



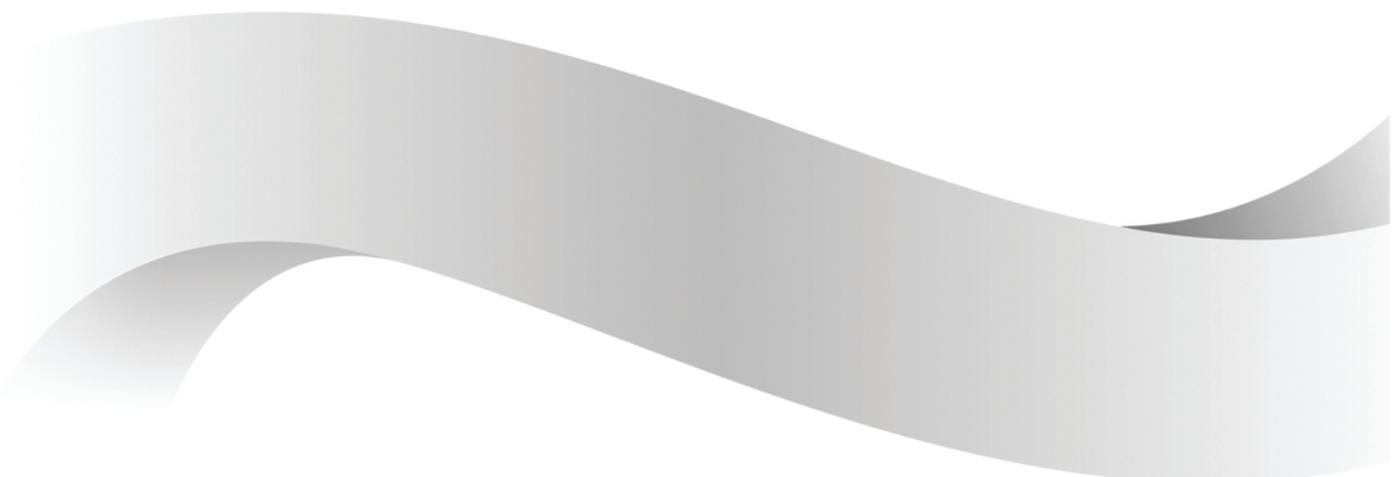
Department of Finance
Canada

Ministère des Finances
Canada

Canada at the IMF and World Bank Group

Report on Operations under
the *Bretton Woods and Related Agreements Act*

2013–2014

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Canada

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Table of Contents

Foreword by the Minister of Finance	5
Purpose of This Report	6
Overview	7
The International Monetary Fund	8
Key Developments at the IMF in 2013–14	8
Reporting on Canada’s Objectives at the IMF in 2013–14	14
Canada’s Objectives at the IMF in 2014–15	21
The World Bank Group	22
Key Developments at the World Bank Group in 2013–14	22
Reporting on Canada’s Objectives at the World Bank Group in 2013–14	28
Canada’s Objectives at the World Bank Group in 2014–15	36
Annex 1: Background on IMF Operations and Canada’s Engagement	37
Annex 2: Operational Highlights and Key Financial Indicators for the IMF for Fiscal Year 2014	48
Annex 3: Active IMF Lending Arrangements as of April 30, 2014	49
Annex 4: Background on World Bank Group Operations and Canada’s Engagement	51
Annex 5: Canadian Contributions to World Bank Group Trust Funds	65
Annex 6: Operational Highlights and Key Financial Indicators for the World Bank Group for Fiscal Year 2014	66
Annex 7: IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2014	68
Annex 8: Projects Approved for IBRD and IDA Assistance in Fiscal Year 2014, by Region and Country	69
Annex 9: World Bank Procurement From Canada	73



Annex 10: Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2013–14.....	75
Annex 11: Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2013–14.....	80
Annex 12: Acronyms Used in This Report.....	85



Foreword by the Minister of Finance

I am pleased to present to Members of Parliament and the Canadian public this annual report, entitled *Canada at the IMF and World Bank Group 2013–2014: Report on Operations Under the Bretton Woods and Related Agreements Act*.

The global economic recovery continues to underperform, unemployment is too high and the outlook for growth has not been sufficiently strong. For instance, compared to the 1998 to 2005 trend—a period that excludes the years of exceptionally high growth just before the financial crisis—per capita output in the Group of 20 (G-20) countries is currently 8 per cent lower and about 60 million fewer people are employed. Global policy makers must take actions to boost job creation, ensure sustainable public finances, and make their economies stronger and more resilient. Institutions such as the International Monetary Fund (IMF) and World Bank Group have an important role to play in these efforts by helping to translate constructive policy actions by member countries into stronger, more sustainable and more balanced growth.

As Canada's Governor at the IMF and World Bank Group, I am pleased with the contributions that these institutions have made to help address the challenges member countries are facing as they move from crisis to recovery. Canada has, and must continue to have, an active role and strong voice at these Bretton Woods institutions. Our views and objectives are set out for each institution in this report, and will guide our interactions for the coming year.

The IMF must continue to have the appropriate tools and governance structure to promote global economic and financial stability. Significant risks and vulnerabilities remain, and the IMF continues to support its membership through high quality analysis, advice and technical assistance, as well as direct financing. The ongoing geopolitical tensions in Ukraine provide a clear example of the institution's importance: the IMF's economic adjustment program for Ukraine has been at the centre of a multilateral effort to support that country's economic and political transition. Going forward, the institution must ensure that all of its lending programs have appropriate conditionality, and Canada will continue to advocate that they be supported by objective reviews of their design and effectiveness.

The World Bank Group has undertaken a number of internal reforms over the past year, with the goal of better helping countries achieve their poverty reduction and shared prosperity ambitions. It also finalized the seventeenth replenishment of the International Development Association (IDA), the arm of the World Bank that provides support to the world's poorest countries. Canada will provide \$1.4 billion over the next three years to this high-performing institution. Going forward, Canada will continue to encourage the World Bank Group to make the greatest use of its existing resources and to capitalize on its convening power. Building effective partnerships with member countries, the private sector and other international financial organizations will be a key factor in the Bank achieving its twin goals of eliminating extreme poverty and boosting shared prosperity.

I would like to express my appreciation for the IMF and the World Bank's support of the G-20 Working Group on the Framework for Strong, Sustainable and Balanced Growth, which Canada has co-chaired with India for the past five years. Their contributions have been instrumental in the development of action plans and accountability assessments approved by G-20 Leaders, as well as growth strategies that will be a key feature of Australia's G-20 presidency in 2014.

Canada will continue to play a leadership role in improving the effectiveness of and modernizing these Bretton Woods institutions, as we have for the past seven decades.

The Honourable Joe Oliver,
Minister of Finance



Purpose of This Report

This report summarizes the main developments at the IMF and World Bank Group in 2013–14, and reports on past and present objectives that are of core importance to Canada as a large shareholder in these institutions.

This report has been prepared in line with the Government's commitment to transparency in Canada's engagement with the IMF and World Bank Group, and in accordance with the requirements for annual reporting laid out in sections 13 and 14 of the Bretton Woods and Related Agreements Act:

The Minister of Finance shall cause to be laid before Parliament, on or before September 30 next following the end of each calendar year or, if Parliament is not then sitting, on any of the first thirty days next thereafter that either House of Parliament is sitting, a report containing a general summary of operations under this Act and details of all those operations that directly affect Canada, including the resources and lending of the World Bank Group, the funds subscribed or contributed by Canada, borrowings in Canada and procurement of Canadian goods and services.

The Minister of Finance shall cause to be laid before Parliament the communiqués issued by the Interim Committee of the International Monetary Fund and the Development Committee of the International Bank for Reconstruction and Development and the International Monetary Fund.

Unless otherwise stated, this report covers the fiscal year of both Bretton Woods institutions: May 1, 2013 to April 30, 2014 for the IMF and July 1, 2013 to June 30, 2014 for the World Bank Group.



Overview

The International Monetary Fund (“IMF” or “the Fund”) and World Bank Group (known as the “Bretton Woods institutions”) play a central role in the global financial architecture, with a particular focus on promoting global economic and financial stability and poverty reduction.

Canada is a member country of the IMF and of the World Bank Group’s five institutions: International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID).

Canada is among the largest shareholders at the IMF and World Bank Group. As a result, Canada has an important governance role at both institutions. The Minister of Finance represents Canada on the Board of Governors of both the IMF and the World Bank Group. Governors delegate day-to-day decisions to an Executive Director at both institutions. Given Canada’s shareholding and level of engagement, the Executive Directors representing our constituency at both institutions have traditionally been Canadian.¹

This report to Members of Parliament and the Canadian public provides an overview of the operations of the IMF and World Bank Group, discusses key developments at both institutions in 2013–14, describes Canada’s engagement and contributions, and reports on objectives that are of core importance to Canada.

Canada’s objectives at the IMF over the reporting period were:

- 1) Ensure the IMF has the appropriate tools and governance structure to promote global economic and financial stability;
- 2) Increase the traction of IMF surveillance and policy advice to bolster the economic recovery; and
- 3) Promote effective IMF lending programs and conditionality to address the root causes of instability.

Canada’s objectives at the World Bank Group over the reporting period were:

- 1) Promote appropriate financial instruments, policies and partnerships that strengthen program delivery within the World Bank Group.
- 2) Uphold the legitimacy of the World Bank Group, including through appropriate governance and accountability structures.
- 3) Ensure a constructive and progressive replenishment of the International Development Association.

This report is prepared by the Department of Finance in consultation with the Department of Foreign Affairs, Trade and Development (DFATD), and with input from the Canadian Executive Directors’ offices at the IMF and World Bank Group. Within the Government of Canada, the Department of Finance coordinates Canada’s engagement with the IMF and World Bank Group, consulting closely with other government departments and agencies, including the Bank of Canada and DFATD.

Links to more information are provided throughout the report. For detailed information on the end-of-year financial performance of the IMF and the World Bank Group, refer to their annual reports. Additional information on Canada’s official development assistance activities at these institutions is available in the Government’s annual report on the Official Development Assistance Accountability Act.

¹ Canada’s constituency includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana (World Bank Group only), Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.



The International Monetary Fund

Key Developments at the IMF in 2013–14

Supporting the Membership Through a Challenging Economic Recovery

From July 1, 2013 to June 30, 2014, the period covered by this report, the global economy continued to slowly emerge from one of the most significant financial crises of the past century. However, the global economic recovery continues to underperform, unemployment is too high, and the outlook for growth has not been sufficiently strong. The effects of the challenging economic recovery were felt across the membership of the IMF, and global growth prospects for 2014 were marked down by the IMF five times since January 2013, most recently in July 2014 to 3.4 per cent (down 0.2 per cent). Over this period, the Fund continued to help member countries overcome the challenges posed by the weak economic environment, through high quality analysis, advice and technical assistance, as well as direct financing.

IMF Lending and Total Exposures in 2013–14

To assist members in need, the IMF utilizes three main types of lending arrangements: (1) non-concessional lending to provide temporary assistance to countries facing balance of payments difficulties; (2) concessional lending for low-income and vulnerable members facing similar challenges; and (3) subject to qualifying criteria, precautionary credit lines to countries with a potential financing need. For more information on the IMF's operations, refer to the “Lending” section in Annex 1.

The IMF approved 12 lending arrangements in fiscal year 2014 (FY2014)—running from May 1, 2013 to April 30, 2014—for a total of SDR 24 billion (about C\$41 billion).² The number and total size of the arrangements were the lowest in six years, continuing the downward trend in IMF lending activity since the height of the global financial crisis.³ Nearly half (45 per cent) of the resources committed during FY2014 went to Ukraine's arrangement (SDR 11 billion). Two arrangements were approved on a precautionary basis and have not been drawn on to date—Colombia (SDR 3.9 billion) and Romania (SDR 1.8 billion). Table 1 lists all lending arrangements approved during FY2014 while Chart 1 shows the number and size of lending arrangements approved over the past 10 years.

At end-April 2014, the IMF had SDR 70 billion in resources committed to active arrangements in 30 countries (this total rises to SDR 149 billion in resources committed across 35 countries when including precautionary arrangements). Chart 2 shows the distribution between active and precautionary arrangements. European countries account for the vast majority (86 per cent) of resources committed to active arrangements, notably for Greece, Portugal and Ukraine. For the precautionary arrangements, the bulk of the commitments consist of facilities for Mexico (SDR 47 billion) and Poland (SDR 22 billion).

² The IMF's financial operations are conducted in Special Drawing Rights (SDRs). The SDR is the international reserve asset created by the IMF to supplement the existing official reserves of member countries. It can be exchanged for the freely useable currencies of IMF members. The SDR serves as the unit of account of the IMF, and its value is based on a basket of currencies comprising the US dollar, euro, pound sterling and Japanese yen. On April 30, 2014, 1 SDR equalled 1.70 Canadian dollars.

³ The 12 lending arrangements approved in FY2014 equalled the number of arrangements in FY2013, and it is the lowest number in the past six years.



Table 1
New IMF Lending Arrangements Approved During FY2014

Member	Lending Facility	Size (SDR Millions)	Size (C\$ Millions) ¹
Ukraine	SBA	10,976	18,637
Pakistan	EFF	4,393	7,459
Colombia ²	FCL	3,870	6,571
Romania ²	SBA	1,751	2,974
Tunisia	SBA	1,146	1,946
Cyprus	EFF	891	1,513
Jamaica	EFF	615	1,045
Albania	EFF	296	503
Armenia	EFF	82	140
Sierra Leone	ECF	62	106
Mali	ECF	30	51
Burkina Faso	ECF	27	46
Total		24,140	40,990

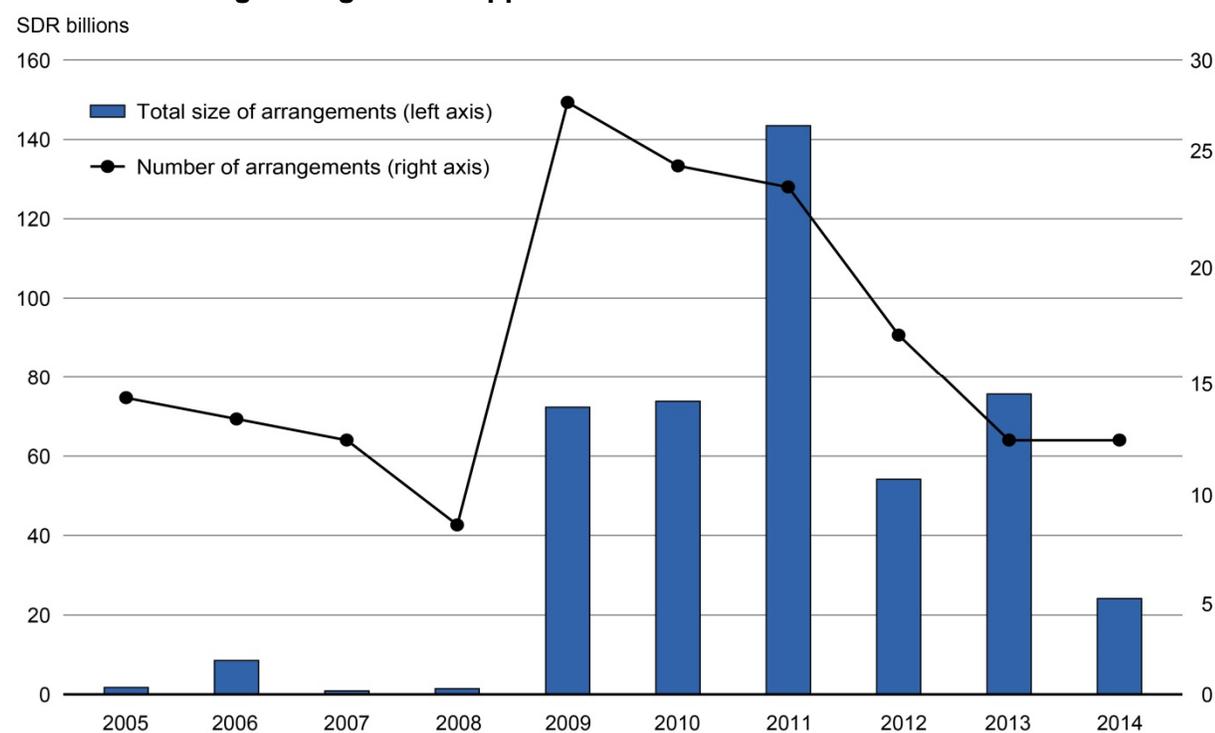
Notes: SBA = Stand-By Arrangement; EFF = Extended Fund Facility; FCL = Flexible Credit Line; ECF = Extended Credit Facility.

¹ C\$/SDR = 1.698 (as of April 30, 2014).

² Precautionary arrangement.

Sources: IMF; Department of Finance calculations.

Chart 1
New IMF Lending Arrangements Approved From FY2005 to FY2014



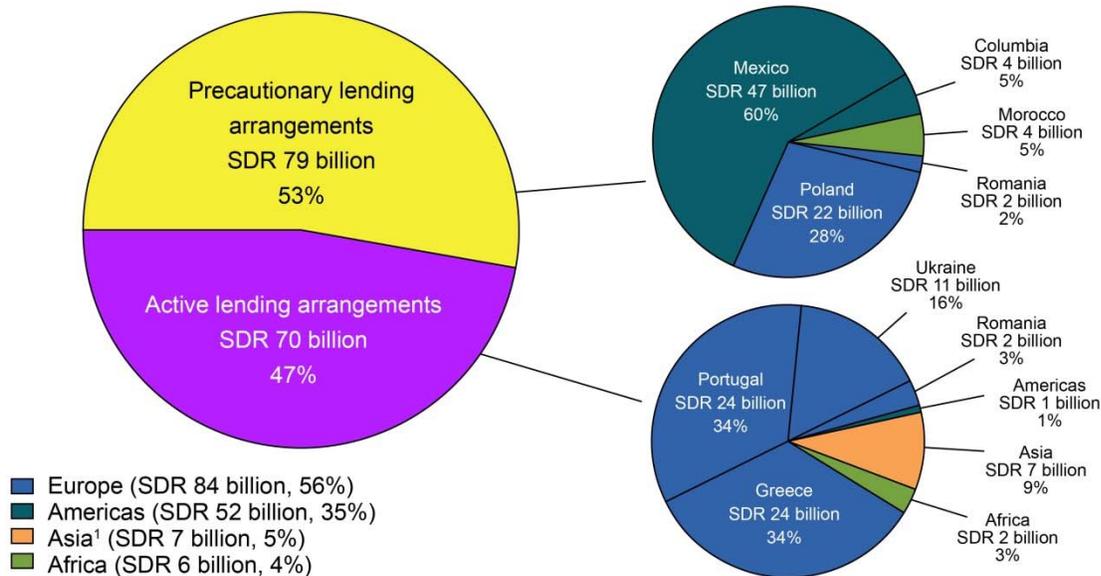
Sources: IMF, Finance Canada calculations

¹ Includes augmentations after arrangement approval



Chart 2
Total Lending Arrangements by Country/Region as of April 30, 2014

Size of Arrangements and % of Total



Sources: IMF; Department of Finance calculations.

¹ Includes Afghanistan, Jordan, the Kyrgyz Republic and Pakistan.

Tackling Challenges in Europe

The euro area⁴ appeared to have turned a corner from recession to recovery in 2013–14, with the IMF projecting a return to positive growth (1.1 per cent in 2014).⁵ However, the risks of very low inflation (or even deflation) and protracted low growth remain. In collaboration with the European Commission and the European Central Bank, the IMF continued to support economic reform programs in Greece and Cyprus with large-scale adjustment lending, program monitoring and technical assistance to help these countries move to a path of sustainable growth, sound finances and job creation. Both Ireland and Portugal exited from their economic adjustment programs over the previous year, and the IMF concluded its technical assistance mission to Spain. A new IMF program was approved for Ukraine in April 2014.

Euro Area IMF Program Updates

Cyprus—In May 2013, Cyprus entered into a three-year economic adjustment program with the IMF (€1 billion) and Europe (€10 billion), which included substantial private sector burden sharing, including losses on uninsured deposits, during the restructuring of its two largest and insolvent banks. The program is primarily focused on restoring balanced growth to Cyprus’ economy by reducing its over-reliance on the financial sector and volatile foreign deposits. As of June 2014, the program is on track with better fiscal performance than forecast. Cyprus continues to face challenges associated with a prolonged period of financial deleveraging and the transition to a sustainable business model for the economy.

⁴ The euro area is defined as the grouping of 18 countries within the European Union that share the euro as their common currency.

⁵ July 2014 *World Economic Outlook Update* (<http://www.imf.org/external/pubs/ft/weo/2014/update/02/>).



Greece—In March 2012, the IMF undertook a four-year, €28-billion economic adjustment program for Greece to address high levels of debt, an undercapitalized banking sector, a lack of competitiveness and badly needed structural reforms. The program also required a significant private sector debt restructuring and additional European financing of €145 billion. As of June 2014, the Greek program is making progress despite ongoing delays in IMF program reviews and lags in Greece’s reform implementation. The government achieved a primary surplus in 2013—ahead of schedule—and returned to private financial markets in April 2014. However, much of the progress on fiscal consolidation to date has been achieved through contracting the economy rather than through increased competitiveness and productivity. Greece’s growth potential is held back by an uncompetitive economy, high unemployment, government inefficiencies, and significant public and private sector debts. Euro area Finance Ministers pledged to support Greece with additional financing and debt relief, sufficient to reduce Greece’s debt-to-GDP (gross domestic product) ratio from 174 per cent at the end of 2013 to 124 per cent by 2020 and substantially below 110 per cent by 2022, so long as Greece continues to implement its reform commitments. As of June 30, 2014, Greece had largely met or exceeded its fiscal commitments but the additional support measures from Europe had not yet been identified.

Ireland—In December 2010, Ireland entered into a three-year comprehensive economic adjustment program with the IMF (€22.5 billion) and European partners (€85 billion) focused on restoring banking system health, fiscal sustainability and economic growth. Ireland successfully completed its program in December 2013, improving its fiscal position and regaining access to international financial markets. The IMF is no longer providing financial assistance to the country, but consistent with Fund policy will continue to monitor Ireland’s economy given its large outstanding obligations to the IMF. Notable ongoing challenges for Ireland include high levels of public debt, a large fiscal deficit, high unemployment and a banking sector weighed down by non-performing loans.

Portugal—In May 2011, Portugal entered into a three-year comprehensive economic adjustment program with the IMF (€26 billion) and European partners (€78 billion) focused on fiscal consolidation, restoring competitiveness and stabilizing the financial sector. Portugal successfully completed its program in June 2014 and is no longer receiving IMF financial assistance. As with Ireland, the Fund will continue to monitor Portugal’s economy given its outstanding financial obligations to the Fund. Ongoing economic challenges for Portugal include lack of competitiveness in some parts of the economy, high levels of indebtedness and banking sector weakness.

Spain—While the IMF did not provide financial assistance to Spain, the country did request that the Fund provide technical assistance and independent advice to assist the country’s program (supported by the European Stability Mechanism) to recapitalize and restructure its financial sector. The IMF’s assistance in monitoring the implementation of financial sector reform commitments concluded in February 2014.

