	39.6	5	39.6
Honduras			2	65.0	2	65.0
Jamaica	1	100.0			1	100.0
Mexico	7	3,422.8			7	3,422.8
Nicaragua			2	60.0	2	60.0
Panama	4	255.0			4	255.0
Paraguay	2	164.0			2	164.0
Peru	4	1,375.0			4	1,375.0
Saint Lucia			1	3.0	1	3.0
Uruguay	1	400.0			1	400.0
Total	51	13,828.5	13	202.5	64	14,031.0
Middle East and North Africa						
Djibouti			1	7.0	1	7.0
Egypt	2	870.0			2	870.0
Jordan	3	143.0			3	143.0
Lebanon		69.7				69.7
Morocco	1	132.7			1	132.7
Tunisia	3	335.6			3	335.6
Yemen			4	165.0	4	165.0
Total	9	1,551.0	5	172.0	14	1,723.0
Overall total	126	32,910.8	176	13,995.2	302	46,906.0

Note: Excludes a HIPC grant commitment of \$45.5 million for Côte d'Ivoire. Includes guarantees. Supplemental and additional financing operations (except for projects scaled up through additional financing) are not counted as separate lending operations, although they are included in the amount. Joint IBRD-IDA operations are counted only once, as IBRD operations. A blank space equals zero.

Source: http://siteresources.worldbank.org/EXTAR2009/Resources/6223977-1253132981998/6440371-1253210685497/Projects_Approved_by_Region_and_Country.pdf.



Annex 11

Canadian Contributions to World Bank Group Trust Funds

CIDA Disbursements Through World Bank Group Administered Trust Funds¹

2004–05	2005–06	2006–07	2007–08	2008–09	April 1- December 31, 2009	Total since 1999–2000
(millions of dollars)						
104.8	144.3	297.3	296.1	245.4	75.6	1,539.2

Key Disbursements in 2008–09 and From April 1 to December 31, 2009

Disbursement	2008–09	April 1- December 31, 2009
(millions of dollars)		
Pilot Program for Climate Resilience	85.0	–
Afghanistan—various	44.3	20.0
Sudan Multi-Donor Trust Fund	30.0	–
West Bank and Gaza—various	15.0	–
Private sector development—CARICOM	14.2	–
Education For All Fast Track Initiative	12.2	–
Vietnam—various	8.2	2.4
Indonesia—various	7.4	–
Bangladesh—various	5.3	0.4

Canadian Contributions to Global Initiatives Administered by the World Bank Group

Initiative	1999–2000 to 2006–07	2007–08	2008–09	April 1- December 31, 2009	Total since 1999–2000
(millions of dollars)					
Consultative Group on International Agricultural Research	118	17.9	15.8	–	151.7
Advance Market Commitment ²	115	–	–	–	115
Global Fund to Fight AIDS, Tuberculosis and Malaria	528.4	43	117.2	100	788.6
Global Alliance for Vaccines and Immunization ³	188	–	–	–	188
Global Environment Facility	345	56.6	49	41.9	492.5

¹ Data from 2004–05 to 2007–08 is revised from last year's reporting to reflect corrections in data entry for coding and vendor information.

² The Advance Market Commitment aims to stimulate the development and manufacture of affordable vaccines tailored to the needs of developing countries.

³ CIDA has supported and continues to support immunization activities through other initiatives and investments.

Source: CIDA.



Annex 12

World Bank Group Procurement From Canada

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

By World Bank Fiscal Year (July 1 – June 30)	Amount
	(millions of US dollars)
2006–07	52.2
2007–08	57.2
2008–09	40.8

Source: World Bank, "Summary and Detailed Borrower Procurement Reports" (2009).



Annex 13

World Bank Group Borrowing in Canada

On July 22, 2009, the Bank issued, via the Royal Bank of Canada, a C\$121-million capped floating rate bond due October 31, 2012. This was the only issue in Canada since November 20, 2007, when the Bank issued a C\$850-million 4.30% 5-year maturity global bond via TD Securities and HSBC.