New IMF Program in Ukraine

Ukraine faced significant challenges beginning in early 2014 as deep-seated economic and financial vulnerabilities were exacerbated by severe political turmoil. As tensions with Russia intensified, Ukraine’s macroeconomic situation deteriorated sharply, with significant downward pressures on Ukraine’s currency, a rapid loss of foreign exchange reserves and heightened financial sector instability.



To help restore macroeconomic stability and restart growth, Ukraine entered into a two-year Stand-By Arrangement with the IMF on April 30, 2014 worth SDR 11 billion (C\$18.6 billion). The key reform pillars of the program include: (1) increasing exchange rate flexibility; (2) stabilizing the financial system; (3) gradually reducing the fiscal deficit; (4) reducing losses in the energy sector while enhancing social safety nets; and (5) strengthening governance, transparency and the business climate. Ukraine has received the first portion of the repayable loan (worth about C\$3.5 billion).

Several other official bilateral and multilateral donors have pledged financial assistance of up to US\$20 billion to Ukraine to supplement the IMF program, including Canada, the US, Japan, the World Bank, the European Commission, the European Bank for Reconstruction and Development, and the European Investment Bank. Canada's commitment comprises: (1) a C\$200-million loan or loan guarantee to help stabilize Ukraine's economy and support programming consistent with Canadian development priorities; and (2) C\$21 million in technical assistance via IMF experts to strengthen public financial management and the National Bank of Ukraine.

While the IMF program is an important step towards restoring stability, its success depends critically on steadfast implementation of the program's reforms by the Ukrainian authorities. The new government has demonstrated a strong commitment to the program's reform agenda, having implemented a set of prior actions such as floating the exchange rate and raising energy prices. Another risk to the program's success is further destabilizing actions by Russia in the eastern part of Ukraine, which presents downside risks to the economic outlook in that region.

Supporting the Poorest and Most Vulnerable Members

Low-Income Countries

The IMF supports its low-income country members in a number of ways, including through low-interest adjustment lending from the Poverty Reduction and Growth Trust (PRGT). Canada is one of the PRGT's largest supporters, having contributed \$800 million in loans and \$40 million in subsidy resources. During the review period, SDR 119 million in PRGT programs was approved in Burkina Faso, Mali and Sierra Leone. For background on the PRGT, see the "Financial Resources" section in Annex 1.

Small States

More than a fifth of IMF members are countries with populations of under 1.5 million. These small members, including the 10 Caribbean countries represented by Canada at the IMF, often face unique challenges, such as economic volatility resulting from changes in the global business cycle. They are also among the most susceptible to natural disasters, external shocks and persistent weakness in the global economy. The IMF played an important role in assisting Canada's constituency members in 2013–14 by providing important technical assistance and advice as well as supporting ambitious macroeconomic adjustment programs in Antigua and Barbuda, Jamaica, and Saint Kitts and Nevis. Both Antigua and Barbuda and Saint Kitts and Nevis recently exited from formal programs with the IMF and are now undergoing post-program monitoring. Emergency assistance was also provided to Saint Vincent and the Grenadines following a natural disaster in late 2013.

With the unique challenges facing small states, it is clear that the IMF's advice and assistance must be tailored to meet their particular needs. In 2013–14, the Executive Director for Canada chaired an IMF Executive Directors' Working Group for small states. This proved a useful forum through which Canada advocated for recognition of the needs of small states, urging the IMF to continue to examine ways to enhance its engagement in support of these countries.



A notable outcome of the previous year's work was a new guidance note for IMF staff on how to engage with small developing states. The guidance note was issued in March 2014, to which the Working Group made a significant contribution. The note provides operational guidance for Fund staff, including on how small country size might influence the use of Fund facilities and instruments, program design, capacity building activities, and collaboration with other institutions and donors. The guidance note also builds on a number of outreach events organized by the IMF, including regional conferences held in the Bahamas (September 2013) and Vanuatu (November 2013). Over time, these efforts will better align the IMF's engagement with the needs of its small state members, reduce vulnerabilities and increase resilience in these countries.

Over the past year, Canada has continued to provide capacity development in small states through the \$19-million Canada–IMF Technical Assistance Sub-Account. In the Caribbean, support has focused on improving financial and banking systems. Canada's support has also initiated technical assistance to encourage central bank modernization in Suriname and to improve public financial management in Haiti. In addition, Canada continues to provide financial support to the IMF's regional technical assistance centres (see the "Capacity Development" section in Annex 1).

Modernizing Governance

The IMF has undertaken to evolve its governance structure with the aim of ensuring that it reflects the changing global economic landscape, particularly in view of the rising importance of emerging market economies (background on IMF governance and quotas can be found in the "Governance and Representation" section in Annex 1). The agreement on quota and governance reforms reached in 2010 ("the 2010 reforms"), which Canada ratified in 2012, was a major step in this direction.⁶ However, the 2010 reforms still await ratification by the institution's largest shareholder (the United States) to enter into force. The 2010 reforms are crucial to sustaining the Fund's legitimacy among its membership and their long overdue implementation is deeply regrettable.

The IMF was to conduct another round of quota reforms in 2013, called the 15th General Review of Quotas (15th Review), building upon the achievements of the 2010 reforms. However, the 15th Review has been put on hold to give priority to implementing the 2010 reforms. The International Monetary and Financial Committee (IMFC) and G-20 jointly agreed to set January 2015 as the new deadline to complete the 15th Review. Should the 2010 reforms remain unimplemented by the end of 2014, the IMFC and G-20 have committed to exploring other options for advancing the quota reform process. Discussions on a new quota formula, which guides the allocation of individual quota shares, will also resume within the context of the 15th Review.

⁶ The 2010 quota and governance reforms are composed of two main elements—the quota increase and the Board reform amendment, which each require a certain amount of consents to enter into force (additionally, the quota increase cannot become effective until the Board reform amendment is in effect). The only threshold yet to be met to put both elements into effect is members having 85 per cent of the Fund's total voting power ratifying the Board reform amendment. Ratification by the United States, which holds a 16.75-per-cent voting share, is therefore necessary (and sufficient) to put the 2010 reforms into effect.



Looking ahead, the 15th Review will focus on two main objectives: (1) aligning quota and voting shares more closely with members' positions in the global economy; and (2) ensuring the Fund has adequate permanent resources to meet its members' needs. For reforming the quota formula, the objectives will be to develop a simpler and more transparent formula that better reflects members' relative positions in the global economy, building on the progress already achieved in quota formula discussions over the past several years. Taken together, these reforms will play a key role in strengthening the Fund's legitimacy and effectiveness for years to come.

Reporting on Canada's Objectives at the IMF in 2013–14

Assessment of Progress Made on Canada's Objectives in 2013–14

The IMF has a critical role to play in safeguarding global economic and financial stability and supporting its members in their efforts to promote growth and prosperity. As a large shareholder with a seat at the Executive Board, Canada has an interest and responsibility to ensure the IMF is pursuing its mandate in an effective and accountable manner. In last year's report, the Government of Canada identified three objectives for 2013–14 which focus on core issues of importance to Canada. Further, the Government identified actions which the Minister of Finance, the Canadian Executive Director and Canadian officials were to engage in to further these objectives (see Annex 1 for more details on Canada's engagement).

Over the past year, Canada has actively pursued these objectives through a number of channels, including positions taken by the Minister of Finance and senior Canadian officials at the Annual and Spring Meetings of the IMF and at the G-20, and through the Canadian Executive Director's statements and votes at the IMF Executive Board. A detailed discussion of these objectives and the actions taken by Canada are highlighted below.

2013–14 Objective #1: Ensure the IMF has the appropriate tools and governance structure to promote global economic and financial stability.

- Actively engage in the 15th General Review of Quotas to ensure that voice and representation are more closely aligned with relative weights and integration in the global economy.
- Ensure the IMF provides full information and evidence-based scenario analysis when presenting an assessment of its medium-term resource needs.

Canada's first objective was to ensure the Fund has the appropriate tools and governance structure to promote global economic and financial stability. In order for the IMF to promote stability, its governance structure must be broadly seen by its membership as legitimate and the international community must have confidence that the Fund has adequate resources to fulfill its core responsibilities. Canada set out to achieve this objective by: (1) ensuring voice and representation at the institution is more closely aligned with members' relative weights and integration in the global economy; and (2) ensuring the Fund undertakes a rigorous, transparent and evidence-based analysis when assessing its resources needs.

15th General Review of Quotas

The 15th Review was intended to provide the main avenue for realigning members' voice and representation at the institution to reflect the changing global economic landscape, and ensuring the adequacy of the IMF's loanable resources. Unfortunately, the ongoing delays to the review limited the scope to make meaningful progress on reforming the Fund's tools and governance structure in 2013–14.



Nevertheless, Canada made significant efforts at the IMF Executive Board, IMFC and G-20 to constructively and pragmatically make progress on the quota reform process. We reiterated our flexibility and openness to all reasonable and practical options for proceeding with the 15th Review. We also encouraged progress in negotiations on a new quota formula by encouraging countries to move towards a consensus by tempering their positions on unresolved issues and by demonstrating a willingness to compromise in order to achieve a more legitimate and effective IMF. In addition, we advocated at the IMF Executive Board, IMFC and G-20 for a simpler and more transparent quota formula that guides the allocation of quota and voting shares more in line with members' relative weights and integration in the global economy.

IMF Resources

In terms of ensuring that the IMF has sufficient resources to carry out its responsibilities, Canada has historically been an important voluntary contributor to the IMF when credible needs have arisen (see last year's report for further details). Over the previous year, and in line with commitments made at the G-20 Leaders' level, Canada actively engaged in examining the adequacy of IMF resources by analyzing the potential financing needs of Europe and the rest of the IMF membership under adverse scenarios. Our position is that the Fund needs to credibly demonstrate potential financing needs of the membership, supported by robust analysis, in order to justify any requests for additional resources.

To assess the need for resources in the near term, the IMF prepares short-term scenario analyses of the potential demand for economic adjustment loans. These scenarios form part of the process to reactivate the IMF's standing multilateral borrowing arrangements, called the New Arrangements to Borrow (for background see the "Financial Resources" section in Annex 1). Over the past year, we have expressed the view at the IMF Board that these scenario analyses lack adequate transparency and focus only on low-probability, high-impact shocks. As a result, these scenarios point to a level of resource requirements for the Fund that is excessive. Indeed, the current IMF lending trend (noted above in the "Key Developments at the IMF in 2013–14" section) suggests that the demand for Fund loans is returning to pre-crisis levels. Looking forward, Canada will continue to press for scenario analyses that are clear, transparent and based on a realistic set of assumptions.

Canada also made efforts to ensure the IMF undertakes an appropriate assessment of its medium-term resource needs once the 15th Review resumes. Our push for an improved methodology will help lay the groundwork for more rigorous, transparent, realistic and evidence-based scenarios during the 15th Review.

Looking Ahead

Canada will continue to pursue its objective of ensuring the Fund has the appropriate tools and governance structure to promote global economic and financial stability. We will remain flexible and open to all reasonable and pragmatic options for advancing the quota reform process, and will work constructively once the 15th Review resumes toward strengthening the legitimacy and effectiveness of the Fund.



2013–14 Objective #2: Increase the traction of IMF surveillance and policy advice to bolster the economic recovery.

- Continue to advocate for IMF advice that is independent, candid and even-handed to promote confidence in its surveillance and advisory activities.
- Encourage the IMF to further tailor its surveillance and advice to meet the needs of its smallest and most vulnerable members.
- Promote robust analysis of exchange rates and press for clear and consistent application of the new institutional view on capital flows in IMF surveillance and advice.

Canada's second objective for the past year was to increase the traction of IMF surveillance and policy advice to bolster economic recovery. Over the course of 2013–14, Canadian efforts were focused on: (1) improving the independence and effectiveness of the IMF's policy advice to members; (2) encouraging a focus on the needs of the IMF's smallest and most vulnerable member states; and (3) promoting a clear and consistent application of the IMF's institutional view on capital flows.

This objective is consistent with Canada's efforts within the G-20, where we have worked collaboratively with other members to encourage greater implementation of IMF recommended best practices. Throughout the development of G-20 member growth strategies under the Australian Presidency, the IMF, along with other international organizations, has provided invaluable advice on what policy reforms members should undertake to strengthen domestic growth and generate positive international spillovers. The G-20's Mutual Assessment Process also provides a valuable complementary avenue to promote the increased traction of IMF surveillance and policy advice.

Independent, Candid and Even-Handed Advice for Member States

The IMF monitors the international monetary system and the economic and financial policies of its 188 member countries. The IMF also undertakes a regular review of its surveillance activities through its Triennial Surveillance Reviews (TSR). The last TSR, which took place in 2011, saw significant changes to the Fund's surveillance architecture to address weaknesses in the Fund's capacity to identify and warn about risks. Canada supported these changes, which led to improvements in the IMF's analytical and policy advice functions. Preliminary discussions over the 2014 TSR began during the period covered by this report, and Canada placed the highest priority on the effective implementation of the current framework, as well as improved consistency and better focus. Canada also strongly encouraged the Fund to seek external views on its policy advice and surveillance frameworks. Canada will continue to press for these outcomes over the course of the TSR process in the period ahead.

As part of its surveillance activities, the IMF produces three flagship reports on a semi-annual basis: the *World Economic Outlook*, the *Global Financial Stability Report* and the *Fiscal Monitor*. Each report showcases important IMF research and presents a valuable perspective on the global economy. We had expressed concern in the past over a lack of consistent messaging across the flagship reports, which undermined the effectiveness of the Fund's advice. More recent reports have improved in this respect and present a much more coherent set of messaging with regard to the risks to the global economy. However, the current system could still be more user-friendly. In particular, better integration of the different reports, with improved consistency and reduced repetition, coupled with a companion piece that provides an overall summary of the three flagship reports, would be a welcome improvement.



As part of the revamped post-crisis surveillance framework, the IMF also produces the *Pilot External Sector Report* and *Spillover Report*. Both reports seek to examine the influence of economic events in systemically large economies in a global context. The reports represent the Fund’s assessment of the implications of an increasingly interconnected global economy, with domestic policies in the biggest economies having feedback effects on other economies. Over the course of the past year, Canada was a strong voice at the Executive Board in favour of raising the profile of the external sector and spillover analysis, which is crucial to ensuring that staff and the authorities understand the value-added of such discussions. We called on the IMF to make these reports a permanent fixture of IMF surveillance. Looking forward, and consistent with our view on the flagship reports above, we will also continue to push for better integration of the results of these reports into the IMF’s bilateral surveillance of member countries.

Finally, Article IV of the IMF Articles of Agreement requires the Fund to undertake regular, usually annual, consultations with each member country on economic conditions and policies (for more details see the “Surveillance” section in Annex 1). This core element of the IMF’s surveillance activities has been somewhat undermined by the refusal of a small number of members to comply with their obligations (see Table 2). Over the course of the past year, Canada expressed concern at the Executive Board over the lack of a strong framework to incentivize countries to fulfill their obligations. Canada’s chair at the Executive Board led a coalition of 10 Executive Directors calling for an IMF proposal to enhance the IMF’s Article IV incentives framework. As a direct consequence of this joint appeal, this issue will be reviewed in late 2014, providing Canada with the opportunity to pursue this objective further.

Member	Completion Date of Last Consultation	Delay in Completion of Consultation (Months)
Somalia	November 13, 1989	281
Venezuela	September 13, 2004	103
Argentina	July 28, 2006	80
Madagascar	June 25, 2007	61
Eritrea	December 7, 2009	40
Syrian Arab Republic	February 26, 2010	37
Egypt	March 24, 2010	36

Analysis of Exchange Rates and Capital Flows

A key Canadian objective at the IMF is to ensure robust analysis of exchange rates and press for the consistent application of the new institutional view on capital flows in IMF surveillance and advice. For instance, the IMF’s *Pilot External Sector Report* includes a recently revised methodology for assessing exchange rates that we believe represents a significant improvement: the External Balance Assessment (EBA). The EBA aims to assess current accounts and exchange rates in a multilaterally consistent manner, while taking into account a much broader set of factors. The Bank of Canada has been and will continue to be actively engaged in supporting the effort to improve the EBA’s analytical framework.



As noted above, the IMF will be undertaking a Triennial Surveillance Review (TSR) later in 2014. While the 2011 TSR expanded the scope of the IMF's surveillance to include a greater focus on domestic policy and spillovers, it is imperative that these changes complement, rather than dilute, the core analysis of members' exchange rates. Consistent with this approach, Canada has advocated at the Executive Board for the need for clear and consistent exchange rate analysis in IMF Article IV assessments. The 2014 TSR will be a good opportunity to ensure Fund surveillance remains focused on this core priority.

In addition, the merits of the IMF's new approach to capital flows became apparent during the reporting period. Following the decision by the US Federal Reserve to begin decelerating its unconventional monetary policy measures in May 2013, there was increased volatility and capital outflows in a number of emerging market economies, which in turn put pressure on exchange rates and inflation. The IMF's new guidelines helped the Fund provide more consistent advice to members on managing the volatility of capital flows.

Looking Ahead

The traction of surveillance and policy advice has improved over the past year, but more can be done. In 2014–15, Canada will focus on strengthening the IMF's oversight of members' exchange rates, providing input into the 2014 TSR, strengthening the framework for ensuring that members undertake their surveillance obligations, and encouraging the uptake of IMF advice.

2013–14 Objective #3: Promote effective IMF lending programs and conditionality to address the root causes of instability.

- Encourage a detailed and objective review of lending and program design, particularly the Fund's engagement with regional financing arrangements, to learn from recent crisis experiences and further improve the effectiveness of adjustment programs.
- Actively engage in the planned review of precautionary lending instruments and focus on measures to encourage successful exit.
- Advocate for a continued focus on improving debt sustainability analyses and draw lessons for IMF policy from recent experiences with sovereign debt restructuring.

Canada's third objective was to work towards increased IMF programming effectiveness to address the root causes of instability. Over the course of the reporting period, Canada: (1) led efforts to ensure that the IMF will undertake an objective review of its crisis lending and program design; (2) contributed to the review of precautionary lending instruments; and (3) advocated for a continued focus on improving the IMF's debt sustainability analysis.

Crisis Program Review and Program Monitoring

In line with its mandate, the IMF ramped up its adjustment lending to countries in financial distress during the recent financial crisis. However, the IMF's success with its lending programs has been mixed. Good progress has been made with respect to phased fiscal consolidation and external adjustment. However, some of the Fund's programs have faced a number of challenges resulting from overly optimistic growth and debt projections. As a result, the programs had difficulty implementing growth-enhancing structural adjustments, particularly for those countries in a currency union. Canada has been pressing for a comprehensive and objective assessment to help the Fund learn from its recent lending experience and improve its ability to tackle future crises. We have also pushed for strong linkages between the lessons of the crisis review and the Triennial Surveillance Review (TSR) that will take place later in 2014. As with the TSR, Canada has expressed a desire to include independent external advice as part of the consultation process for the Crisis Program Review.



Canada was disappointed with the lack of progress made on this objective over the previous year, as the Crisis Program Review was continually delayed and at one time was removed from the IMF work program. Canada played an instrumental role in gathering sufficient support from other Fund members that ensured that the review, although delayed, will proceed. The Crisis Program Review is now scheduled to take place in May 2015. In addition, we will work to ensure that the specific lessons from the *ex post* evaluations of the IMF programs in Ireland and Portugal feed into the broader assessment of the Fund's performance in the wake of the financial crisis.

Canada also worked on improving the IMF's lending coordination through our engagement in the G-20's review of cooperation between the IMF and regional financing arrangements (RFAs). Transparency and effective coordination and dialogue between the IMF and RFAs can strengthen crisis prevention and resolution. However, cooperation can also pose risks to the Fund's independence and credibility in program design and monitoring, which was underscored during the Fund's partnership with the European Commission and European Central Bank in recent euro area programs. Canada advocated at the G-20 and IMF for a flexible and informal approach to IMF-RFA cooperation that safeguards the Fund's institutional independence and mandate. We were successful in this pursuit, with G-20 Leaders affirming at their 2013 Summit the importance of safeguarding the IMF's independence with respect to RFAs and welcoming a flexible and voluntary dialogue between the IMF and RFAs going forward.

Reviewing Precautionary Programs

Canada's focus over the past year was to encourage the IMF to undertake a thorough review of the design and incentive structure of its precautionary lending programs and to suggest options that the IMF staff should consider as part of the review. The review took place at the Executive Board meetings in February and May 2014, and IMF staff proposed changes that would align the qualification criteria of the Flexible Credit Line (FCL) and Precautionary and Liquidity Line; operationalize an external stress index to improve our understanding of a country's external risks to inform exit and access decisions; and allow for the use of indicators of institutional strength to help inform assessments of countries' capacity to respond in the event of an economic shock. Canada was generally supportive of these proposals.

Canada also pressed for changes that would: introduce a more progressive pricing structure for the instrument; implement more prescribed and shorter-term limits for precautionary arrangements; and ensure exit is viewed as a positive signal. As currently structured, there are no incentives—such as progressive pricing or term limits—to exit FCL arrangements. Incentives to exit are important as FCL programs are typically large, and therefore have a big impact on the IMF's lending capacity and reduce the amount of funding available for countries with immediate financing needs. As shown in Chart 2 and Annex 3, at the end of FY2014, precautionary programs accounted for 53 per cent (SDR 79 billion) of all GRA⁷ resources committed.

Canada was partially successful. The IMF has committed to review these instruments in three years' time, at which point commitment fees and exit strategies will be a centrepiece of the discussion.

⁷ GRA refers to the General Resources Account of the IMF. It is the principal account of the IMF, consisting of a pool of currencies and reserve assets representing the paid subscriptions of member countries' quotas. The GRA is the account from which the regular lending operations of the IMF are financed.



Improving Debt Sustainability Analyses

In the wake of the financial crisis, some of the IMF's economic adjustment programs were based on overly optimistic assumptions about the sustainability of a sovereign's debt. In some cases, such as for Greece, this delayed the necessary debt restructuring and resulted in the public sector ultimately absorbing a greater share of the losses. To improve future debt restructuring outcomes, Canada has used its position at the Executive Board to continue to call for more effective approaches to debt sustainability analysis (DSA). Progress has been made over the previous year. Building on a guidance note published in May 2013, the IMF developed a new DSA template for countries with access to international financial markets.

The debt sustainability guidance note will help the Fund conduct its DSAs in a more rigorous and standardized way. Importantly, it includes more critical assessments of key underlying assumptions and the sensitivity of the DSA to changes in these assumptions. Combined with the new template, this represents an improved and more standardized assessment and helps to ensure that realistic assumptions are used. This should help the IMF design realistic and effective programs to help an economy back towards sustainable and balanced economic growth.

In related work over the past year, the IMF undertook a review of its policies and approach to sovereign debt restructuring in Fund-supported programs. The last Board review of the subject was in 2005. The current review will draw on lessons from the financial crisis, with a view to proposing a new approach that addresses some of the market distortions identified in the current system. This will be an ongoing process: the first relevant paper was discussed by the Board in June 2014, although no decision was sought. Notably, the discussion paper included a recommendation that would allow the Fund a third option for high access lending by allowing a debt reprofiling (rather than an outright restructuring) in cases where debt is likely sustainable, but not with a high probability. Discussions over this and related issues will continue into the next reporting period.

A second work stream looks at addressing collective action problems in sovereign debt restructurings. This refers to the challenges associated with reaching a restructuring agreement when bonds are held by a diverse set of investors. A paper on this topic is expected in the fall of 2014.

Canada views the IMF's work on sovereign debt restructuring as a policy priority as it has implications for the effectiveness of future Fund programming and the functioning of global capital markets. Recent experiences with sovereign debt restructurings provide a strong case for a policy reassessment to reduce the risk of taxpayers bailing out private creditors. Canada has been supportive of the IMF pursuing this work.

Looking Ahead

In the year ahead, Canada will continue to promote effective IMF lending and conditionality by contributing to the comprehensive Crisis Program Review, supporting the development of improved approaches to sovereign debt restructuring, and remaining supportive of IMF technical assistance to countries and regions of strategic importance to Canada, including, among others, the Caribbean and Ukraine.



Canada's Objectives at the IMF in 2014–15

Canada's three core objectives remain relevant and important in 2014–15, although the actions supporting the pursuit of these goals have been updated to account for the forward work plan of the IMF. To meet the first objective of ensuring the IMF continues to have the appropriate tools and governance structure to promote global economic and financial stability, Canada will continue to focus on supporting the 15th General Review of Quotas and better scenario analysis for assessing the IMF's resource needs.

To meet the second objective, we will focus on bolstering the economic recovery by encouraging high quality and effective IMF advice. In particular, this means advocating for stronger IMF oversight of members' exchange rates, and seeking higher quality and effective IMF advice that is evidence-based to increase its traction among members.

The third objective is to promote effective IMF tools, lending programs and conditionality to address the root causes of instability. Specifically, we will encourage a rigorous review of the IMF's crisis lending experiences, mainly through participation in the Crisis Program Review scheduled for mid-2015. We will also support the IMF's development of new approaches to sovereign debt restructuring, to reduce the risk of taxpayers bailing out private creditors. Finally, we will remain strongly supportive of ongoing IMF technical assistance to countries and regions of strategic importance to Canada, including, among others, the Caribbean and Ukraine.

Canada's Objectives at the IMF in 2014–15

1. Strengthen the IMF's governance structure to support global economic growth and financial stability.

- Support completion of the 15th General Review of Quotas to align voice and representation at the IMF with members' relative weights and integration in the global economy.
- Require clear and transparent scenario analyses of any future resource requests by the IMF.

2. Increase the traction of IMF surveillance and policy advice to bolster the economic recovery and crisis prevention.

- Strongly advocate for greater IMF oversight of members' exchange rates, including the spillover effects of members' exchange rate policies on other members.
- Encourage strengthening the quality, effectiveness and traction of IMF advice as part of the Fund's Triennial Surveillance Review.
- Support strengthened enforcement mechanisms requiring members to undertake regular IMF reviews of their economic and financial policies, and encourage members to incorporate IMF advice in domestic policy making.

3. Promote effective IMF tools, lending programs and conditionality to address the root causes of instability.

- Encourage detailed and objective reviews of IMF program design to learn from crisis experiences and improve the effectiveness of IMF adjustment programs.
- Support the IMF's development of new approaches to sovereign debt restructuring that are focused on appropriate burden sharing by the private sector.
- Remain strongly supportive of IMF technical assistance to countries and regions of strategic importance to Canada, including the Caribbean and Ukraine.



The World Bank Group

Key Developments at the World Bank Group in 2013–14

New Strategy for the World Bank Group

At the October 2013 Annual Meetings, Governors approved a new World Bank Group Strategy which articulates a vision for the institution going forward. The strategy is focused on aligning all of the institution’s activities around the twin goals approved six months earlier:

- Eradicating extreme poverty within a generation, by reducing the percentage of people living with less than US\$1.25 a day to no more than 3 per cent by 2030; and
- Promoting shared prosperity, by ensuring that economic growth and job creation is experienced by those in the bottom 40 per cent of the population in every country.

The strategy brings together the work of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to strengthen their collaboration as “One World Bank Group” in order to better support clients in tackling development challenges. Under the strategy, the World Bank Group will also enhance its focus on leveraging the skills and experiences of other development actors, including the private sector, to maximize development impact.

One of the key changes flowing from the new strategy is the creation of Global Practices to improve how experts work across country and regional lines by sharing technical expertise and knowledge in 14 specialized areas of development. Additionally, five Cross-Cutting Solution Areas have been created—jobs, gender, climate change, public-private partnerships, and fragility, conflict and violence—to complement the Global Practices and address development challenges that require integration across sectoral areas of specialization.

The World Bank Group New Global Practices

- Agriculture
- Education
- Energy and extractives
- Environment and natural resources
- Finance and markets
- Governance
- Health, nutrition and population
- Macroeconomics and fiscal management
- Poverty
- Social protection and labour
- Trade and competitiveness
- Transportation and information and communications technology
- Urban, rural and social development
- Water



To operationalize its strategy and keep the focus on achieving the two goals of eradicating extreme poverty and promoting shared prosperity, the World Bank Group will also adopt a new country engagement model to work with its clients. The new model will strengthen evidence-based analysis and enhance coordination with IFC and MIGA, with the aim of sharpening the Bank's priorities in individual countries. The new approach will remain in line with the Paris Principles on Aid Effectiveness.

Optimizing World Bank Group Resources

The repositioning of the World Bank Group has been supported by significant financial reforms to increase the organization's capacity to deliver development assistance. More specifically, following Governors' guidance, the Executive Board approved in February 2014 a number of measures to strengthen the Bank's financial sustainability framework:

- Reducing IBRD's minimum equity-to-loan ratio from 23 per cent to 20 per cent to reflect improvements in portfolio credit risk, enabling more efficient utilization of shareholder capital.
- Changing IBRD's loan terms, including restoring the 25-basis-point commitment fee charged on undisbursed balances, and offering longer maturities with increased maturity differentiation.
- Increasing IBRD's Single Borrower Limit⁸ (SBL) to US\$20 billion for India and US\$19 billion for Brazil, China, Indonesia and Mexico. A surcharge of 50 basis points per annum was introduced on loan balances in excess of the previous SBL (US\$17.5 billion for India and US\$16.5 billion for the other four countries) in order to help support this increase. This change will enable IBRD to expand its loan portfolio to these five countries.

Further, the World Bank Group is currently undertaking an expenditure review exercise in order to improve efficiency and further grow the Bank's capacity to respond to clients' needs. The Group has committed to identify a minimum of US\$400 million in administrative savings to be phased in over three years as well as to improve cost recovery on stand-alone fee-based businesses and trust funds. Altogether, these measures should enable the World Bank Group to boost its financing capacity from an annual average of US\$45 billion-US\$50 billion to more than US\$70 billion.

Pursuing Reforms and Modernization

Over the course of the reporting period, in addition to the significant changes undertaken to implement the new strategy, the World Bank Group continued its work on a series of reforms to modernize and enhance the effectiveness of the institution:

- Pursuing the multi-phased process to review and update the World Bank environmental and social safeguard policies. The review is being undertaken to better address environmental and social issues that countries face today. An initial draft of a proposal has been completed and a second round of consultations on the draft framework is being conducted from August to December 2014.



⁸ The Single Borrower Limit refers to the cumulative amount disbursed to a country and not yet repaid.



- Advancing the World Bank’s review of its operational procurement policy. In November 2013, the Executive Board considered a proposed new framework on procurement in World Bank investment project finance, and endorsed a vision statement and principles to guide its implementation. Consultations are ongoing and the Bank expects to develop a new policy by 2015.
- Introducing an updated corporate scorecard which aggregates the contributions of all the World Bank Group institutions and ensures the alignment of all of their activities with the new strategy. Details on the World Bank Group corporate scorecard are available at <http://corporatescorecard.worldbank.org/>.
- Reforming its trust fund and partnership programs in order to better align its portfolio with the new strategy. In particular, the World Bank Group intends to better align all partnership and trust fund programs, better integrate trust fund and partnership management with the World Bank Group’s business planning processes, ensure full cost recovery and efficiency, and deepen strategic engagement with development partners.

A Record High IDA Replenishment

Given that IDA provides interest-free loans and grants to the poorest countries in the world to support development activities, donors are asked to replenish its capital base every three years. In December 2013, 47 countries announced a commitment of US\$52.1 billion in financing over the next three years in support of the seventeenth replenishment of IDA (IDA17). This is up by 5.7 per cent in nominal terms compared with the last round of negotiations three years ago.

Canada pledged US\$1.4 billion, which is equivalent to our contribution to IDA16. Canada remains IDA’s sixth largest contributor.

Table 3

Top 10 IDA17 Contributors

Three-year contribution,¹ US\$ millions

Rank	Contributor	Contribution
1	United Kingdom	4,522.7
2	United States	3,871.4
3	Japan	3,481.7
4	Germany	2,104.7
5	France	1,709.4
6	Canada	1,362.5
7	Sweden	1,202.5
8	Netherlands	978.6
9	Switzerland	800.1
10	Italy	746.1

¹ For most countries, these are indicative contributions, subject to government and/or parliamentary approval. Contributions from the United Kingdom, Japan and France include grants as well as the grant equivalent of concessional partner loans.

For the first time, a few countries will also be providing IDA with concessional loans, an innovation introduced under specific circumstances in IDA17 and aimed at leveraging IDA’s resources in a financially sustainable way. Contributions from the World Bank Group through transfers from IBRD and IFC are planned at US\$3.2 billion but will be approved annually based on the two institutions’ annual results and financial capacities.

The IDA17 replenishment period will see an increased focus on the most challenging frontier areas of development, greater private sector mobilization, and stronger, more targeted investments in climate change



and gender equality. In addition, the IDA17 policy package includes a range of policy and performance commitments. The policy package incorporates several key elements: (1) it explicitly aligns IDA's activities and results monitoring with the World Bank Group Strategy; (2) it enhances the focus on outcome and quality indicators, including tracking IDA's operational effectiveness and organizational efficiency; (3) it strengthens IDA's accountability to clients and shareholders through greater use of beneficiary feedback and public disclosure; and (4) it places greater attention on managing and reporting the costs of delivering results.

More details on Canada's participation in the replenishment process can be found in the "Assessment of Progress Made on Canada's Objectives in 2013–14" section.

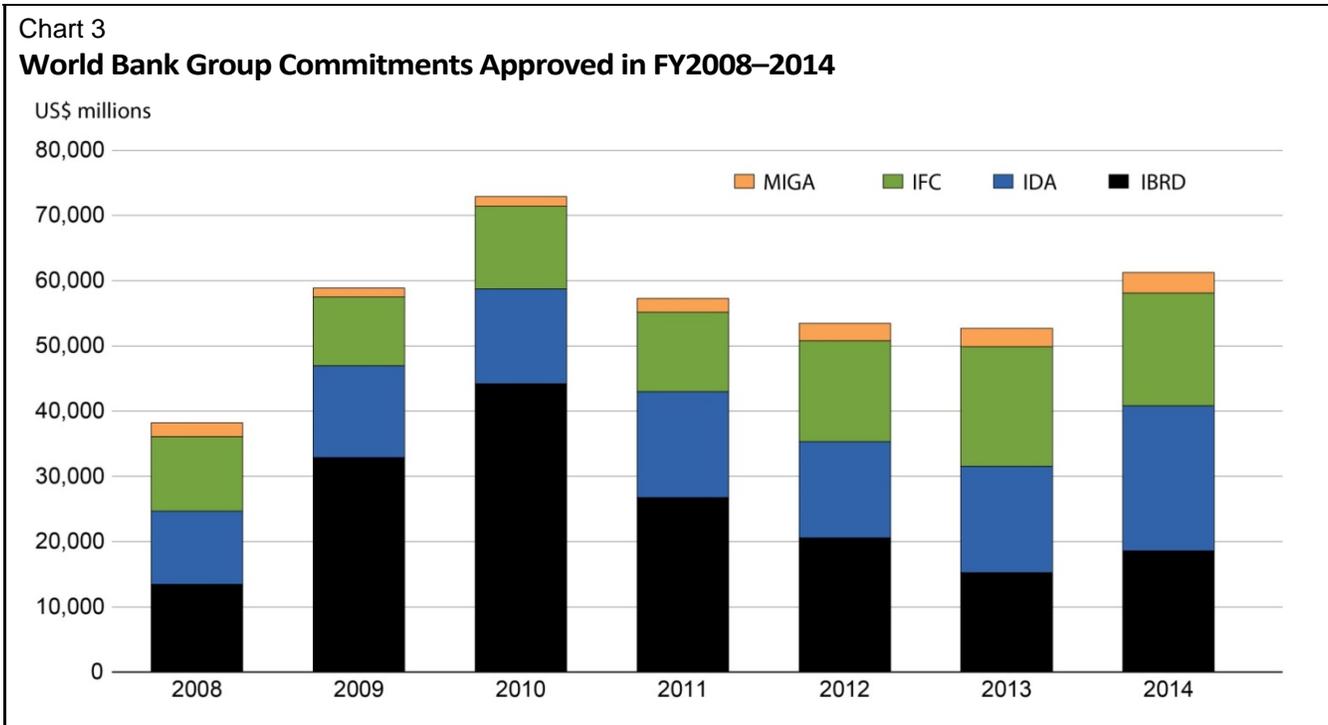
World Bank Group Lending and Total Exposures in 2013–14

In its 2014 fiscal year, the World Bank Group promoted poverty reduction and economic growth in its client countries, by approving 969 financing arrangements representing a total volume of US\$61.3 billion. This represents a 16-per-cent increase in volume relative to the World Bank Group's previous fiscal year (US\$52.7 billion in new lending commitments in FY2013), and contrasts with the declining lending trend observed at the IMF over the past few years. The difference between the two institutions' lending volumes in 2014 can be largely explained by differences in their respective underlying mandates and in their borrowing clienteles.

In FY2014, IDA made new commitments amounting to US\$22.2 billion, including approximately US\$18.5 billion in loans and US\$2.8 billion in grants. In aggregate, as of June 30, 2014, IDA has committed approximately US\$48 billion of the total IDA16 three-year lending envelope of US\$51 billion. The US\$3 billion in remaining resources will be carried forward to IDA17.

The regional concentration of IBRD is significantly different from IDA, reflecting the diversity of clients served by the World Bank Group. In the case of IBRD, Europe and Central Asia received the largest portion of funding in FY2014 (US\$4.7 billion), closely followed by Latin America and the Caribbean (US\$4.6 billion). Of note, Brazil, India, China and Ukraine together received almost 40 per cent of IBRD new funding in FY2014. In the case of IDA, the largest share of funding went to Africa (US\$10.2 billion), followed closely by South Asia (US\$8.4 billion).

IFC provided US\$22.4 billion in new commitments in FY2014 (including core mobilization), working with the private sector to encourage sustainable economic growth in developing countries. MIGA issued US\$3.2 billion in risk guarantees, an increase from US\$2.8 billion in FY2013.



For more information on the World Bank Group’s operations refer to Annex 4.

Responding Effectively to Crises

Recognizing the impact of natural disasters, economic uncertainty and geopolitical crises on poverty, the World Bank Group responded quickly to a number of critical situations in 2013–14, putting in place a range of projects and programs to help moderate the impacts of crises on the world’s most vulnerable people.

Philippines—In November 2013, following Typhoon Yolanda, the World Bank Group participated in the country’s reconstruction efforts by committing almost US\$1 billion in financing and by deploying global disaster experts in a timely manner. The World Bank Group’ support included a US\$500-million emergency budget support loan and \$480 million in financial assistance for the National Community Driven Development Project, to be used for emergency response. Going forward, a key challenge of the reconstruction process will be to build safer and more resilient buildings and infrastructure.

Caribbean—On December 24, 2013, a once-in-a-100-year rain event severely impacted Saint Vincent and the Grenadines and Saint Lucia. According to the rapid loss and damage assessment done by the World Bank Staff, the combined physical damage and immediate economic losses were approximately US\$108.4 million or 15 per cent of GDP in Saint Vincent and the Grenadines, and US\$99.4 million or 8 per cent of GDP in Saint Lucia. The disaster had its greatest impact in regions where poverty is highest. Both governments declared emergencies and requested resources from the IDA Crisis Response Window, which was complemented by support from other development partners, to help finance their recovery. As specified by the IDA16 replenishment framework, the World Bank Group provided US\$19.0 million to Saint Vincent and the Grenadines and US\$17.0 million to Saint Lucia.



Syria—Syria has witnessed terrible violence since March 2011, when a popular protest sparked the start of a conflict. Unrest spread quickly throughout Syria and continued to escalate into a serious humanitarian crisis. By March 2014, about 6.5 million people were internally displaced and 2.5 million Syrian refugees were registered with the United Nations High Commission for Refugees in neighbouring countries. Although the World Bank Group has not been directly involved with Syria since the start of the conflict, its assistance to Lebanon and Jordan has been focused on strengthening communities and public services hosting Syrian refugees. A Multi-Donor Trust Fund has been established to support Lebanon, which may be used to launch programs to support the delivery of essential services (including health and education) and the provision of basic commodities (such as cooking gas) to the most vulnerable Syrians and Lebanese. In addition, in October 2013, the World Bank Group secured a grant of US\$50 million, co-financed by the United Kingdom, Canada and Switzerland, to help northern Jordanian municipalities to continue to deliver basic services (including rehabilitating or building roads, supporting local economic development, providing street lighting to improve security, and improving waste collection) in order to mitigate the impact of the Syrian crisis on Jordan.

Ukraine—Ukraine faced significant challenges beginning in early 2014 as economic and financial uncertainties were exacerbated by serious geopolitical turmoil. The World Bank Group has played a significant role as part of the coordinated international response to the Ukraine crisis. On March 10, the World Bank Group announced that it aims to support reforms in Ukraine and provide up to US\$3.5 billion by the end of 2014. As on June 30, the Bank Group is moving forward with its pipeline of projects and aims to support the government as it undertakes the reforms needed to put the economy on a sustainable path. Assistance includes IBRD and IFC investments, as well as budget support of up to US\$1.5 billion, provided that the government undertakes reforms and maintains a coherent macroeconomic framework. The US\$3.5 billion in support would come on top of the World Bank Group’s ongoing investment and guarantee program of \$3.7 billion. Of note, in view of Russia’s illegal annexation of Crimea and its actions to destabilize eastern Ukraine, Canada, and subsequently other G-7 countries, took a stand against World Bank Group projects that benefit Russia.

World Bank Group Key Development Results

The World Bank Group annual report highlights results across many investment areas such as institutions and governance, human development and gender, infrastructure, agriculture and food security, climate change and the environment, natural resources, urban development, private sector development and trade. Examples of Bank-supported development results include the following:

- 144,974 children were immunized in South Sudan between 2009 and 2012.
- The number of students in West Bank and Gaza primary schools increased from 345,250 in 2007 to 623,380 in 2012.
- 45 million poor people experienced an average 11-per-cent increase in household expenditures between 2009 and 2012 as a result of a community-driven program in Indonesia.
- 260,000 kilometres of roads were constructed or rehabilitated worldwide between 2007 and 2013.
- 1 million teachers were recruited or trained worldwide between 2011 and 2013.
- 6.3 million individuals availed micro credit between 2000 and 2013, of which 58 per cent were women.

More details on results achieved in the past decade can be found on the Bank’s Results web page.



Reporting on Canada's Objectives at the World Bank Group in 2013–14

Assessment of Progress Made on Canada's Objectives in 2013–14

As a significant shareholder with a seat at the Executive Board, Canada has a responsibility to ensure that the World Bank Group is pursuing its mandate in an effective and accountable manner. In the 2012–13 Report to Parliament, the Government of Canada identified three objectives for 2013–14 which focused on core issues of importance to Canada. The Government identified actions for the Minister of Finance, the Canadian Executive Director and Canadian officials to further these objectives.

Over the course of the reporting period, Canada has actively pursued these objectives in a number of venues, most importantly through interventions and positions taken by Minister of Finance and senior Canadian officials at the Annual and Spring Meetings of the World Bank Group; through Canada's participation in IDA replenishment negotiations; and through the Canadian Executive Director's interventions and votes at the World Bank Executive Board.

A detailed discussion of Canada's objectives and actions taken in 2013–14 are highlighted below.

2013–14 Objective #1: Promote appropriate financial instruments, policies and partnerships that strengthen program delivery within the World Bank Group.

- Ensure that Canada's development priorities are appropriately considered in the Bank Group's operations, including sustainable economic growth, private sector development, food security, children and youth and gender equality.
- Work with the International Monetary Fund, Inter-American Development Bank, Caribbean Development Bank and other donors to address development challenges facing Caribbean partners.
- Work with other shareholders to ensure that appropriate instruments and sound management practices are in place so that capital resources are deployed as efficiently as possible.

Canada's actions over the year in this area were focused on: (1) partnering with the World Bank Group to ensure that Canada's development priorities are considered in the Bank's operations; (2) working with other institutions to respond to Caribbean challenges; and (3) advocating for increased lending activities, using the Bank's existing capital resources.



Integrating Canada's Development Priorities in the World Bank Group's Operations

Canada works with the World Bank Group to advance its international development priorities and ensure they are integrated in the Group's operations. In line with Canada's priorities, in 2013–14 the World Bank Group promoted sustainable economic growth, private sector development, food security, the well-being of children and youth, and gender equality, including through the Group's delivery of Canada's bilateral programming (see Annex 5).

- In accordance with its core mandate of poverty reduction, the World Bank Group helps create opportunities for **sustainable economic growth** by improving business environments and public spending, building markets and investing in firms, and fostering growth that creates jobs and opportunities for all. At the 2013 Annual Meetings, Canada strongly endorsed the World Bank Group's new strategy to deliver on its two overarching goals of eradicating extreme poverty and promoting shared prosperity. The strategy places an emphasis on working more with **private sector** partners to achieve key development results. In addition, in 2014, Canada provided \$20 million to the Bank Group's Facility for Investment Climate Advisory Services to help developing country governments undertake targeted reforms to strengthen fair competition, stimulate greater business entry and promote greater trade and investment to encourage private sector development and increase competitiveness. This includes early support to implement the new World Trade Organization Trade Facilitation Agreement, which could add \$1 trillion to the global economy through lowered costs for doing business and expanded private sector activity.
- The World Bank Group places a key focus on **food security**, including agriculture and nutrition. Its activities in this area align with Canada's food security strategy, particularly with the strategy's focus on food assistance and nutrition, sustainable agricultural development, and research and development. At the 2014 Spring Meetings, Canada, in partnership with the World Bank Group, Ireland and the United States, convened a high-level panel discussion on "Agriculture and Nutrition: Learning from the Past and Informing the Future." The event showcased the importance Canada accords to nutrition and agriculture, and how institutions like the World Bank Group learn from past challenges and scale up successes as they take forward nutrition-sensitive planning and programming in agriculture.
- The World Bank Group is a major player in the health sector, and places a special focus on expanding access to maternal, newborn and child health, scaling up support for early childhood nutrition, and preventing HIV/AIDS and other communicable diseases. This aligns with Canada's thematic priority of securing the future of **children and youth**, and with the maternal, newborn and child health initiative. The World Bank Group, led by President Jim Yong Kim, was a key partner for Canada at the Saving Every Woman, Every Child: Within Arm's Reach Summit held in Toronto from May 28 to 30, 2014. Together with other stakeholders, Canada and the World Bank Group agreed to work toward further increasing investment to address maternal and neo-natal morbidity and mortality; addressing the causes of under-nutrition in women, adolescent girls and children under five; addressing the prevention of childhood infectious diseases; and strengthening local health systems.



- At the fall 2013 Development Committee meeting, Governors received an update on the implementation of the **gender equality** agenda at the World Bank Group. The update highlighted that the Group has made significant progress in the area of gender equality: more lending operations are integrating gender considerations into their design, monitoring and evaluation, and targets in the Corporate Scorecard are being exceeded. On the ground, however, more needs to be done to achieve and sustain positive results, and the World Bank Group has committed to increase its focus on deepening the treatment of gender in operations and on the quality of implementation and results. Canada will continue to work with the World Bank Group to integrate gender equality considerations into its programming and policies. In particular, a renewed gender strategy that will frame the Bank Group's efforts is much anticipated, particularly since gender equality is a priority for collaboration in the context of the World Bank Group Strategy.

Responding to Caribbean Challenges

The Caribbean region is of particular interest to Canada given that we represent a constituency that includes most Commonwealth Caribbean countries both at the World Bank Group and the IMF. The Caribbean states are also “countries of focus” for Canada’s international development assistance.

More than five years have passed since the global economic crisis, and many Caribbean countries are still struggling with the spillover effects of the prolonged and uneven recovery. To help address some of the region’s structural challenges, Canada, through the Department of Foreign Affairs, Trade and Development’s Caribbean Regional Program, supports a broad range of initiatives to promote sustainable economic growth in areas such as enhancing public financial management, private sector development and disaster risk management.

Notably, in 2014, Canada provided \$10 million to the World Bank for the Central American & Caribbean Catastrophe Risk Insurance Program multi-donor trust fund. This initiative builds on the Caribbean Catastrophe Risk Insurance Facility, which is a multi-country, pooled disaster risk insurance facility established by the World Bank with the support of Canada and other donors in 2007. Canada’s contribution will support the joint commitment made at the North American Leaders’ Summit on February 19, 2014, by Prime Minister Harper, President Obama and President Nieto to collaborate on disaster risk prevention and insurance in the region.

Canada is highly supportive of steps being taken within the region to deal with fiscal and financial challenges, including the work of the Eastern Caribbean Joint Task Force. Discussions around a number of regional reforms to restore economic and financial stability and strengthen oversight have been taking place over the past few years. Canada believes it is now critical to implement these reforms and stands ready to work with the World Bank Group to support the region.

Deploying Capital Resources Efficiently

Over the course of the past year, Canada has championed—through a variety of fora—the need for multilateral development banks to better leverage their balance sheets and to use their capital more efficiently to provide more development finance to the poorest and most vulnerable countries. Accordingly, Canada both encouraged and supported the World Bank Group’s work in late 2013 and early 2014, when the institution put forward a comprehensive package of measures to augment the Group’s financial capacity. Canada was particularly pleased that IBRD reduced its minimum equity-to-loan ratio from 23 per cent to 20 per cent, enabling more efficient utilization of shareholder capital while remaining financially prudent.



In line with Canada's call for enhanced collaboration between its different institutions, the World Bank Group also proposed an innovative pilot in 2013 to manage the Bank's exposure concentration. More specifically, the Board of Executive Directors, including Canada's Executive Director, approved an exposure exchange agreement between MIGA and IBRD. This innovative approach to managing exposure concentration will provide both MIGA and IBRD with a new risk management tool that will allow them to free up capacity to support additional business.

Canada sees these initiatives as positive for the World Bank Group as a whole, and hopes they will encourage other multilateral development banks to look at how they can better leverage their existing resources and strengthen their capacity to meet their development objectives.

Looking Ahead

Over the course of 2014–15, the World Bank Group needs to remain ambitious in developing new tools and partnerships that respond to the needs of recipients and contribute to the achievement of better development results. Notably, Canada will continue to support the World Bank Group in the implementation of its financial reforms and will support the development of new instruments to address countries' infrastructure needs. Canada will also encourage the World Bank Group to play a leadership role within the Eastern Caribbean Joint Task Force, by supporting countries in carrying out reforms and protecting social development gains to date. Recognizing the complexity of challenges in the region, we also urge the World Bank Group to continue to coordinate and collaborate closely with other partners, including the IMF, the Caribbean Development Bank and the Inter-American Development Bank.

2013–14 Objective #2: Uphold the legitimacy of the World Bank Group, including through appropriate governance and accountability structures.

- Improve the results monitoring, reporting and evaluation of trust funds supported by Canada.
- Increase Canadian visibility and recognition of development results achieved through our financial and policy contributions.

Canada's second objective was to work with the World Bank Group to improve the results-based management practices employed in trust funds supported by Canada. Over the course of the reporting period, efforts were also made to increase the profile of the World Bank Group's operations in Canada, by bolstering the visibility of the institution and ensuring that Canada's contributions are being fully recognized at home and abroad.

Delivering Results Through Trust Funds

The World Bank Group is in the process of reforming its trust fund and partnership programming in order to better align its portfolio with the World Bank Group Strategy. In particular, the objectives of the reform are to better align all partnership and trust fund programs, better integrate trust fund and partnership management with the World Bank Group's business planning processes, ensure full cost recovery and efficiency, and deepen strategic engagement with development partners.

Canada has been supportive of this reform and will continue to provide guidance and feedback to the Bank as it moves towards implementation. In particular, Canada is interested in seeing the Bank strengthen the results framework, monitoring and evaluation of trust funds, and foster a dialogue among development partners, through both bilateral strategic consultations and the broader annual Development Partners Forum.



In 2013, at Canada's request, the World Bank Group completed a review of Canada's trust fund portfolio with the Group between 2008 and 2013. The review emphasized the strong alignment of Canada's development priorities with the trust fund portfolio and the World Bank Group's strategic priorities, as well as reliance upon aid effective approaches like multi-donor trust funds at the country level. The review also pointed to Canada's focused and streamlined programming. Canada, particularly in its relationship with IFC, was described as innovative and fast-moving on emerging issues.

Some of the key issues raised in relation to trust fund programming included the importance of promoting Canadian visibility and recognition, as well as articulating how partnerships with the World Bank Group are effective and efficient and deliver results. Canada and the World Bank Group are now building on the findings of the portfolio review by exiting inactive trust funds, ensuring new programming aligns with Canadian and Bank Group priorities, and establishing a regular and strategic dialogue through annual Canada-World Bank Group consultations.

Canada Is Delivering Development Results Through the World Bank Group

Examples of development results achieved through World Bank Group programs supported by Canadian investments include:

Forum for Agricultural Research in Africa

Canada's support to the Forum for Agricultural Research in Africa (FARA) (\$10 million over five years) helps FARA advocate for African agricultural research in regional and international fora. Through FARA, Canada has contributed to the successful integration of agricultural research in 30 of the 54 country compacts in Africa and 26 country investment plans. Key achievements of this program include coordination and dissemination of African research through the establishment of 66 innovation platforms; training of critical research staff; production of 19 policy briefs; generation of 81 policy recommendations; participation of more than half of African countries in the Comprehensive Africa Agriculture Development Programme process; and identification, validation and dissemination of many technologies, innovations and management practices.

Global Partnership for Education

Canada's support for the Global Partnership for Education (GPE) helps developing country partners decrease the number of out-of-school children, increase school enrolment rates, especially among girls, improve primary completion rates, and increase domestic investment in education. Key results from the Partnership include ensuring 22 million additional children enter primary school, of which 10 million are girls; providing support to 300,000 teachers; and constructing or rehabilitating and equipping over 53,000 classrooms. In 2011, 72 per cent of girls in GPE countries finished primary school compared to 55 per cent in 2002.

Caribbean Catastrophe Risk Insurance Facility

Canada's support for the Caribbean Catastrophe Risk Insurance Facility (\$25 million over five years) allowed 16 participating countries and territories to have access to affordable catastrophe risk insurance for hurricanes and earthquakes. To date, seven Caribbean countries have received eight payouts from the Facility, totalling more than US\$32 million, generally within two weeks of the disaster's occurrence (Dominica and Saint Lucia after an earthquake in 2007; Turks and Caicos Islands after a hurricane in 2008; Haiti following the 2010 earthquake; Anguilla after a hurricane in 2010; and Barbados, Saint Lucia and Saint Vincent and the Grenadines following a hurricane in 2010). Given the high risk Caribbean and Central American countries face with natural disasters and the limited means for national governments to meet their short-term financial needs following disasters, the Facility is an important way to protect the development gains made to date.



Increased Visibility and Recognition for Canada

Canada and the World Bank Group have worked closely to engage Canadians and raise their awareness of the results of our investments. For example, in the past year, World Bank Group President Jim Yong Kim, IFC Executive Vice President and Chief Executive Officer Jin-Yong Cai, Managing Director and World Bank Group Chief Financial Officer Bertrand Badré, MIGA Vice President and Chief Operating Officer Michel Wormser, and World Bank Group Senior Vice President (Development Economics) and Chief Economist Kaushik Basu visited Canada. They met with key stakeholders in government, the private sector and civil society to discuss the work of the World Bank Group and how to strengthen Canada's collaboration with the Group.

These high-level visits have contributed to enhancing World Bank Group visibility in Canada and have highlighted Canada's contributions to the World Bank Group's efforts. For example, President Kim's participation in the Saving Every Woman, Every Child: Within Arm's Reach Summit in May 2014 in Toronto was reported across Canada, and spurred a feature story on the World Bank Group's website on the importance of well-functioning civil registration and vital statistics systems, helping to advance this Canadian priority.⁹ Managing Director Bertrand Badré's keynote address at the Conference of Montreal in June 2014 prompted an article in *Businessweek* highlighting the demand for infrastructure investments in emerging markets. When Chief Economist Kaushik Basu visited Ottawa, he engaged students and academics at the University of Ottawa at a public event.

Canada will continue to identify opportunities to raise awareness of the development results achieved through Canada's financial and policy contributions to the World Bank Group, as well as to highlight the value of the institution to Canada.

Looking Ahead

In 2014–15, the wording of this objective will be slightly modified to read, "Improve the institutional effectiveness of the World Bank Group, including through appropriate reforms, accountability mechanisms and governance structure," reflecting the importance of institutional effectiveness and the need for ongoing reforms within the institution. Canada intends to actively engage in the World Bank Group's review of its safeguards and procurement policies. Canada will also devote efforts to the IDA17 working group, helping define the long-term vision of the World Bank Group's arm for the poorest.

2013–14 Objective #3: Ensure a constructive and progressive replenishment of the International Development Association.

- Ensure a whole-of-bank approach to the graduation of countries which are no longer eligible to borrow from IDA based on their gross national income per capita and creditworthiness.
- Prioritize improved support for the poorest countries and fragile states.
- Increase the scope of engagement between emerging economies and the World Bank, including in soft window replenishments.

⁹ See <http://www.worldbank.org/en/news/feature/2014/06/23/by-counting-every-life-every-life-counts>.



Canada's third objective in 2013–14 was to ensure a constructive and progressive seventeenth replenishment of IDA, which concluded in December 2013. As indicated in the “Key Developments at the World Bank Group in 2013–14” section, despite the challenging fiscal environment, more than 45 countries pledged to IDA and approved a financing framework which will provide US\$52 billion in financing over the next three years for low-income countries. This is up by 5.7 per cent in nominal terms compared with the last round of negotiations three years ago. Canada pledged US\$1.4 billion, which is equivalent to our contribution to IDA16.

The IDA replenishment negotiations are an important opportunity for donors to shape the Bank's priorities and work program in the poorest countries. Negotiations in 2013, led by Department of Finance officials, with involvement from the Department of Foreign Affairs, Trade and Development and Canada's Executive Director's office, have successfully resulted in three key outcomes aligned with Canadian priorities.

Reaching Consensus on a Whole-of-Bank Approach to Graduation

During the negotiation process, Canada emphasized the need for a “whole-of-bank” approach to effectively transition countries as they graduate from IDA to IBRD-only financing.

One notable example is India, IDA's largest beneficiary. With per capita gross national income of \$1,420, India was set to graduate from IDA during IDA17. As a graduate, India should have been able to replace its IDA-financed borrowing with other World Bank Group credits, particularly from IBRD, on slightly more expensive terms. However, India had almost reached its Single Borrower Limit (SBL) with IBRD, and accordingly was not allowed to take on new lending to replace IDA funding. In this context, Canada was vocal during the IDA negotiations about the need for IBRD to increase its India SBL, so it can provide the country with increased access to financing as it graduates from IDA. Canada advocated that India's development needs, as a large middle-income country, would be best fulfilled by IBRD.

Canada's advocacy efforts were successful, with the World Bank Board approving in February 2014 an increase in the SBL for India from US\$17.5 billion to US\$20 billion. In addition, given the unique circumstances of India, participants in the IDA17 replenishment negotiations agreed to provide India with transitional support—loans with terms that are more expensive than IDA financing but cheaper than IBRD financing—in order to avoid a significant drop in World Bank lending volumes to India.

IDA's Increased Focus on the Poorest and Fragile States

As rising numbers of countries graduate to middle-income status, those that continue to receive IDA assistance will increasingly be in the fragile and conflict-affected states (FCS) category as well as regionally concentrated in Africa. Given the significant development challenges associated with FCSs, Canada advocated during the IDA17 replenishment negotiations that engagement in FCSs be strengthened, both by enhancing the effectiveness of IDA operations in FCSs and increasing resources allocated to FCSs. Canada, along with other like-minded donors, was successful in securing increased funding of over 20 per cent to FCSs. IDA also committed to improve program effectiveness and value for money in FCSs, with a particular focus on the issues of livelihoods and gender.

Deepening Emerging Countries' Engagement With the World Bank Group

Canada was supportive of the latest round of voice reforms at the IBRD, which increased the voice of developing and transition countries. Likewise, Canada believes that intensifying engagement between emerging economies and IDA through replenishment processes is vital to the long-term sustainability of IDA.



During the IDA17 pledging session, Canada applauded Indonesia, Malaysia and Thailand, as they pledged to become IDA contributing partners for the first time. Canada recognizes the exceptional efforts made by these countries and hopes that others which also have the economic capability to do so will become IDA partners during the next replenishment cycle.

Recognizing the fiscal situation facing many donors and the need to attract emerging donors, IDA introduced a new supplementary funding instrument during IDA17: concessional partner loans (CPLs). These loans are a significant development as, for the first time, they involve repayment of a portion of the donor contribution. Canada believes that the addition of CPLs was a successful way to further engage emerging countries and hopes that this instrument will be offered again in future replenishments.

Looking Ahead

Toward the end of the IDA17 replenishment negotiations, donors called for the creation of three informal working groups with participation from contributing partners, recipient governments and World Bank Group staff to provide a forum for consultation and brainstorming, as was the case for IDA16. It was agreed that the working groups would focus respectively on development results, IDA's long-term vision and financial sustainability, and governance and reform of the IDA replenishment process. Canada intends to engage in these three working group over the next two years. Canada believes that IDA is now at a crossroads and will advocate for deeper discussions around its long-term future. In 2015, Canada will report on its involvement in IDA17 working groups under its second core objective "Improve the institutional effectiveness of the World Bank Group, including through appropriate reforms, accountability mechanisms and governance structure."



Canada's Objectives at the World Bank Group in 2014–15

Most of Canada's core objectives from the past year remain relevant and important in 2014–15, although the wording of the objectives has been updated and new actions added to support the pursuit of these goals.

1. Promote appropriate financial instruments and partnerships that strengthen the World Bank Group's capacities to deliver development assistance.

- Work with the World Bank Group to implement a package of financial reforms, notably to enhance capacity to deliver development assistance.
- Support World Bank Group efforts to develop new instruments to address developing countries' infrastructure needs.
- Engage the World Bank Group, in collaboration with governments, the IMF, the Inter-American Development Bank, the Caribbean Development Bank and others, to address development challenges facing the Caribbean, with a focus on renewed growth and economic governance reform.

2. Improve the institutional effectiveness of the World Bank Group, including through appropriate reforms, accountability mechanisms and governance structure.

- Engage the World Bank Group to further promote development effectiveness, reform its safeguards system, and harmonize its monitoring and reporting structures, in line with the World Bank Group Strategy.
- Help define options for the long-term future of IDA through early engagement with other stakeholders in IDA working groups.

3. Promote Canadian priorities in World Bank Group programming.

- Ensure that Canada's foreign, trade and development priorities are appropriately considered in the World Bank Group's operations, including in the areas of sustainable economic growth, private sector development, food security and nutrition, maternal, newborn and child health, and gender equality.
- Support the World Bank Group in implementing its twin goals of eradicating extreme poverty and promoting shared prosperity, including by focusing on the poorest and most vulnerable, working in fragile and conflict-affected states, and integrating gender into its policies and programs.

To meet the first objective of promoting appropriate financial instruments and partnerships that strengthen program delivery, we will work with the World Bank Group to ensure a smooth implementation of the financial reforms it has been undertaking over the past year. In addition, we will continue to strongly support and engage all international development partners in tackling the challenges faced by Caribbean countries.

To meet the second objective, we will focus on supporting the World Bank Group in the implementation of its strategy and change agenda. We will also engage in IDA17 working groups, with the goal of ensuring the long-term relevance of IDA.

Given that the IDA17 replenishment is now over, the third objective from 2013–14 will be replaced by "Promote Canadian priorities in World Bank Group programming." Specifically, we will encourage the institution to continue to focus on sustainable economic growth, private sector development, food security, maternal, newborn and child health, and gender equality. We will also support the development of new approaches that leverage the resources, innovation and know-how of the private sector to achieve development impact.



Annex 1

Background on IMF Operations and Canada's Engagement

The IMF works to safeguard the stability of the international monetary system in order to facilitate international trade, promote sustainable economic growth and raise global living standards. Canada has been a central and influential member of the IMF since 1945, being one of only 29 countries that signed the original IMF Articles of Agreement. Since then, the IMF has grown to include a near-global membership of 188 member countries. Canada plays an important collaborative role with our international partners to ensure that the IMF is effectively fulfilling its mandate. A healthy and stable global economy creates 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 Canadian citizens and others across the globe. Canada is engaged in all aspects of the IMF's governance and activities.

Governance and Representation

Canada at the Board of Governors

The IMF is accountable to the 188 governments of its member countries through a number of mechanisms, first and foremost the Board of Governors, which is tasked with taking the most important institutional decisions. Canada's Governor to the IMF is the Minister of Finance, Joe Oliver, and the Alternate IMF Governor is Bank of Canada Governor Stephen Poloz. The Board of Governors meets once a year and can be called upon to formally vote without meeting on resolutions required by the Articles of Agreement (e.g. SDR allocations, quota increases, admitting new members), and on resolutions that amend the Articles or By-Laws of the Fund. Below are the positions taken by the Minister in his capacity as IMF Governor during the 2013–14 reporting period.

Voting Record of Minister of Finance in 2013–14

In August 2013, the Minister of Finance voted against a proposed salary increase for Executive Directors and their Alternates, citing the need to contain expenditure increases at the institution in light of the economic circumstances facing member countries. The proposed increase received the required support to pass.

In September 2013 and March 2014, the Minister of Finance approved the activation of the New Arrangements to Borrow for a period of six months.

In January 2014, the Minister of Finance voted in favour of the proposed resolution extending the deadline for reaching an agreement on the 15th General Review of Quotas by one year to January 2015.

In June 2014, the Minister of Finance consented to the proposed amendments to the Poverty Reduction and Growth Trust.

Canada's Voting Share

As a result of the relatively large size of the Canadian economy and its openness to international trade, Canada's Governor wields a sizeable voting share at the IMF of 2.56 per cent, making Canada the 9th largest shareholder. The 2010 quota and governance reforms will continue the process of increasing the voting shares of dynamic emerging market and developing countries, bringing them more in line with changing global economic realities. Once the reforms enter into force, Canada's voting share will decline slightly to 2.21 per cent (11th overall), as demonstrated in Table 4.



Table 4

Voting Shares of the Largest Members of the IMF

Country	Current % of Total Voting Shares	Post-2010 ¹ % of Total Voting Shares
United States	16.75	16.47
Japan	6.23	6.14
Germany	5.81	5.31
United Kingdom	4.29	4.02
France	4.29	4.02
China	3.81	6.07
Italy	3.16	3.02
Saudi Arabia	2.80	2.01
Canada	2.56	2.21
Russia	2.39	2.59
India	2.34	2.63
Netherlands	2.08	1.76
Belgium	1.86	1.30
Brazil	1.72	2.22
Spain	1.63	1.92

¹ Reflects the percentage of total voting shares once the 2010 quota and governance reforms are implemented.

Canada at the International Monetary and Financial Committee (IMFC)

Although Canada's voting share has declined in reflection of the rising importance of dynamic emerging market economies, many of the decisions at the IMF are taken by consensus, allowing Canada to influence the direction of the IMF in other ways. Canada's standing within the Fund also allows us to appoint the Minister of Finance and Central Bank Governor to the IMFC, an important advisory body to the IMF. The IMFC is composed of 24 member countries and reports to the Board of Governors. The IMFC usually meets twice a year, during the IMF-World Bank Annual and Spring Meetings, and produces communiqués providing direction and guidance to the IMF Managing Director and Executive Board.

The Minister of Finance also tables written statements during the Annual and Spring Meetings that outline Canada's and our constituency's views on the specific governance, surveillance and lending activities of the Fund. In 2014, the Honourable Joe Oliver, Minister of Finance for Canada, tabled an IMFC statement on behalf of Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines on April 12, 2014 in Washington, D.C. available at <http://www.fin.gc.ca/n14/14-056-eng.asp>. The Honourable James M. Flaherty, Canada's previous Minister of Finance, tabled an IMFC statement on behalf of the same constituency on October 12, 2013 in Washington, D.C. available at <http://www.fin.gc.ca/n13/13-133-eng.asp>.



Canada at the Executive Board

The Board of Governors has delegated many of its powers to the 24-member Executive Board, chaired by the Managing Director of the IMF. Canada holds one of the 24 seats on the Executive Board and nominates the Executive Director that is elected to represent a constituency of 12 countries. The constituency system allows for all 188 member countries to be represented at a smaller table that is more conducive to overseeing the day-to-day business of the Fund. Canada represents a constituency that includes Ireland and most Commonwealth Caribbean countries. The Canadian Executive Director therefore holds a voting power of all constituency members combined, for a total of 3.60 per cent. Canada's constituency ranks 12th largest out of 24. On June 20, 2014, Prime Minister Stephen Harper announced Serge Dupont as Canada's nominee for the position of Canadian Executive Director. Mr. Dupont took over the job from the Honourable Thomas Hockin, effective August 19, 2014.

The Executive Board formally meets at least three times a week, with a majority of the business on country matters including Article IV reviews, lending program reviews and requests for new lending arrangements. The Board also discusses policy and reform proposals, multilateral surveillance products, and administrative and finance matters.

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

Executive Director	Serge Dupont (Canada)
Alternate Executive Director	Michael McGrath (Ireland)
Senior Advisor	Antoine Brunelle-Côté (Canada)
Senior Advisor	Nicolas Parent (Canada)
Senior Advisor	Kelvin Dalrymple (Barbados)
Advisor	Trevor Lessard (Canada)
Advisor	Michael Hough (Ireland)
Advisor	Kevin Stilson (Antigua)
Administrative Assistant	Basia Manitius
Administrative Assistant	Sandra Mendes
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Address	11-112, 700 – 19th Street N.W., Washington, D.C. 20431, USA

The Executive Board usually operates on the basis of consensus, so formal votes are rare. Canada attempts to guide the development of policy proposals before they are brought to the Board (through informal discussions with staff and management) or through consultation with other members of the Executive Board before or during the course of Board deliberations. The Executive Director representing Canada, Ireland and the Caribbean recorded two opposition votes in 2013–14.

Voting Record of the Executive Director Representing Canada in 2013–14

(Only Oppositions or Abstentions Listed)

In April 2014, the Executive Director voted against the resolution to increase the Fund's staff salary structure due to Canadian views on the need for the IMF to control expenses.

In September 2013, the Executive Director voted against a resolution to increase the salaries of Senior Advisors to Executive Directors, consistent with an earlier vote against an increase in salaries of Executive Directors.

To learn more about the governance, representation, and accountability structures of the IMF, please visit the IMF's Governance web page.



What the IMF Does

History of the IMF

The IMF was originally conceived as a post-war framework for international economic cooperation at a conference in Bretton Woods, New Hampshire in 1944. The goal of this framework was to avoid a repetition of self-defeating “beggar thy neighbour” policies during the Great Depression, by which countries attempted to protect their economies by devaluing their currencies and raising trade barriers. The World Bank was conceived alongside the IMF to facilitate post-war reconstruction and development. John Maynard Keynes and Harry Dexter White were the intellectual founding fathers of the IMF and World Bank.

Headquartered in Washington, D.C., the IMF came into formal existence in 1945 when its Articles of Agreement were signed, and it began formal operations on March 1, 1947. The countries that joined the IMF between 1945 and 1971 agreed to enter a system of fixed exchange rates which kept the value of their currencies pegged to the US dollar, and in the case of the US dollar, to the value of gold. This monetary system, known as the Bretton Woods system, collapsed in 1971 when the US government decided it would no longer freely buy and sell gold to settle international transactions. Since the collapse of the Bretton Woods system, members have been free to choose any form of exchange system they wish. Since that time, the IMF has assisted its members through the oil shocks of the 1970s, the debt crises of the 1980s, the integration of the former Soviet bloc countries and the response to the Asian financial crisis in the 1990s, and more recently the challenges posed by the global financial crisis.

To learn more about the history of the IMF from 1944-present, visit the IMF’s History web page. For a more comprehensive history, IMF historians James M. Boughton and Margaret Garritsen De Vries have published historical volumes on the IMF.

IMF activities focus on three primary areas, all aimed at promoting a prosperous global economy by contributing to international monetary and financial stability and growth: surveillance, technical assistance and lending programs.

Canada’s engagement in all three areas is discussed below.

Surveillance

The IMF oversees the international monetary system and monitors the economic and financial policies of its 188 member countries. This activity, known as surveillance, is one of the IMF’s core activities. The Fund seeks to identify risks to global economic and financial stability through surveillance at the national, regional and global level.

Bilateral Surveillance

Article IV of the IMF Articles of Agreements requires the Fund to undertake regular consultations with each member country on economic conditions and policies. Over time, Article IV consultations have evolved to provide the Executive Board and the public¹⁰ with: an overview of the state of the economy; an assessment of the appropriateness of the exchange rate regime; an assessment of the economy’s strengths and weaknesses and possible negative spillover effects of the country’s policies on others; and advice on appropriate corrective measures. Article IV is available at <http://www.imf.org/External/Pubs/FT/AA/index.htm#art4>.

On occasion, an Article IV consultation is complemented by a Financial Sector Assessment Program (FSAP) review, which is a comprehensive assessment of a country’s financial sector. For the 25 jurisdictions with systemically important financial sectors, mandatory FSAP reviews are completed every five years. FSAP information is available at <http://www.imf.org/external/np/exr/facts/fsap.htm>.

¹⁰ Not all countries make their Article IV reports public. The publication of Article IV documents requires approval of country authorities.



The Executive Board discusses and assesses each Article IV consultation. Canada's Executive Director and his staff take part in each discussion, offering verbal and written statements highlighting our constituency's view on the state of the country's economy and posing additional questions to ensure the review is thorough and addresses important risks to the country's outlook. The Department of Finance and Bank of Canada are consulted on Article IV consultations for systemically important economies. The Department of Foreign Affairs, Trade and Development is also consulted when Canadian foreign policy or development priorities arise. Canada's most recent Article IV consultation was conducted in January 2014.

Multilateral Surveillance

In addition to its bilateral consultations, the IMF produces the semi-annual *World Economic Outlook*, the *Global Financial Stability Report* and the *Fiscal Monitor*. These flagship reports summarize the IMF's assessment of the global economy, financial and monetary systems and fiscal developments. The IMF also publishes *Regional Economic Outlooks* on a semi-annual basis, and specialized surveillance reports such as the *Pilot External Sector Report* and the *Spillover Report*, which provide more technical insights into the inner workings of the global economy. Canada's Executive Director is actively engaged in discussing and shaping these multilateral surveillance products to ensure they provide an objective overview of the state of the global economy, the key risks and required measures to boost global growth and promote job creation. The Minister of Finance also provides views on the state of IMF surveillance and proposed reforms through his participation in the IMFC.

For more information on IMF surveillance, please visit its website at <http://www.imf.org/external/about/econsurv.htm>.

Capacity Development

Capacity development, through technical assistance and training, is an integral part of the IMF's mandate. Canada works closely with the IMF's Institute for Capacity Development to improve the capacity of member countries to promote sustainable economic growth through stronger institutions needed to achieve macroeconomic stability and enable resilience to shocks. Improved capacity in member countries also supports the effectiveness and sustainability of economic surveillance activities and lending programs.

The IMF offers technical assistance and training to members in areas such as tax policy and revenue administration, public expenditure management, debt management, monetary policy, exchange rate systems, financial sector sustainability, and statistics. Approximately 85 per cent of this assistance goes to low-income and lower-middle-income countries. Canada is an increasingly important donor in this area. Typical activities supported by Canada in developing countries include diagnostic studies, training courses, workshops, online advice and support, and the placement of technical assistance experts and advisors.

Regional Technical Assistance

The IMF has also developed a regional approach to the delivery of technical assistance and training with support from donors such as Canada. In addition to the training offered at the IMF Institute for Capacity Development in Washington, D.C., seven regional training institutes and eight Regional Technical Assistance Centres (RTACs) in Africa (five RTACs), the Caribbean, Central America, and the Pacific and the Middle East help deliver more accessible and regionally tailored programming to member countries across the globe.



Canada is a major contributor to the RTACs. It is the largest international donor to the Caribbean Regional Technical Assistance Centre (CARTAC), having provided \$20 million for CARTAC Phase IV and \$63 million in total to all phases of CARTAC. Canada also contributes to the five African RTACs and the Central America, Panama, Dominican Republic Technical Assistance Centre, established in 2009.

Enhancing Public Financial Management in the Caribbean

In order to assist Caribbean countries during a period of rising financial vulnerabilities and crisis, Canada launched the Enhancing Public Financial Management in the Caribbean initiative. The fund aims to help targeted countries in the region deal with long-standing weaknesses in their fiscal and economic management. It supports two packages of technical assistance. The first, valued at \$5 million, will help support fiscal and economic reforms that will form the basis for the sustainable public financial management needed as a precondition for investment and growth in Jamaica. The second, valued at \$10 million, will respond to tourism-dependent Eastern Caribbean countries undergoing deepening financial vulnerabilities.

Canada—IMF Technical Assistance Sub-Account

Canada's experience has shown that sound economic policies play a critical role towards securing sustainable economic growth and job creation. To promote these policies and build capacity in the Caribbean and in the Middle East and North Africa region, Canada established a \$19-million Technical Assistance Sub-Account at the IMF in 2012. The purpose of the account is to fund additional priority technical assistance projects that would not otherwise be possible within the existing technical assistance budget at the IMF.

Over the past year, Canada's support catalyzed IMF technical assistance and training to strengthen banking supervision in Tunisia and to strengthen financial sector supervision and regulation in Morocco. In the Caribbean, additional support is focused on improving financial and banking systems through work with the Eastern Caribbean Central Bank and strengthening debt management in Eastern Caribbean countries. Canada's support has also initiated technical assistance and training to encourage central bank modernization in Suriname, and to improve public financial management in Haiti.

Canadian Technical Assistance in Ukraine

In March 2014, Prime Minister Stephen Harper announced that Canada would provide significant financial support to the IMF—over \$20 million—for technical assistance to help Ukraine stabilize and rebuild its economy, including through activities to enhance the capacity of the National Bank of Ukraine to undertake banking and financial sector reforms and to strengthen Ukraine's public financial management and tax policies and administration.

Lending

As part of its central role in the international monetary system, the IMF makes its resources available to help members finance temporary balance of payments problems while economic adjustments are underway. Members requesting financial assistance must reach an agreement with the IMF staff on a set of economic measures and reforms aimed at addressing the root causes of the country's balance of payments difficulty. The details of this integrated economic program 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 a program review by the Executive Board to verify that the country is continuing to follow the agreed economic program and is meeting agreed policy conditions.



The IMF's lending facilities are divided into two broad groups: non-concessional and concessional. Table 5 provides an overview of each lending facility.

Table 5
IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions	Phasing and Monitoring
Credit Tranches and Extended Fund Facility (Non-Concessional)			
Stand-By Arrangement (1952)	Medium-term assistance for countries with balance of payments difficulties of a short-term nature.	Adopt policies that provide confidence that the members' balance of payments difficulties will be resolved within a reasonable period.	Quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions.
Extended Fund Facility (1974)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt up to a four-year program, with structural agenda, with annual detailed statement of policies for the next 12 months.	Quarterly or semi-annual purchases (disbursements) contingent on observance of performance criteria and other conditions.
Flexible Credit Line (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual.	Very strong <i>ex ante</i> macroeconomic fundamentals, economic policy framework and policy track record.	Approved access available up front throughout the arrangement period, subject to a mid-term review after one year.
Precautionary and Liquidity Line (2011)	Instrument for countries with sound economic fundamentals and policies.	Strong policy frameworks, external position and market access, including financial sector soundness.	Large front-loaded access, subject to semi-annual reviews (for one- to two-year Precautionary and Liquidity Lines).
Rapid Financing Instrument (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need.	Efforts to solve balance of payments difficulties (may include prior actions).	Outright purchases without the need for full-fledged program or reviews.
Poverty Reduction and Growth Trust Facilities for Low-Income and Vulnerable Members (Concessional)			
Extended Credit Facility (2010)	Medium-term assistance to address protracted balance of payments problems.	Adopts three-year Extended Credit Facility (ECF) arrangements. ECF-supported programs are based on a Poverty Reduction Strategy Paper prepared by the country in a participatory process and integrating macroeconomic, structural and poverty reduction policies.	Semi-annual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews.
Standby Credit Facility (2010)	To resolve short-term balance of payments and precautionary needs.	Adopts 12- to 24-month Standby Credit Facility arrangements.	Semi-annual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews (if drawn).
Rapid Credit Facility (2010)	Rapid assistance for urgent balance of payments needs where an upper credit tranche quality program is not needed or feasible.	No review-based program necessary or <i>ex post</i> conditionality.	Usually in a single disbursement.



Financial Resources

Table 6
IMF Financial Resources

Source	Purpose	Status	Current Amount (SDR Billions)	Amount When 2010 Quota Reforms Are Implemented (SDR Billions)
Quotas	Each member contributes quotas, which serve as the base component of the IMF's financial resources.	Quotas are permanently active. Quota levels and their distribution are reviewed every five years. The 2010 reforms will double aggregate quotas.	238.4	476.8
New Arrangements to Borrow (NAB)	Rules-based set of multilateral borrowing arrangements with 38 IMF members to augment IMF resources in times of global or regional economic instability. ¹	The NAB was enlarged in March 2011 and activated for 6-month periods in April 2011, October 2011, April 2012, October 2012, April 2013, October 2013 and April 2014.	366.5	182.4
General Arrangements to Borrow (GAB)	Older, smaller set of multilateral borrowing arrangements with 11 countries, which can only be activated when a proposal to activate the NAB is not accepted.	The GAB was renewed in December 2013 for a period of 5 years. It has not been activated since 1998. It cannot be used at the same time as the NAB.	17	17
Bilateral borrowing	Temporary supplement to IMF resources when necessary.	In 2012, 38 IMF members pledged US\$461 billion in bilateral loans to supplement Fund resources. As of April 30, 2014, US\$428 billion in borrowing agreements were effective, but not active. They can only be activated if the IMF's useable quota and NAB resources fall below SDR 100 billion.	277	N/A

¹ NAB agreements listed by the Fund include 40 member participants. However, Greece and Ireland have yet to adhere to the expanded NAB.

Quotas

The IMF works much like a credit union. It has access to a pool of liquid resources provided by its members, primarily through their payment of quotas, which consist of convertible national currencies, SDRs and other widely used international currencies. Upon joining and subject to regular reviews, each member of the IMF is assigned a quota, based broadly on its relative weight and integration in the world economy. Quotas play an important role at the IMF as they make up the base of the IMF's lending resources and largely determine a country's voting share.

In 2010 IMF members approved major reforms of quotas and IMF governance. When the reforms enter into force, aggregate quotas will be doubled to approximately SDR 477 billion (see Table 6). Quotas are traditionally reviewed every five years. The 15th General Review of Quotas was originally set to begin in 2013; however, as a result of delays in implementing the 2010 reforms, the deadline for completing the 15th Review has been extended until January 2015.



Canada's contribution to the IMF's overall quota is currently SDR 6.37 billion, representing 2.67 per cent of the total. As of April 30, 2014, SDR 2.0 billion or about \$3.4 billion in drawings by the IMF against Canada's quota was outstanding.¹¹ Canada's quota will increase from SDR 6.37 billion to SDR 11 billion following the entry into force of the 2010 quota and governance reforms.

Multilateral Borrowing Agreements

During periods of heightened global or regional economic instability, the potential borrowing needs of members may exceed the loan capacity of quota-based resources. In these cases, the IMF has the ability to augment its quota resources with loans from member countries. The IMF currently has two standing multilateral borrowing agreements with its largest members, including Canada: the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB).

The IMF has GAB agreements with 11 countries totalling SDR 17 billion and NAB agreements with 38 countries totalling SDR 370 billion. The GAB was recently renewed for a period of five years in December 2013; however, it has not been activated since 1998 and cannot be used at the same time as the NAB. The NAB can be activated with the consent of Ministers for six-month intervals. In April 2011, due to heightened global uncertainty, the NAB was activated. It has been reactivated for consecutive six-month periods six additional times, most recently in April 2014, for a total amount of SDR 166 billion. Canada's share of the GAB is SDR 893 million, while its share of the NAB is SDR 7.62 billion. As of April 30, 2014, the IMF had drawn SDR 974.5 million or about \$1.7 billion from Canada's NAB contribution to fund lending arrangements. Canada's NAB arrangement will be rolled back from SDR 7.62 billion to SDR 3.87 billion following the entry into force of the 2010 quota and governance reforms.

Bilateral Lending Agreements

The IMF's resources are being further augmented on a temporary basis as a result of new bilateral credit line pledges of US\$461 billion made by 38 countries in 2012 in the face of the sovereign debt crisis in the euro area. As of February 2014, the IMF has signed US\$422 billion of these loans, which can only be activated as a last line of defence once quota and NAB resources have been significantly depleted and the IMF's Forward Commitment Capacity (see below) has fallen to SDR 100 billion. Canada did not participate in this round of bilateral borrowing arrangements.

Table 7

Summary of Canada's Financial Position at the IMF Canada's IMF-Related Finances, as of April 30, 2014

SDR billions

	Allocated Contribution	Amount Drawn
Current quota	6.4	2.0
NAB commitment	7.6	1.0
GAB commitment	0.9	0
Total	14.9	3.0

¹¹ On April 30, 2014, 1 SDR equalled 1.698 Canadian dollars.



General Resource Safeguards

Not all of the IMF's resources are available for lending. This is because the IMF does not draw from the quota of members in programs, or from members who are not considered to have a strong balance of payments position. Only a subset of the membership provides loanable resources to the Fund. These financially strong members participate in the institution's Financial Transactions Plan, which sets out at regular intervals the Fund's anticipated drawings on members' quotas and NAB commitments. Further, the Fund sets aside a prudential balance of 20 per cent of useable quota and NAB resources. The prudential balance is an important safeguard to the liquidity of members' claims. The IMF therefore uses a measure known as the Forward Commitment Capacity (FCC) as a measure of resources available for new financial commitments in the coming year. It is equal to: uncommitted useable resources, *plus* repayments one year forward, *less* amounts that have already been committed under existing lending arrangements, *less* the prudential balance. The FCC does not include unactivated bilateral loans or the GAB. As of April 30, 2014, the FCC totalled SDR 265 billion or about US\$410 billion.

The IMF's resources are protected by a number of financial safeguards including the institution's preferred creditor status, encashability of creditors' claims in certain circumstances, and the Fund's precautionary balances. The IMF has never suffered a loss on its lending activities. Funds provided to the IMF do not affect Canada's net debt measure as they constitute financial assets of the Government of Canada. Interest is earned on these claims at the SDR interest rate when they are drawn to fund lending programs. Claims on Canadian lending to the IMF are booked as a part of the official international reserves of the Government of Canada, in line with international accounting practices.

For more information on the IMF's balance sheet, see Annex 2. The IMF's 2013 annual report also contains an in-depth examination of the IMF's finances. For up-to-date information on the state of IMF finances, the IMF prepares a weekly summary of its financial assistance to member countries, available IMF resources, arrears and key IMF rates, as well as a monthly summary of its total resources, useable resources and FCC.

Concessional Lending and Debt Relief Resources

The IMF's concessional lending and debt relief for low-income countries are financed through separate trust funds rather than from quota subscriptions. Low-interest loans are provided under the Poverty Reduction and Growth Trust (PRGT), while debt relief is provided under the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and the Post-Catastrophe Debt Relief Trust. The resources for these activities come from members' voluntary contributions and the IMF itself. They are administered under various Trust agreements, with the IMF acting as Trustee. More information on the IMF's debt relief activities is available on its Where the IMF Gets Its Money web page.

Concessional lending from the PRGT requires both loan resources and "subsidy" resources. Donor countries enter into loan agreements, with the IMF as Trustee for the PRGT. The borrowed funds are then on-lent as part of the IMF's PRGT programs. Interest is paid by the Fund on loan contributions, and all resources provided under the loan agreements are treated as official foreign exchange reserves and are covered by the IMF's preferred creditor status.



As PRGT loans carry a fixed low interest rate (currently zero), subsidy resources are needed to cover the difference between the concessional interest rate paid by poor and vulnerable members and the SDR interest rate paid to PRGT lenders. For Canada, the provision of subsidy resources carries a budgetary cost. In addition to donor-financed subsidy contributions, the IMF also uses annual interest earnings from the PRGT's reserves (which serve as security for PRGT lenders) to augment subsidy resources. These internal resource flows give the PRGT a “self-sustaining” concessional lending capacity.

Following the onset of the global financial and economic crisis, the IMF successfully mobilized a major PRGT financing package composed of internal funds and new donor resources to scale up assistance to the most vulnerable IMF members. The aim of the exercise was to boost the PRGT's capacity so that it could lend concessional resources of up to SDR 11.3 billion over the 2009–2014 period. Canada played a leadership role throughout this process, including contributing \$40 million of subsidy resources and SDR 500 million (about \$800 million) in loan resources. These contributions were announced in Budget 2010.

While the 2009–2014 financing package has proved successful, the lending capacity of the PRGT was again set to decline below projected needs by early 2015. In order to boost the Fund's concessional lending capacity, the IMF Executive Board agreed in September 2012 to transfer to the PRGT windfall profits of over SDR 1.75 billion from a 2009–10 sale of IMF gold. This transfer formed part of the strategy adopted by the Executive Board to make the PRGT self-sustaining over the longer term. In April 2014, the Executive Board approved amendments required to implement the self-sustaining PRGT. Specifically, these included authorizing the eventual use of investment income earned on PRGT reserves to subsidize loans, and allowing the Fund to make PRGT loan commitments during the 2016–2020 period. Once these amendments become effective, the PRGT will be in a much stronger position to support the poorest and most vulnerable IMF members.



Annex 2

Operational Highlights and Key Financial Indicators for the IMF for Fiscal Year 2014

IMF disbursements (i.e., outflows of IMF resources to borrowing members) from the General Resources Account increased slightly to SDR 11.7 billion in FY2014 from SDR 10.6 billion in FY2013, while repayments (i.e., inflows of IMF resources) rose moderately to SDR 20.6 billion in FY2014 from SDR 14.6 billion the year before. As a result, resource repayments were in excess of disbursements (by SDR 8.9 billion) for the second consecutive year. Both disbursements and repayments from the Poverty Reduction and Growth Trust declined modestly, with disbursements falling to SDR 0.6 billion in FY2014 from SDR 0.9 billion in FY2013, and repayments declining to SDR 0.4 billion in FY2014 from SDR 0.5 billion in FY2013.

IMF Disbursements and Repayments

SDR billions

	FY2013	FY2014
General Resources Account (GRA)		
Disbursements	(10.6)	(11.7)
Repayments	14.6	20.6
	4.0	8.9
Poverty Reduction and Growth Trust (PRGT)¹		
Disbursements	(0.9)	(0.6)
Repayments	0.5	0.4
	(0.4)	(0.2)
GRA and PRGT		
Total disbursements	(11.5)	(12.3)
Total repayments	15.1	21.0
	3.6	8.8

¹ Includes loans under the Structural Adjustment Facility and Trust Fund.
Source: IMF.

Outstanding credit from the GRA decreased modestly to SDR 81.2 billion in FY2014 from SDR 90.2 billion in FY2013. Likewise, this brought total credit outstanding down slightly to SDR 87.3 billion from SDR 96.1 billion the year prior. Outstanding credit from the PRGT edged up slightly to SDR 6.1 billion in FY2014.

IMF Outstanding Credit

SDR billions

	FY2013	FY2014
General Resources Account	90.2	81.2
Poverty Reduction and Growth Trust¹	5.9	6.1
Total	96.1	87.3

¹ Includes loans under the Structural Adjustment Facility and Trust Fund.
Source: IMF.



Annex 3

Active IMF Lending Arrangements as of April 30, 2014

IMF Lending Arrangements as of April 30, 2014

SDR millions

	Date of Arrangement	Date of Expiration	Amount Agreed	Amount Drawn
General Resources Account (GRA)				
Stand-By Arrangement				
Bosnia and Herzegovina	September 26, 2012	June 30, 2015	474	253
Jordan	August 3, 2012	August 2, 2015	1,364	852
Romania	September 27, 2013	September 26, 2015	1,751	0
Saint Kitts and Nevis	July 27, 2011	July 26, 2014	53	48
Tunisia	June 7, 2013	June 6, 2015	1,146	573
Ukraine	April 30, 2014	April 29, 2016	10,976	0
Total			15,764	1,726
Extended Fund Facility				
Albania	February 28, 2014	February 27, 2017	296	24
Armenia	March 7, 2014	May 6, 2017	82	12
Cyprus	May 15, 2013	May 14, 2016	891	297
Greece	March 15, 2012	March 14, 2016	23,785	7,211
Jamaica	May 1, 2013	April 30, 2017	615	222
Pakistan	September 4, 2013	September 3, 2016	4,393	1,080
Portugal	May 20, 2011	June 30, 2014	23,742	22,942
Total			53,804	31,788
Flexible Credit Line				
Colombia	June 24, 2013	June 23, 2015	3,870	0
Mexico	November 30, 2012	November 29, 2014	47,292	0
Poland	January 18, 2013	January 17, 2015	22,000	0
Total			73,162	0
Precautionary and Liquidity Line				
Morocco	August 3, 2012	August 2, 2014	4,117	0
Total			4,117	0
GRA total			146,847	33,514

Note: Totals may not add due to rounding.



IMF Lending Arrangements as of April 30, 2013 (cont'd)

SDR millions

	Date of Arrangement	Date of Expiration	Amount Agreed	Amount Drawn
Poverty Reduction and Growth Trust (PRGT)				
Extended Credit Facility				
Afghanistan	November 14, 2011	November 13, 2014	85	24
Bangladesh	April 11, 2012	April 10, 2015	640	366
Benin	June 14, 2010	June 30, 2014	74	64
Burkina Faso	December 27, 2013	December 26, 2016	27	3
Burundi	January 27, 2012	January 26, 2015	30	20
Central African Republic	June 25, 2012	June 24, 2015	42	7
Côte d'Ivoire	November 4, 2011	November 3, 2014	390	309
Gambia, The	May 25, 2012	May 24, 2015	19	11
Guinea	February 24, 2012	February 23, 2015	129	73
Haiti	July 21, 2010	August 29, 2014	41	39
Kyrgyz Republic	June 20, 2011	June 19, 2014	67	57
Liberia	November 19, 2012	November 18, 2015	52	22
Malawi	July 23, 2012	November 22, 2015	104	52
Mali	December 18, 2013	December 17, 2016	30	6
Niger	March 16, 2012	December 31, 2015	79	45
São Tomé and Príncipe	July 20, 2012	July 19, 2015	3	1
Sierra Leone	October 21, 2013	October 20, 2016	62	9
Solomon Islands	December 7, 2012	December 6, 2015	1	0
Total			1,874	1,109
PRGT total			1,874	1,109
Grand total			148,721	34,623

Note: Totals may not add due to rounding.

Source: IMF.

Annex 4

Background on World Bank Group Operations and Canada’s Engagement

The overarching mission of the World Bank Group is to end extreme poverty by 2030 and boost shared prosperity by fostering the income growth of the bottom 40 per cent for every country. The World Bank Group 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 World Bank Group is a vital source of financial and technical assistance to developing countries around the world.

The Role and Mandate of 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 role in promoting global poverty reduction.

All figures in this section reflect the World Bank Group’s 2014 fiscal year (July 1, 2013 to June 30, 2014) unless otherwise indicated. Further information on the World Bank Group’s financial results can be found on its Financial Results web page.





IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

- Established: 1944
- Members: 188
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, risk management products, and analytical and advisory services
- Size: US\$18.6 billion in new commitments in 2014

Established in 1944, IBRD is the original institution of the World Bank Group and continues to be its main lending agency, providing loans to middle-income and creditworthy low-income countries.

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

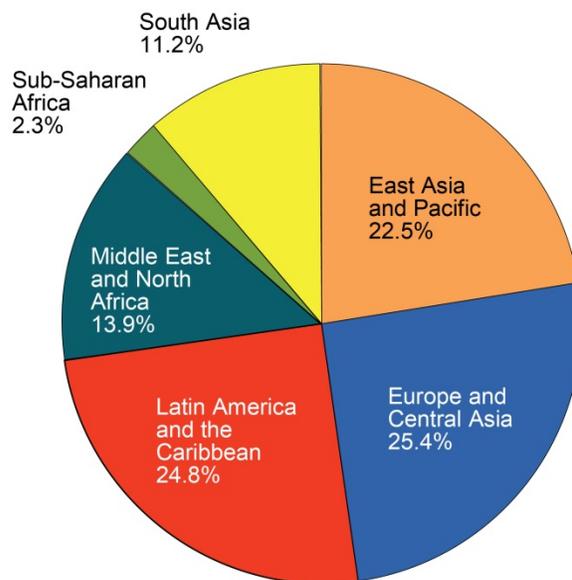
IBRD does not seek to maximize profit; rather, it aims to earn enough to ensure its financial strength and to sustain its development activities. In 2014, the IBRD loan portfolio included commitments of US\$18.6 billion to 95 projects in about 40 countries, an increase of \$3.4 billion from 2013.

Europe and Central Asia received the largest portion of IBRD funding (25.4 per cent) in 2014, followed by Latin America and the Caribbean (24.8 per cent). For more information about IBRD, visit its website.

Chart 4

Total IBRD Lending by Region, 2014

(% share of US\$18.6 billion)





IDA—International Development Association

IDA at a Glance

- Established: 1960
- Members: 173
- Clients: Poorest countries
- Tools: Interest-free loans, grants, and analytical and advisory services
- Size: US\$22.2 billion in new commitments in 2014

In the 1950s, it became clear that the poorest developing countries could not afford to borrow needed capital on the interest terms offered by IBRD. In response, IDA was set up to reduce poverty by providing interest-free credits and grants. IDA offers 25- and 40-year interest-free loans and grants to countries at risk of debt distress and represents the largest source of development financing for many of these countries. IDA is focused on countries with annual per capita income of less than US\$1,205. Eighty-two countries are currently eligible to receive IDA resources. Countries that are eligible for IDA lending and also have an active IBRD lending program are charged a slightly higher interest charge for loans from IDA than is charged to other IDA-only borrowers.

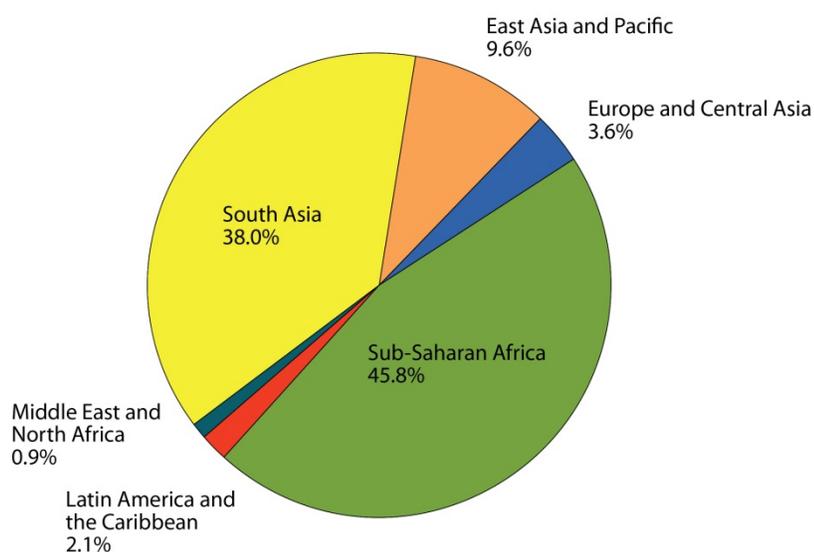
New IDA commitments are financed through contributions from donor governments, including Canada, annual transfers from IBRD and IFC net income, and principal repayment on past loans. Donor contributions make up the largest component of IDA's finances. Every three years, IDA funds are replenished through new donor pledges. The 17th replenishment round was concluded in December 2013 and approved by the Board of Governors on May 5, 2014.

Sub-Saharan Africa received the largest share of IDA resources in 2014—US\$10.2 billion, or 45.8 per cent of total commitments. South Asia received 38 per cent of new commitments, totalling US\$10.5 billion. For more information about IDA, visit its website.

Chart 5

Total IDA Commitments by Region, 2014

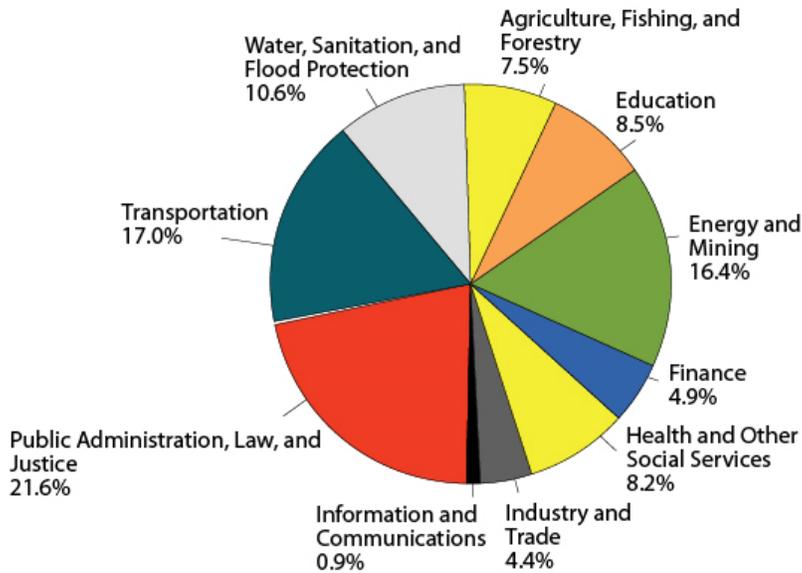
(% share of US\$22.2 billion)





IBRD and IDA lending for infrastructure (Transportation; Energy and Mining; Water, Sanitation, and Flood Protection) combined for approximately 44 per cent of total lending in 2014. Other sectors that were a major focus for lending included Public Administration, Law and Justice (22 per cent), Education (9 per cent), and Health and Other Social Services (8 per cent).

Chart 6
Total IBRD and IDA Lending by Sector, 2014
(% share of US\$40.8 billion)



IFC—International Finance Corporation

IFC at a Glance

- Established: 1956
- Members: 184
- Clients: Businesses in developing countries where there is limited access to capital
- Tools: Commercial-rate loans, equity investments, resource mobilization and advisory services
- Size: US\$22.4 billion in new investment commitments in 2014

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. IFC provides financing where sufficient private capital cannot be obtained from other sources on reasonable terms. It is now the largest multilateral source of loan and equity financing for private sector projects in the developing world.

IFC is legally and financially autonomous, but it collaborates and coordinates with IBRD, IDA, MIGA and other organizations.



In 2014, IFC committed US\$22.4 billion in new investments (US\$17.3 billion from IFC's own account and US\$5.1 billion from core mobilization). New commitments on IFC's own account included US\$4.06 billion in Latin America and the Caribbean, US\$3.48 billion in Europe and Central Asia, US\$3.54 billion in Sub-Saharan Africa, US\$1.70 billion in the Middle East and North Africa, US\$2.77 billion in East Asia and the Pacific, and US\$1.56 billion in South Asia.

For more information about IFC, visit its website.

Chart 7

New IFC Investments by Region, 2014

(% share of US\$ 17.3 billion)

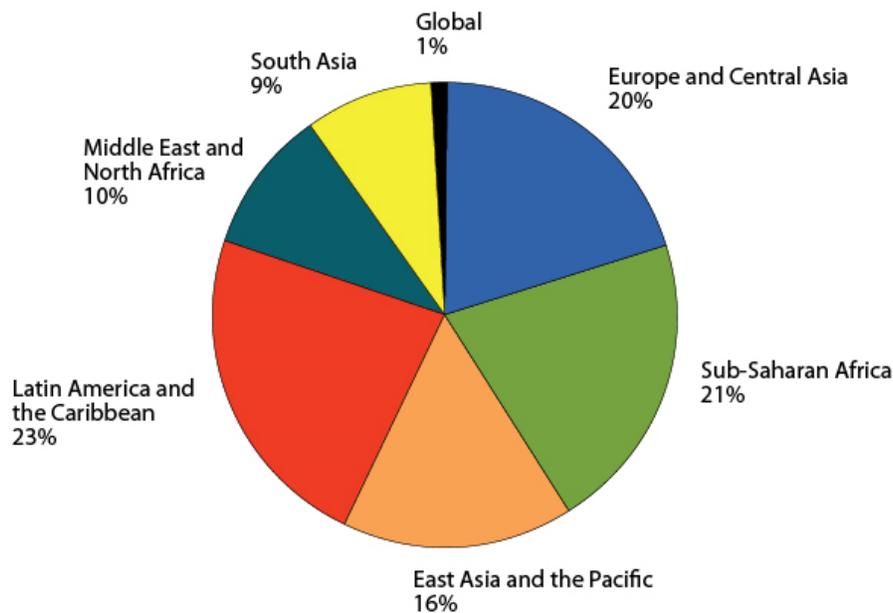
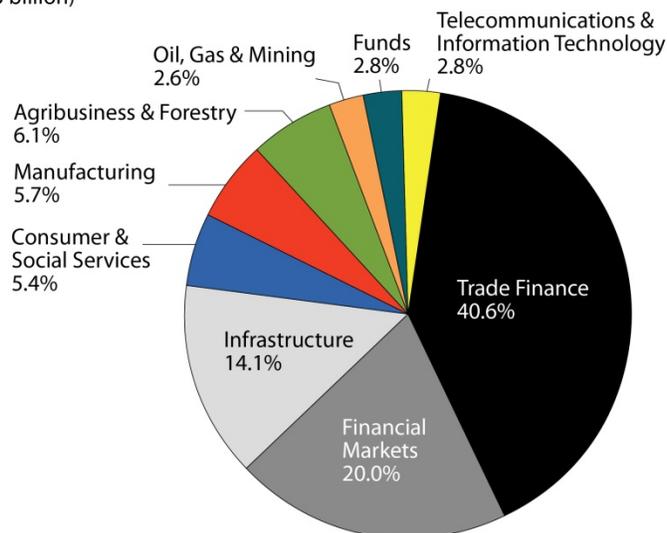


Chart 8

New IFC Investments by Sector, 2014

(% share of US\$ 17.3 billion)





MIGA—Multilateral Investment Guarantee Agency

MIGA at a Glance

- Established: 1988
- Members: 180
- Clients: Investors and lenders
- Tools: Political risk insurance, credit enhancement products, and advisory and legal services
- Size: US\$3.2 billion issued in risk guarantees in 2014

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 2014, the total amount of guarantees issued for projects in MIGA’s developing member countries was US\$3.2 billion, up from US\$2.8 billion in 2013.

For more information about MIGA, visit its website.



Chart 9
New MIGA Risk Guarantees Issued by Region, 2014
(% share of US\$3.2 billion)

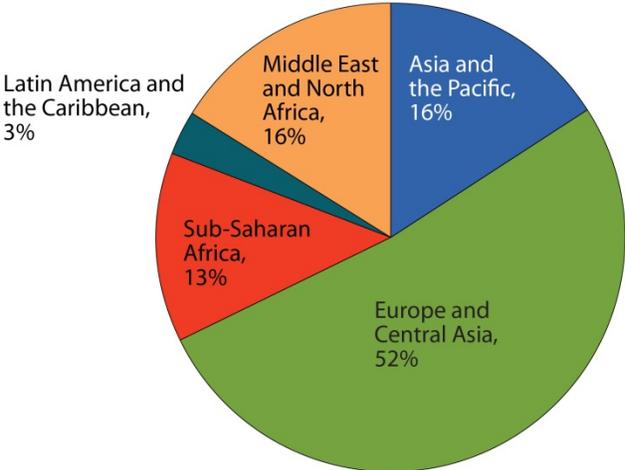
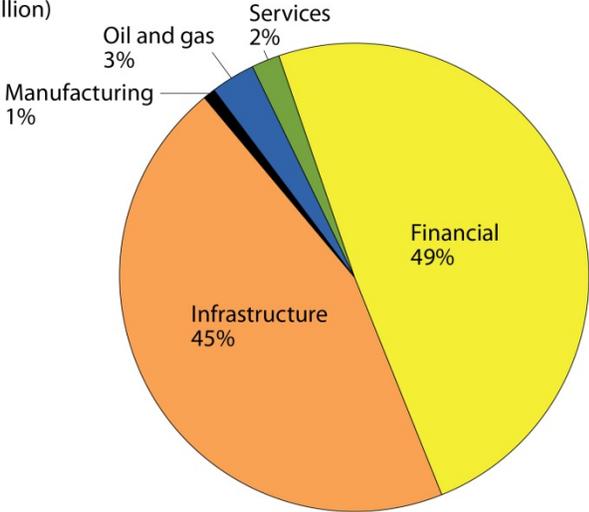


Chart 10
New MIGA Risk Guarantees Issued by Sector, 2014
(% share of US\$3.2 billion)





ICSID—International Centre for Settlement of Investment Disputes

ICSID at a Glance

- Established: 1966
- Members: 150 full members; 159 signatories
- Mission: Facility to resolve international investment disputes

ICSID, established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, provides facilities for conciliation and arbitration of investment disputes between member countries and foreign investors. On November 1, 2013, Canada deposited its Instrument of Ratification of the ICSID Convention with the World Bank. Canada signed the ICSID Convention on December 15, 2006. ICSID membership now provides Canadian investors with an additional mechanism for the resolution of investment disputes pursued under international arbitration.



Compliance With the Official Development Assistance Accountability Act

The Official Development Assistance Accountability Act (ODAAA) came into force on June 28, 2008. The Act lays out three conditions that must be satisfied for international assistance to be considered as official development assistance under the Act. These conditions are that the assistance:

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

The Act applies to all federal departments providing official development assistance, including that channelled through the World Bank Group.

Ministers must be of the opinion that these conditions have been met in order to report expenditures or investments as Canadian official development assistance. To facilitate transparency in reporting on official development assistance, the Act requires Ministers to report on official development assistance through an annual report to Parliament. These reports can be found online at <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/FRA-61295946-JEX>.

Responsible Ministers have determined that the World Bank Group institutions to which the Government of Canada provide funding meet these three tests. In particular:

- IDA is the single largest source of donor funds for basic social services in the poorest countries. IDA credits are allocated based on Country Assistance Strategies, which take into account the perspectives of civil society and potential beneficiaries of IDA funds. IDA is a recognized leader in supporting development objectives that have a clear link to the improvement of human rights, such as improving poor people's access to education and health care, strengthening their participation and decision making in society, and providing them with stronger justice systems.
- IBRD is structured like a cooperative that is owned and operated for the benefit of its 188 member countries, ensuring that those who benefit from its low-cost financing and development expertise have a voice. IBRD's focus is on poverty reduction in middle-income countries and creditworthy low-income countries.
- IFC's programs and activities focus on the private sector. As some of the funds invested through IFC are provided on market terms, not all Canadian funding to IFC is reported as official development assistance. Nonetheless, IFC's poverty reduction mission and environmental and social safeguards respect the spirit of the ODAAA. Additionally, IFC's activities are guided by a Board of Governors and Board of Directors, which include representation from all the poor countries in which IFC invests.



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)

IEG is an independent unit within the World Bank Group reporting directly to the Bank's Executive Board. It 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. Its reports are available on the World Bank website.

Internal Audit Department

The Internal Audit Department's work primarily focuses on determining whether the World Bank Group's risk management, control and governance processes provide reasonable assurance that: significant financial, managerial and operating information is accurate, reliable and timely; resources are acquired economically and used efficiently; assets are safeguarded; actions of the organization are in compliance with policies, procedures, contracts, and applicable laws and regulations; and significant programs, plans and business objectives will be achieved.

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. More information on the Panel is available on the World Bank website.

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 IFC and MIGA in improving the social and environmental outcomes of their work and fostering a high level of accountability. The CAO's annual report can be accessed on its website.

Department of Institutional Integrity (INT)

INT investigates allegations of fraud and corruption in World 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 World Bank Group funds and ensure they are used for intended purposes. In 2013, the World Bank Group sanctioned 47 entities. More information on INT can be found on the World Bank website.



Canada's Capital Subscriptions and Shareholding

The World Bank Group is governed by member countries, each of which owns shares of the agencies that make up the World Bank Group. Decision-making power is primarily exercised by countries through their Governor and Executive Director, depending on the nature of the decision, and during negotiations on capital increases and fund replenishments.

Canada is among the top 10 shareholders at the World Bank Group, having contributed a total of US\$7.2 billion in capital subscriptions to IBRD, IFC and MIGA and US\$10.2 billion in contributions to IDA.

Table 8

Canada's Capital Subscriptions, 2014

US\$ millions, unless otherwise indicated

	IBRD	IDA	IFC	MIGA
Capital subscriptions and contributions	7,039.5	10,186 ¹	81.3	56.5
Amount paid in	433.1	10,186 ¹	81.3	10.7
Amount not paid in but contingent on future capital requirements	6,606.4	–	–	45.8
Subscription or contribution share (%)	3.02	4.51	3.25	2.95
Voting power (%)	2.89	2.62	3.10	2.50

Note: Figures are from the 2014 financial statements and annual reports for the World Bank, IFC and MIGA.

¹ Represents Canada's cumulative contributions and commitments made through the 16th replenishment of IDA.

Canada's voting power ranges from 2.5 per cent to 3.1 per cent within the Bank's different institutions. 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. At the end of 2010, new shareholding and voting reforms were agreed for IBRD, which will result in a shift in voting shares in favour of developing countries and emerging economies as member states subscribe to the general and special capital increases. As these voice reforms are implemented, Canada is expected to fall from the 7th largest to the 11th largest shareholder, allowing greater voice and recognition of certain major emerging market countries.

Canada's Governor at the World Bank Group

Each member appoints a Governor to represent it on the Board of Governors, the highest authority governing the World Bank Group. Canada's Governor is the Minister of Finance, the Honourable Joe Oliver.

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.

The Board of Governors is asked to vote on a number of resolutions throughout the year. Canada's positions on resolutions taken in the period July 1, 2013 to June 30, 2014 are shown below.



Voting Record of the Canadian Governor in 2013–14

In August 2013, Canada voted against a proposed salary increase for Executive Directors and their Alternates.

In September 2013, Canada voted to approve Washington as the host of the 2016 and 2017 IMF-World Bank Group Annual Meetings, to take place beginning October 7 and 13 respectively.

In November 2013, Canada nominated Alister Smith as Canada's candidate for the 2013 interim election of Executive Directors.

In May 2014, Canada supported the resolution approving the seventeenth replenishment of IDA.

In June 2014, Canada supported transferring US\$55 million from the IBRD surplus to replenish the Trust Fund for Gaza and West Bank.

By virtue of its significant shareholding, Canada's Governor is also accorded a seat at the Development Committee of the Boards of Governors of the World Bank and IMF, which meets twice a year, at the Spring Meetings and the Annual (Fall) Meetings. In 2013–14, the Governor tabled two Development Committee statements on behalf of Canada's constituency, comprising 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, on October 12, 2013 and on April 12, 2014 in Washington, D.C.

The Canadian Executive Director at the World Bank Group

Governors delegate responsibility for the day-to-day running of the organization to 25 full-time Executive Directors, located at the Bank's headquarters in Washington, D.C. Executive Directors are appointed for two years. They each represent a constituency, which can include more than one country. Canada's Executive Director, Alister Smith, represents Canada's constituency. 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 Group.

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.

Shareholders typically raise serious questions or concerns about specific Bank operations before they get to the Executive Board. In addition, Executive Directors may abstain or vote against projects or policies in consultation with their constituencies. In 2013–14, the Executive Director representing Canada supported all policies and projects approved by the Board, with six exceptions (see following box).



Voting Record of the Executive Director Representing Canada in 2013–14

(Only Oppositions or Abstentions Listed)

Given Canada's condemnation of Russia's illegal annexation of Crimea and its actions to destabilize eastern Ukraine, as well as its concerns about Russia's continued actions to undermine Ukraine's sovereignty, territorial integrity and independence, the Canadian Executive Director abstained on or opposed a number of Russia or Russia-related projects in 2014.

- In April 2014, the Canadian Executive Director abstained on a proposed IFC investment in Novomet, a large Russian electric submersible pump firm.
- In May 2014, the Canadian Executive Director opposed a proposed IFC investment in Auchan, a global food retailer looking to expand in Russia, Vietnam and other emerging markets.
- In June 2014, the Canadian Executive Director opposed a proposed IFC project providing financing for the working capital needs of Russia- and Turkmenistan-based subsidiaries of a Turkish construction company.

In addition, in March 2014, the Canadian Executive Director abstained on a proposed IFC energy investment in Nigeria on the basis of timing considerations, as a forensic audit was in the process of being conducted to address governance concerns in the country's energy sector.

In May 2014, the Canadian Executive Director abstained on a proposed IDA loan to South Sudan for a road construction project owing to concerns of a lack of capacity of the South Sudan government to implement the project.

Finally, in June 2014, the Canadian Executive Director opposed the proposal to increase World Bank Group staff compensation on the basis that salary is only one component of total compensation, and that a comprehensive assessment of total compensation is needed ahead of supporting an increase in salaries.

Members of the Executive Director's Office at the World Bank (as at June 30, 2014)

Executive Director	Alister Smith (Canada)
Alternate Executive Director	Janet Victoria Harris (Saint Kitts and Nevis)
Senior Advisor	Eamonn Kearns (Ireland)
Senior Advisor	Ian MacDonald (Canada)
Senior Advisor	Jonathan Rothschild (Canada)
Advisor	Niall Cassidy (Ireland)
Advisor	Andrew Clark (Canada)
Advisor	Laura Dorling (Canada)
Advisor	Louisa Pang (Canada)
Advisor	Derek Gibbs (Barbados)
Executive Assistant	Anne Turcotte (Canada)
Program Assistant	Kimani James (Grenada)



Canada's Financial Contributions to the World Bank Group in 2013–14

Canada is an important provider of funding for the World Bank Group. In 2013–14, Canada made the following contributions:

IDA Contribution: \$441,610,000

IDA is the World Bank's principal financing tool for the world's poorest countries, providing them with interest-free loans and grants. IDA allocates its resources primarily through a performance-based allocation mechanism, which includes measures of a country's social inclusion (e.g. social protection, gender equality) and governance. The higher countries rate on these indicators, the more IDA resources they can receive.

During the reporting period of July 1, 2013 to June 30, 2014, Canada provided \$441.61 million to IDA, as agreed under the IDA16 replenishment. This contribution supports IDA's efforts to enhance aid effectiveness, finance large regional projects such as infrastructure projects, and provide special assistance for fragile states such as Afghanistan and Haiti, while ensuring countries do not take on unsustainable levels of debt.

Multilateral Debt Relief Through the World Bank: \$51,200,000

Under the Multilateral Debt Relief Initiative (MDRI), the World Bank, IMF and African Development Fund have agreed to cancel 100 per cent of eligible debts owed by heavily indebted poor countries. At the G-8 Summit in Gleneagles in 2005, Canada and other donor countries agreed to fully compensate these institutions for the debts they will cancel on behalf of poor countries, so as not to undermine their ability to provide new financial support to all low-income countries. Canada's total commitment over the 50-year lifespan of the MDRI is \$2.5 billion and payments are made annually.

During the reporting period of July 1, 2013 to June 30, 2014, Canada provided \$51.2 million to the World Bank Group for the MDRI.

World Bank Group Trust Funds \$206,680,000

Trust funds are an important instrument for channelling donor funding through the World Bank Group to address key strategic development issues at the country, regional or global level. In particular, trust funds leverage bank funding for development programs, particularly in post-disaster and post-conflict situations; enable donor and private sector financiers of development activities to partner with the Bank, consistent with harmonization objectives; build capacity to work in innovative areas; and work with civil society organizations. Trust funds can either be single donor or multi-donor; Canada contributes to both types of trust funds, with the majority of its contributions going to multi-donor trust funds.

Annex 5 provides a list of all trust funds to which the Department of Foreign Affairs, Trade and Development contributed in 2013–14, unless otherwise indicated.



Annex 5

Canadian Contributions to World Bank Group Trust Funds

The disbursements listed below are through the Department of Foreign Affairs, Trade and Development, unless otherwise indicated.

Trust Fund	Disbursements Between July 1, 2013 and June 30, 2014 (\$ Millions)
Americas	
Entrepreneurship Program for Innovation in the Caribbean (Caribbean Region)	2.0
Canada-Americas Business Environment Reform (Inter-American Region)	2.8
Enhancing the Development Impact of Extractive Industries (Peru)	1.5
Catastrophe Risk Insurance Facility for Central America (Honduras and Nicaragua)	10.0
Asia	
Support to the Health Sector Development Program (Bangladesh)	21.0
Strengthening Public Financial Management (Indonesia)	2.0
Indonesia Agribusiness Development (Indonesia)	2.0
Agribusiness Development (Philippines)	2.0
Private Sector Engagement for Agricultural Development (Vietnam)	2.3
Economic Management Competitiveness Credit (Vietnam)	6.0
Europe, Middle East, Maghreb, Afghanistan and Pakistan	
Afghanistan Reconstruction Trust Fund – Recurrent Costs (Afghanistan)	20.5
Emergency Services and Social Resilience for Municipalities Affected by Syrian Refugees (Jordan)	10.0
Micro, Small and Medium Enterprise Technical Assistance Facility (Middle East and Maghreb Region)	4.5
Middle East and North Africa Transition Fund (Middle East and Maghreb Regional Program)	5.0
Engaging the Private Sector for Small and Medium Farm Business Development (Ukraine)	1.3
Developing an Agri-Insurance System – Consolidation Phase (Ukraine)	1.2
Sub-Saharan Africa	
Agricultural Growth Program (Ethiopia)	3.8
Investment Climate Improvements Program (Ethiopia)	0.1
Women Entrepreneurship Development Program (Ethiopia)	1.5
Health Service Delivery Program (Mozambique)	3.3
Effective Governance of Mining and Gas Impacts (Mozambique)	0.2
Support to Agricultural Research in West and Central Africa (Pan-Africa)	2.0
Enhancing Farmers' Access to Markets in East and West Africa (Pan-Africa)	2.0
Energy Sector Capacity Building (Tanzania)	5.0
Extractives Enabling Environment (Kenya)	0.95
African Program for Onchocerciasis Control – Phase III (West and Central Africa Regional Program)	1.7
Preparation of Budgets in the Health Sector (Democratic Republic of Congo)	0.3
Global Initiatives and Strategic Policy	
Facility for Investment Climate Advisory Services	20.0
Support to World Bank Annual Development Report	0.2
Advance Market Commitment – Vaccines	17
CGIAR Institutional Support 2014	13.8
CGIAR Wheat Initiative	3.0
Agricultural Science and Technology Indicators	0.2
Fifth Replenishment (2010–2014) – Global Environment Facility	27.5
Advance Market Commitment for Agriculture (AgResults) ¹	10.0
Total	206.68

Sources: Department of Foreign Affairs, Trade and Development; CFO-Stats.

¹ This disbursement was made through the Department of Finance.



Annex 6

Operational Highlights and Key Financial Indicators for the World Bank Group for Fiscal Year 2014

International Bank for Reconstruction and Development

US\$ millions

	FY2013	FY2014
Administrative expenses	1,761	1,821
Net income	218	-978
Total assets	325,601	358,883
Fiscal-year commitments	15,249	18,604
Gross disbursements	16,030	18,762
Undisbursed loans	61,306	58,449
Principal repayments including prepayments	9,478	9,813
Net disbursements	6,552	8,949
Equity-to-loans ratio (per cent)	26.8	25.7

International Development Association

US\$ millions

	FY2013	FY2014
Net income	-1,752	-1,612
Development credits outstanding	125,135	136,011
Fiscal-year commitments	16,298	22,239
Gross disbursements	11,228	13,432
Principal repayments	3,822	3,462
Net disbursements	7,371	9,878

International Finance Corporation

US\$ millions

	FY2013	FY2014
Administrative expenses	845	888
Income before grants to IDA	1,350	1,739
Total assets	77,525	84,130
Committed portfolio	49,617	51,735
Fiscal-year commitments	24,853	22,404
Number of projects	612	599
Net loan and equity investments	34,677	38,176



Multilateral Investment Guarantee Agency

US\$ millions

	FY2013	FY2014
Administrative and other expenses	41	40
Operating income	19	27
Total assets	1,849	2,008
Statutory underwriting capacity	13,897	15,145
Fiscal-year guarantees issued	2,781	3,155
Number of guarantee contracts issued	47	33
Net exposure	6,410	7,113
Return on operating capital, before provisions (per cent)	4.5	6.6

Sources: IBRD, IDA, IFC and MIGA unaudited financial statements.



Annex 7

IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2014

US\$ millions

	IBRD Amount	IDA Amount	Total Amount
By Region			
Africa	420	10,193	10,613
East Asia and Pacific	4,181	2,131	6,313
Europe and Central Asia	4,729	798	5,527
Latin America and the Caribbean	4,609	460	5,068
Middle East and North Africa	2,588	199	2,788
South Asia	2,077	8,458	10,535
Total	18,604	22,239	40,843
By Sector			
Agriculture, Fishing, and Forestry			3,059
Education			3,457
Energy and Mining			6,689
Finance			1,984
Health and Other Social Services			3,353
Industry and Trade			1,807
Information and Communications			381
Public Administration, Law, and Justice			8,837
Transportation			6,946
Water, Sanitation, and Flood Protection			4,332
Total			40,843
Of which IBRD			18,604
Of which IDA			22,239

Note: Numbers may not add due to rounding.



Annex 8

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2014, by Region and Country

US\$ millions

Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
Africa						
Africa (regional)			8	1,179	8	1,179
Angola			1	75	1	75
Benin			5	119	5	119
Burkina Faso			6	321	6	321
Burundi			2	126	2	126
Cabo Verde			1	16	1	16
Cameroon			2	91	2	91
Central African Republic			2	50	2	50
Chad			3	36	3	36
Comoros			3	12	3	12
Congo, Dem. Rep.			7	282	7	282
Congo, Republic			5	29	5	29
Côte d'Ivoire			4	135	4	135
Ethiopia			8	1,624	8	1,624
Gabon	1	18			1	18
Gambia, The			4	37	4	37
Ghana			5	391	5	391
Guinea			1	50	1	50
Guinea-Bissau			3	46	3	46
Kenya			5	535	5	535
Lesotho			3	34	3	34
Liberia			1	22	1	22
Madagascar			2	75	2	75
Malawi			2	84	2	84
Mali			5	312	5	312
Mauritania			2	141	2	141
Mozambique			5	409	5	409
Niger			3	210	3	210
Nigeria	1	395	7	1,628	8	2,023
Rwanda			5	175	5	175
São Tomé and Príncipe			2	4	2	4
Senegal			6	350	6	350
Seychelles	0	7			0	7
Sierra Leone			5	97	5	97



Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
South Sudan			2	44	2	44
Tanzania			6	640	6	640
Togo			3	40	3	40
Uganda			4	724	4	724
Zambia			1	52	1	52
Total	2	420	139	10,193	141	10,613
East Asia and Pacific						
China	12	1,615			12	1,615
Indonesia	4	1,072			4	1,072
Kiribati			1	5	1	5
Lao PDR			5	103	5	103
Micronesia, Fed. Sts.			1	14	1	14
Mongolia			4	94	4	94
Myanmar			4	282	4	282
Pacific Islands			1	2	1	2
Papua New Guinea			2	157	2	157
Philippines	2	1,279			2	1,279
Samoa			4	65	4	65
Solomon Islands			1	18	1	18
Timor-Leste	1	15	0	25	1	40
Tonga			2	17	2	17
Tuvalu			2	9	2	9
Vietnam	1	200	9	1,341	10	1,541
Total	20	4,181	36	2,131	56	6,313
Europe and Central Asia						
Albania	3	305			3	305
Armenia	3	69	1	87	4	156
Azerbaijan	1	35			1	35
Belarus	2	180			2	180
Bosnia and Herzegovina			3	156	3	156
Central Asia (regional)			1	45	1	45
Croatia	2	310			2	310
Georgia	2	130	1	73	3	203
Kazakhstan	1	36			1	36
Kosovo			2	57	2	57
Kyrgyz Republic			2	50	2	50
Macedonia, FYR	2	74			2	74
Moldova	1	9	1	52	2	61
Montenegro	1	7			1	7
Romania	2	1,374			2	1,374
Russian Federation	2	110			2	110
Serbia	2	240			2	240



Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
Tajikistan			2	37	2	37
Turkey	1	300			1	300
Ukraine	3	1,382			3	1,382
Uzbekistan	2	168	0	243	2	411
Total	30	4,729	13	798	43	5,527
Latin America and the Caribbean						
Bolivia			3	93	3	93
Brazil	8	2,019			8	2,019
Central America (regional)			1	24	1	24
Colombia	3	870			3	870
Dominica			1	17	1	17
Ecuador	2	305			2	305
Grenada			1	15	1	15
Guatemala	1	340			1	340
Guyana			2	22	2	22
Haiti			3	103	3	103
Honduras			1	12	1	12
Jamaica	3	224			3	224
Mexico	2	356			2	356
Nicaragua			3	97	3	97
OECS countries			1	41	1	41
Panama	1	200			1	200
Paraguay	1	100			1	100
Peru	3	195			3	195
Saint Vincent and the Grenadines			1	36	1	36
Total	24	4,609	17	460	41	5,068
Middle East and North Africa						
Djibouti			2	8	2	8
Egypt, Arab Rep.	1	300			1	300
Iraq	1	355			1	355
Jordan	2	400			2	400
Lebanon	2	12			2	12
Morocco	4	1,096			4	1,096
Tunisia	4	426			4	426
Yemen, Rep.			5	192	5	192
Total	14	2,588	7	199	21	2,788
South Asia						
Afghanistan			2	107	2	107
Bangladesh			8	1,888	8	1,888
Bhutan			1	17	1	17
India	4	1,975	12	3,134	16	5,109



Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
Maldives			2	23	2	23
Nepal			3	222	3	222
Pakistan			4	2,098	4	2,098
South Asia (regional)			1	527	1	527
Sri Lanka	1	102	4	442	5	544
Total	5	2,077	37	8,458	42	10,535
Grand total	95	18,604	249	22,239	344	40,843

Notes: Data 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 indicates zero; OECS = Organization of Eastern Caribbean States.

Data as of July 28, 2014.



Annex 9

World Bank Procurement From Canada

Disbursements by IBRD and IDA Borrowers: Goods and Services From Canada

US\$ millions

By World Bank Fiscal Year (July 1 – June 30)	Amount
2006–07	52.2
2007–08	59.9
2008–09	51.6
2009–10	80.2
2010–11	49.8
2011–12	30.7
2012–13	163.7
2013–14	94.7

Notes: Based on World Bank figures as of August 26, 2014. The 2012–13 figure was revised to reflect a Bombardier contract for US\$115 million issued on June 28, 2013.

Disbursements by IBRD and IDA Borrowers: Suppliers of Goods and Services From Canada

US\$

Supplier	Sector	Category	Amount
GENINOV	Agriculture	Consultant Services	721,530
SETYM International	Agriculture	Consultant Services	43,536
Dr. Pramod Ganapathiraju	Agriculture	Consultant Services	99,500
SOCODEVI	Agriculture	Consultant Services	3,957,217
SOCODEVI	Agriculture	Consultant Services	5,020,021
Beauchemin International	Education	Goods	5,277,900
Ravi Venkataraman	Education	Consultant Services	133,000
Mount Saint Vincent University	Education	Consultant Services	99,000
Mount Saint Vincent University	Education	Consultant Services	300,000
MindBloom Consulting	Education	Consultant Services	98,550
Mr. Peter Ko	Energy & mining	Consultant Services	82,440
rePlan Inc.	Energy & mining	Consultant Services	45,500
OPTEC Energy Services Inc.	Energy & mining	Consultant Services	250,000
Sander Geophysics Limited	Energy & mining	NC	6,186,978
AECOM	Energy & mining	Consultant Services	6,011,645
Spacial Dimensions	Energy & mining	Consultant Services	615,637
Alain Waddell	Energy & mining	Consultant Services	67,363
Alain Waddell	Energy & mining	Consultant Services	65,324
Intelecon Research & Consultancy Ltd.	Energy & mining	Consultant Services	71,660
Emmanuel Moteng Fohom	Energy & mining	Consultant Services	344,099
Mr. Hany Raouf Shalaby	Energy & mining	Consultant Services	28,300
Econoler in association with Hatch	Energy & mining	Consultant Services	316,000
Groupement Paterson, Grant & Watson Ltd.	Energy & mining	Consultant Services	440,865
Coopoly	Energy & mining	Goods	83,360
AECOM Consultants Inc.	Energy & mining	Consultant Services	2,536,450
AECOM Consultants Inc.	Energy & mining	Consultant Services	14,203,289
Cabinet COGEOS Inc.	Energy & mining	Consultant Services	39,035
Canadian Society for International Health	Health & social serv	Consultant Services	559,658
ESD China Limited	Health & social serv	Consultant Services	5,108,009



Disbursements by IBRD and IDA Borrowers: Suppliers of Goods and Services From Canada (cont'd)

US\$

Supplier	Sector	Category	Amount
CCISD	Health & social serv	Consultant Services	11,320,824
CCISD	Health & social serv	Consultant Services	4,456,336
JV Barrington Consulting Group/InfoDom	Health & social serv	Consultant Services	214,872
Embaye Andom Yebio	Health & social serv	Consultant Services	141,700
Brookcove	Health & social serv	Goods	138,524
Dr. Hlatchewayo	Health & social serv	Consultant Services	50,000
Populus Global Solutions Inc.	Health & social serv	Goods	1,695,000
Carmen Malena	Info & communication	Consultant Services	110,450
Edgardo Sepulueda	Info & communication	Consultant Services	139,500
Cowater International Inc.	Public admin, Law	Consultant Services	438,273
Cowater International	Public admin, Law	Consultant Services	149,992
André Côté	Public admin, Law	Consultant Services	315,834
IDEA International	Public admin, Law	Consultant Services	304,406
Frederic Martin	Public admin, Law	Consultant Services	26,300
Exp International Services Inc.	Public admin, Law	Consultant Services	112,078
Aero-Photo (1961) Inc.	Public admin, Law	Goods	486,206
Aero-Photo (1961) Inc.	Public admin, Law	Goods	486,206
Groupement Roche Ltée Groupe Conseil & ID SA	Public admin, Law	Consultant Services	3,722,768
Ana Maria Fernandez	Public admin, Law	Consultant Services	26,300
Andre Pretto	Public admin, Law	Consultant Services	31,600
Diamond Development Initiative	Public admin, Law	Consultant Services	999,950
Mining Chemical Suppliers s.p.r.l.	Public admin, Law	Goods	196,229
CRC Sogema	Public admin, Law	Consultant Services	13,000,000
G.S.I. International Inc.	Transportation	Consultant Services	194,880
G.S.I. International Inc.	Transportation	Consultant Services	194,880
Tatyana Nychyperovych	Transportation	Consultant Services	36,241
Tatyana Nychyperovych	Transportation	Consultant Services	46,464
Tatyana Nychyperovych	Transportation	Consultant Services	20,064
AO Global Inc./Geomatics Nig. Ltd.	Transportation	Consultant Services	257,298
Exp International Services Inc.	Water/sanit/flid prot	Consultant Services	600,804
Exp International Services	Water/sanit/flid prot	Consultant Services	511,977
Exp International Services	Water/sanit/flid prot	Consultant Services	736,341
International Services Inc. (Exp)	Water/sanit/flid prot	Consultant Services	718,256

Source: World Bank Group website.



Annex 10

Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2013–14

Washington, D.C.

October 12, 2013

Communiqué of the Twenty-Eighth Meeting of the International Monetary and Financial Committee

Chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Minister for Finance

The global recovery is continuing. Growth remains subdued, however, and downside risks persist, with some new risks emerging. There are encouraging signs of improving activity in advanced economies, while growth in many emerging market economies has moderated. Growth has generally remained resilient in low-income countries. We will build on recent progress and implement more ambitious and coherent policies for strong, sustainable, and balanced growth, while reducing market volatility. This requires carefully managing multiple transitions, including a shift in growth dynamics, normalizing global financial conditions, achieving fiscal sustainability, a rebalancing of global demand, and moving to a more stable global financial system. Structural policies to boost productivity, reduce unemployment and to achieve more inclusive growth are warranted in many countries. We welcome the directions set forth in the Managing Director's Global Policy Agenda.

Advanced economies. The recovery in the United States has gained ground, stimulus measures have induced a recovery in Japan, the euro area is emerging from recession, and in some other advanced economies including the United Kingdom growth is already picking up. Accommodative monetary policies have helped support global growth while maintaining stable prices, and remain appropriate, and should be accompanied by credible fiscal policies and further financial sector and structural reforms. The eventual transition toward the normalization of monetary policy in the context of strengthened and sustained growth should be well timed, carefully calibrated, and clearly communicated. Where country circumstances allow, medium-term fiscal plans should be implemented flexibly to take account of near-term economic conditions to support growth and job creation, while placing government debt on a sustainable track. These actions will help to mitigate risks and manage spillovers, including those stemming from increased capital flow volatility, and to achieve strong, sustained and balanced growth. The United States needs to take urgent action to address short-term fiscal uncertainties. The euro area should build on progress toward banking union and further reduce financial market fragmentation. Japan should implement medium-term fiscal consolidation, and structural reforms to invigorate growth.

Emerging market and developing countries. Growth in emerging market economies continues to account for the bulk of global growth, but has moderated, in a few cases to a more sustainable level. Fundamentals and policy frameworks are generally stronger, but domestic structural challenges remain. Recent volatility in capital flows and financial markets has created new challenges in some countries. Macroeconomic policies, including exchange rate policies, need to be sound. When dealing with macroeconomic or financial stability risks arising from large and volatile capital flows, the necessary macroeconomic policy adjustment could be supported by prudential measures and, as appropriate, capital flow management measures. Fiscal consolidation remains a high priority in countries with large fiscal imbalances, while others should rebuild buffers, unless growth deteriorates significantly. Policies to address structural obstacles and enhance productivity are an ongoing effort toward strong, sustainable, and balanced growth. We recognize the effort in many smaller developing economies, especially in Africa, to sustain higher growth, increase participation, and transform their economic structures. We welcome the



Fund's strengthened engagement with small states and look forward to the implementation of the work program in their support. We recognize the challenges faced by the Arab countries in transition and encourage these countries to implement reforms needed for sustainable growth and job creation. Substantial donor support from the region has been provided and we call on bilateral and multilateral partners to step up their contributions as appropriate in support of reforms. We encourage the Fund to provide strengthened financial support, policy advice, and capacity building tailored to country-specific needs and circumstances.

Low-income countries. Growth has generally remained resilient. Strengthening fiscal and reserve positions, including through revenue mobilization and better targeting of subsidies, can provide buffers that could be used in the event that downside risks materialize. Sustained and more inclusive growth requires continued actions to promote financial deepening, productive public investment and services, and sound natural resource wealth management. We welcome the receipt of assurances needed for making the Fund's concessional lending to low-income countries self-sustaining, and urge members now to make good on their pledges.

Policy coherence. The Fund should continue to provide a forum to stimulate analysis and multilateral dialogue that promotes policy coherence and concerted action to manage spillovers, including those arising from the eventual and welcome normalization of monetary policy, mitigate risks, and support strong, sustainable and balanced growth, and job creation. Global imbalances have declined, for both structural and cyclical reasons, but rebalancing remains a key priority. Looking forward, policies in many countries will need to play a larger role in sustaining adjustment. Deficit countries should continue to raise national saving and competitiveness, while surplus countries need to boost domestic sources of growth. We reaffirm our commitment to refrain from competitive devaluations and all forms of protectionism. Global financial reforms, including in the areas of "too-big-to-fail," international capital standards, cross-border resolution, derivatives markets, and addressing the potential systemic risks in shadow banking, need to be implemented promptly and consistently. Further progress is needed to close data gaps, enhance fiscal transparency, combat money laundering and the financing of terrorism, and fight cross-border tax evasion and tax avoidance. We encourage the Fund to examine these issues as part of its bilateral and multilateral surveillance, and to work in collaboration with other international institutions.

IMF surveillance. We welcome the progress in implementing the Fund's strengthened surveillance framework, including through the Financial Surveillance Strategy, pilot External Sector Report, Spillover Report, and enhanced analysis of macro-financial linkages in Article IV consultations, and tailored advice on promoting inclusive growth and job creation. We look forward to the upcoming Triennial Surveillance Review, as well as further analysis of monetary and macroprudential policies and associated spillovers, reserve adequacy, global liquidity indicators, capital flows, and the interaction of public and private sector vulnerabilities.

IMF lending. External financing, including on a precautionary basis, can help facilitate orderly adjustment. The Fund continues to be prepared to offer financing to support appropriate adjustments and reforms. We look forward to a flexible and voluntary dialogue between the Fund and regional financing arrangements on an ongoing basis, the review of some key instruments (Flexible Credit Line, Precautionary and Liquidity Line, Rapid Financing Instrument), a follow-up crisis program review, and further consideration of the Fund's lending policy in high debt situations. We look forward to the finalization of the review of the IMF debt limits policy, recognizing the importance of strengthening and promoting sustainable financing practices by all stakeholders.



Governance. We continue to attach the highest priority to the IMF governance and quota reform to enhance the Fund's credibility, legitimacy and effectiveness. We urge all members who have yet to ratify the 2010 reforms to do so without delay. We remain committed to completing the 15th General Review of Quotas by January 2014, and urge the Executive Board to agree on a new quota formula as part of that review. We reaffirm that any realignment in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps shall be taken to protect the voice and representation of the poorest members.

Next IMFC meeting. Our next meeting will be held in Washington, D.C. on April 11-12, 2014.

Washington, D.C.

April 12, 2014

Communiqué of the Twenty-Ninth Meeting of the International Monetary and Financial Committee

Chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Minister for Finance

Global activity continues to strengthen. However, the recovery is still fragile and downside risks remain. Creating a more dynamic, sustainable, balanced, and job-rich global economy remains our paramount collective goal. We will implement ambitious measures to sustain the recovery, proceed with structural reforms, place government debt on a sustainable track, promote financial stability, and reinforce cooperation to manage spillovers. We welcome the Managing Director's Global Policy Agenda.

Global economy. Activity in advanced economies picked up last year, notably in the United States and the United Kingdom. Growth in the euro area as a whole has turned positive but remains fragile. In many advanced economies, inflation remains below target and will likely remain subdued. Growth in emerging market economies has moderated, but continues to account for the bulk of global growth, and is expected to strengthen gradually, with stronger external demand being partly offset by the dampening impact of more difficult financing conditions. Growth in low-income countries has generally remained resilient. While the balance of risks has improved, downside risks remain to the global outlook, including notably renewed market volatility, very low inflation in some advanced economies, high levels of public debt, and geopolitical tensions. Unemployment is still stubbornly high in many countries.

Monetary normalization and spillovers. Monetary policy settings in major countries should continue to be carefully calibrated and clearly communicated, with cooperation among policymakers to help manage spillovers and spillbacks. Monetary policy in advanced economies should provide the necessary accommodation, with the eventual normalization being conditional on the outlook for price stability and economic growth. Continued tapering of asset purchases by the Federal Reserve remains appropriate. The European Central Bank has maintained accommodative monetary conditions and should consider further action if low inflation becomes persistent. The euro area should, building on recent progress, complete its banking union.



Emerging markets and frontier low-income countries that do not face inflationary pressures and have credible policy frameworks and adequate policy space can use accommodative monetary policies in response to a growth slowdown. Those with high inflation should take appropriate measures, including tightening monetary policy. Those facing rising financial risks should strengthen regulation and supervision. Macroeconomic policies need to be sound, and in that regard, exchange rates should be allowed to respond to changing fundamentals and to facilitate external adjustment. When dealing with macroeconomic or financial stability risks arising from large and volatile capital flows, the necessary macroeconomic policy adjustment could be supported by prudential measures and, as appropriate, capital flow management measures. Low-income countries should consolidate recent gains on reduction in inflation.

Ensuring robust, sustainable growth and reducing vulnerabilities. High unemployment, especially among the youth, and rising inequality should be addressed by removing structural impediments to inclusive growth. Ensuring sustainable public debts, enhancing the quality of public spending, promoting growth potential including through a stronger role of women and older workers in the economy, and guarding against financial risks in the context of prolonged monetary accommodation remain priorities in all countries. Implementing concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. Where country circumstances allow, medium-term fiscal plans should be implemented flexibly to take account of near-term economic conditions in order to support growth and job creation, while placing government debt on a sustainable track. Emerging market economies with high public debt or financing needs should strengthen fiscal positions. Low-income countries should take advantage of their current resilience to rebuild policy space and maintain macroeconomic stability, while strengthening diversification and structural transformation to sustain growth momentum.

We recognize the challenges faced by Arab Countries in Transition (ACTs) and encourage them to step up the implementation of reforms for sustainable and job-rich growth. We welcome substantial donor support from the region and call on bilateral and multilateral partners to step up their contributions, as appropriate, in support of reforms. We look forward to the Fund's continued work with ACTs, including tailored policy advice, supported by financial and technical assistance. We encourage the Fund to continue strengthening its engagement with small states and low-income countries. We welcome the Fund's engagement with states in a fragile situation. We look forward to drawing lessons on how to sustain the recent high growth in Africa and make it more inclusive. We welcome the Fund's engagement with Ukraine as the authorities work to undertake important reforms.

External rebalancing and policy coherence. We call on the Fund to continue to provide analysis and a forum for policy dialogue, concerted action, and cooperation, which will help enhance global growth prospects and reduce policy risks. Global imbalances have declined, for both structural and cyclical reasons, but rebalancing remains a key priority. Deficit countries should raise their national saving and competitiveness, and surplus countries should boost domestic sources of growth or modify the composition of their growth. We reaffirm our commitment to refrain from competitive devaluations and all forms of protectionism.



Global financial reforms should be implemented promptly and consistently, and regulatory cooperation strengthened. Priorities include resolving the too-big-to-fail problem and implementing effective cross-border resolution of systemically important firms, addressing potential financial stability risks emanating from shadow banking, and making derivative markets safer, underpinning financial stability and integration. Further progress is needed to improve data provision, close data gaps, enhance fiscal transparency, and fight cross-border tax evasion and tax avoidance, and improve the transparency of beneficial ownership of companies and other legal arrangements, including trusts. We encourage the Fund to examine these issues as part of its bilateral and multilateral surveillance, and to work in collaboration with other international institutions.

IMF surveillance and lending. We welcome the progress in implementing the Fund's strengthened surveillance framework, including through the Financial Surveillance Strategy, pilot External Sector Report, Spillover Report, enhanced analysis of macro-financial linkages in Article IV consultations, and tailored advice on promoting inclusive growth and job creation. We underline the importance of regular consultations between the Fund and all its members. We look forward to the upcoming Triennial Surveillance Review, and support further analysis of the implications of monetary normalization. We stress the importance of an adequate global financial safety net. The Fund should be prepared to provide financing, including on a precautionary basis, to support appropriate adjustments and reforms and help protect against risks. We reiterate the importance of a follow-up crisis program review. We look forward to the completion of the comprehensive review of some key instruments (Flexible Credit Line, Precautionary and Liquidity Line, Rapid Financing Instrument), further consideration of the Fund's lending policy in high debt situations, including work on sovereign debt, and the finalization of the review of the debt limits policy, combining flexibility and preservation of debt sustainability in the approach to debt limits for low-income countries.

Governance. We are deeply disappointed with the continued delay in progressing the IMF quota and governance reforms agreed to in 2010 and the 15th General Review of Quotas (GRQ) including a new quota formula. We reaffirm the importance of the IMF as a quota-based institution. The implementation of the 2010 reforms remains our highest priority and we urge the United States to ratify these reforms at the earliest opportunity. We are committed to maintaining a strong and adequately resourced IMF. If the 2010 reforms are not ratified by year-end, we will call on the IMF to build on its existing work and develop options for next steps and we will schedule a discussion of these options.

Next IMFC meeting. Our next meeting will be held in Washington, D.C. on October 10-11, 2014.



Annex 11

Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2013–14

Washington, DC
October 12, 2013

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

1. The Development Committee met today, October 12, 2013, in Washington DC.
2. Latest signs of recovery among developed economies, encouraging as they are, remain uneven, and the growth of some emerging economies is slowing. Addressing increased volatility and achieving strong, balanced, and sustainable global growth, will continue to require appropriate policy responses and reforms in countries of all income levels. The World Bank Group (WBG) and the International Monetary Fund (IMF) must remain vigilant to the emergence of new sources of volatility and downside risks. We welcome the intensified focus of the IMF on growth and job creation, as well as on the analysis of risks and vulnerabilities and the assessment of the global impact of policy changes in systemically important countries. Safeguarding and further building on the openness and fairness of the international trading system remains vital to global growth and in this context we look forward to progress at the World Trade Organization’s upcoming Bali Ministerial Conference.
3. Tremendous progress over the last two decades has reshaped the development landscape. It has created new opportunities to help reduce poverty and promote shared prosperity, but it has also introduced new risks to sustaining progress. Although the global poverty rate has fallen by half since 1990, progress within the developing world has been highly uneven. Roughly half of the low income countries are classified as Fragile and Conflict-Affected Situations (FCS), which pose particular challenges and are home to a growing share of the world’s extreme poor.
4. In many developing countries, growth has been accompanied by rising inequality. Transitioning to middle-income status does not signal the end of poverty, as the majority of the world’s poor still live in middle income countries. A lack of sustained progress in building shared prosperity may eventually obstruct growth by causing instability, distorting incentives and reducing upward mobility. Job creation, especially for youth and women, and private sector development are key for inclusive growth.
5. The two ambitious goals for the WBG, to end extreme poverty by 2030 and promote shared prosperity in an environmentally, socially and economically sustainable manner, endorsed at our last meeting, offer an important contribution to the post 2015-agenda. In order to achieve the goals, we strongly endorse the new WBG Strategy. We welcome the repositioning of the institution as “One World Bank Group” that works with the public and private sectors in partnership, contributes to the global development agenda through dialogue and action, supports clients in delivering customized development solutions, and helps advance knowledge about what works in development.



6. The WBG has an important role to play in delivering global development results, supporting countries with their specific development challenges, and helping them eradicate poverty and build resilience to future financial, economic, social, and environmental challenges. We stress the need for a continued strong client orientation that recognizes the diversity and development needs of countries. Special attention must be paid to countries and regions with the highest incidence of poverty, to FCS, as well as to the unique challenges facing small states. We also reaffirm the crucial role of the WBG in helping the international community address major global challenges, including climate change. To achieve maximum impact, the WBG needs to be selective in its efforts, while collaborating with partner organizations and the private sector at both national and global levels, and facilitating south-south cooperation and regional integration in pursuit of its goals.
7. Success of the Strategy requires effective, timely, and well-managed implementation, including clear sequencing of reforms and specific metrics for major changes, as well as regular communication with WBG stakeholders. An evidence-based, country engagement model; supportive reforms to the WBG's internal organization, systems, processes and procedures; human resources and leadership management in promoting and modeling the needed culture change will be crucial. We call on the WBG to continue delivering on its mandate during the transition period and to refine its monitoring and evaluation framework to measure progress and assess performance, adjust actions and show results to better satisfy clients' needs. An updated Corporate Scorecard reflecting the new Strategy should be in place by our next Spring Meetings.
8. A robust IDA 17 replenishment, with strong participation from all members, is fundamental for delivering on the WBG Strategy. Needs and demands among IDA countries remain high, and we must seek replenishment with the scale, quality and policy content that will allow IDA to achieve substantial results.
9. We welcome measures to utilize existing resources better and strengthen the WBG's financial capacity to align it with the ambition of its strategy. We call on the WBG to pursue a finance work program that envisages lifting the growth trend of revenues, resetting expenditures to a leaner cost base by improving organizational and operational efficiencies, and better mobilizing internal and external resources to enhance the WBG's capacity to deliver more development assistance while paying due attention to risk. We welcome the WBG work on innovative approaches to mobilize and catalyze additional long term financing for infrastructure, which is critical for growth, prosperity and poverty reduction in emerging and low income countries.
10. We emphasize the importance of further mainstreaming and strengthening WBG support for gender equality through better analysis, targeted actions, and more robust monitoring and evaluation. Gender equality is important, both in its own right and also as a means of pursuing the overarching goals for poverty reduction and shared prosperity. We welcome continuing work on updating and renewing the WBG's strategy for promoting gender equality and look forward to a progress report in a year.
11. We commend the WBG and its staff for their initiatives in fragile situations like the Great Lakes and the Sahel Region and for their work with refugees in the Middle East. We also welcome the WBG's strengthened support to Myanmar after its reengagement. We call on the WBG to deepen further its commitment in the Sahel and the Horn of Africa through initiatives that, in coordination with the UN system, address vulnerability and resilience, and promote economic opportunity and integration. We welcome renewed WBG support to transformative regional projects, including for sustainable and affordable energy solutions. We urge the WBG and IMF to scale up their efforts in the Middle East and North Africa region, including support for sound economic reform, job creation, capacity-building programs, and the basic human needs of conflict affected people as well as mitigation of the impact on neighbouring countries.
12. The next meeting of the Development Committee is scheduled for April 12, 2014, in Washington DC.



Washington, DC
April 12, 2014

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

1. The Development Committee met today, April 12, 2014, in Washington DC.
2. Economic recovery in high-income countries shows signs of strengthening and growth continues in many emerging market economies. However risks remain. Fostering strong, inclusive and sustainable growth in today's interconnected global economy will require policy adjustments and appropriate coordination and communication. We encourage the World Bank Group (WBG) and the International Monetary Fund (IMF) to work jointly and with all member countries in pursuing sound and responsive economic policies; addressing underlying macroeconomic vulnerabilities; rebuilding macroeconomic buffers; and strengthening prudential management of the financial system.
3. The ability of the WBG to assist countries in achieving the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, and to support member countries in addressing their development needs, should be enhanced by the implementation of the WBG Strategy that we endorsed at our last meeting. We welcome the progress made in implementing the change agenda, and call on the WBG to work effectively to complete the reforms. The WBG should build on its country engagement model as a platform for selectivity based on client demand and the new corporate goals, to deliver better, faster and evidence based solutions that result in transformative outcomes for the benefit of low and middle income countries alike. We expect the new WBG structure should lead to better global knowledge sharing to benefit all client countries, and to strengthening its role in support of south-south and regional cooperation. We welcome the WBG scorecard and look forward to regular updates on the implementation of the WBG strategy.
4. Strengthening the foundations for strong, inclusive and sustainable growth calls for macroeconomic stability, good governance, promoting public investment, improving the enabling environment for private investment, boosting quality investment in resilient infrastructure and improving access to finance. Social inclusion and policies that broaden income opportunities and the full participation of all groups, including women and the marginalized and vulnerable, are essential. Raising skills, productivity, and innovation capabilities are also key elements. An open business climate that fosters competition, more inclusive human capital development and well-targeted social protection programs are good both for growth and for shared prosperity. Private investment flows complement development finance and are a vital factor in achieving our goals. In this context, we emphasize the importance of the roles of the International Finance Corporation and the Multilateral Investment Guarantee Agency, working as part of one WBG, in catalyzing private financial flows and promoting the development of a dynamic private sector that can help support sustainable growth, shared prosperity and real opportunities for all citizens in all client countries. Environmental considerations need to be integrated into policymaking: climate-smart policies are necessary for environmental sustainability and resilience, and could also generate side benefits for growth and jobs.



5. The level of ambition of the WBG Strategy demands better utilization of existing resources as well as strengthening the WBG's financial capacity. We are encouraged by and we welcome the conclusion of a successful IDA 17 replenishment, which included strong support from traditional and new donors, and innovative financing mechanisms. The record US\$52 billion approved by shareholders puts IDA in a strong position to maximize impact in supporting our poorest and most vulnerable member countries, including many fragile and conflict-affected situations (FCS) as well as small states, which face particular development challenges. We welcome IDA 17's commitment to maximize development impact with its special focus on inclusive growth; gender equality; climate change, including disaster risk management (DRM); and FCS. We are also encouraged that the subsidy resources needed to ensure the sustainability of subsidized IMF lending to low income economies have been largely secured. We value the IMF's work on how countries can use fiscal policy to address inequality in an efficient manner.
6. The measures taken to grow revenues, reduce costs, and make more efficient use of capital within a prudent risk framework will increase the WBG's financial capacity to serve its clients, both by supporting them with their specific development objectives and by providing countercyclical support in times of crisis. We look forward to continued progress in achieving a leaner cost base via improved organizational and operational efficiencies, as well as ongoing efforts to develop innovative approaches and mechanisms to mobilize additional financing. We encourage increasing the level and quality of investment in infrastructure, which is critical for growth, job creation, prosperity and poverty reduction in countries of all income levels. We call on the WBG to remain actively engaged with middle income countries to help them address their development needs. We also encourage the WBG to explore extending IBRD loans to well performing IDA-only countries while ensuring their debt sustainability.
7. We urge the WBG and the IMF to continue to strengthen their engagement with Sub-Saharan Africa and ensure that their financial, analytical, and capacity-building support is geared toward fostering country-driven structural transformation, reducing extreme poverty, boosting job creation, and making economic growth more inclusive and resilient. We especially welcome the WBG's stepped up engagement in addressing the regional drivers of fragility and conflict, most recently through the Sahel Initiative and continued implementation of the Great Lakes Initiative. The WBG should learn from these initiatives and apply lessons to the Horn of Africa, Central Africa and the Gulf of Guinea. We also commend the role of the WBG in helping to close the infrastructure gap of Sub-Saharan Africa, by attracting new investments and financing sustainable energy supply and distribution. We call on the WBG to assist clients to further develop nutrition-sensitive agriculture production, including through support to smallholders and cooperatives, and to broaden support for sustainable agriculture. We are encouraged that the IMF has now completed its program of establishing five technical assistance centers to meet needs across the entire region. We welcome the forthcoming IMF high-level conference in Mozambique that will bring together economic policy makers from Africa and beyond to discuss some of the key challenges facing the continent. We call for enhanced focus and attention to the Middle East and North Africa region, and emphasize the importance of WBG support to Arab countries in transition.
8. We remain deeply concerned about the continuously deteriorating humanitarian situation in the Central African Republic, South Sudan and Syria. We commend the generosity of governments and families in neighboring countries who are hosting those displaced at significant economic and social cost. The WBG's work in FCS is fundamental to delivering on its goal to end extreme poverty, and active IMF engagement in FCS is key to achieving macroeconomic stability under what are often very difficult circumstances. We urge the WBG and the IMF to remain closely engaged in these as well as other FCS and countries in transition, in coordination with other development partners. We welcome the continuous support of the WBG and IMF to Ukraine given the challenges the country is facing.



9. We encourage the WBG to maintain strong collaboration with the UN system in the definition of the Post-2015 Millennium Development Goals.
10. We welcome the WTO Bali Ministerial Declaration on Trade Facilitation. We believe the agreement will increase competitiveness for developing countries by improving border management and reducing transaction costs and we call on the WBG to support countries in its implementation.
11. We are encouraged by progress made by the WBG in mainstreaming DRM in its operations and recognize the need to further intensify these efforts in country partnership frameworks. We recognize the challenges faced by small states vulnerable to the effects of climate change and natural disasters. We would welcome a further update on progress two years from now.
12. We remain committed to completing the implementation of the 2010 WBG shareholding realignment. We urge all members who are yet to subscribe to their allocated IBRD and IFC shares to do so without delay, and look forward to the next review of Voice by 2015.
13. We thank Jorge Familiar for his excellent services to the Development Committee over the past four years and wish him well in his future role as the World Bank's Vice President for Latin America and the Caribbean. The next meeting of the Development Committee will be held on October 11, 2014, in Washington, DC.



Annex 12

Acronyms Used in This Report

ACTs	Arab Countries in Transition
CAO	Compliance Advisor Ombudsman
CARTAC	Caribbean Regional Technical Assistance Centre
CGIAR	Consultative Group on International Agricultural Research
CPL	concessional partner loan
DFATD	Department of Foreign Affairs, Trade and Development
DRM	disaster risk management
DSA	debt sustainability analysis
EBA	External Balance Assessment
ECF	Extended Credit Facility
EFF	Extended Fund Facility
FARA	Forum for Agricultural Research in Africa
FCC	Forward Commitment Capacity
FCL	Flexible Credit Line
FCS	fragile and conflict-affected state/situation
FSAP	Financial Sector Assessment Program
FY	fiscal year
G-7	Group of Seven
G-8	Group of Eight
G-20	Group of 20
GAB	General Arrangements to Borrow
GDP	gross domestic product
GPE	Global Partnership for Education
GRA	General Resources Account
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDA16	sixteenth replenishment of IDA
IDA17	seventeenth replenishment of IDA
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INT	Department of Institutional Integrity
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow



ODAAA	Official Development Assistance Accountability Act
OECS	Organization of Eastern Caribbean States
PRGT	Poverty Reduction and Growth Trust
RFA	regional financing arrangement
RTAC	Regional Technical Assistance Centre
SBA	Stand-By Arrangement
SBL	Single Borrower Limit
SDR	Special Drawing Right
TSR	Triennial Surveillance Review
UN	United Nations
WBG	World Bank Group
WTO	World Trade Organization