Report on Operations Under the Bretton Woods and Related Agreements Act 1999

Canada

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International Trade and Finance Branch
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Introduction

The Bretton Woods institutions – the International Monetary Fund (IMF or the Fund) and the World Bank – were founded at a conference held in Bretton Woods, New Hampshire, in 1944. The IMF was established to promote the smooth functioning of the international monetary system, encourage international trade and support high rates of sustainable economic growth. The IMF has become a central institution in the international monetary system. It exercises a surveillance function by monitoring members' economic policies, provides policy advice and extends short- and medium-term financial assistance to countries faced with balance of payments difficulties.

The World Bank's goal is to reduce poverty by raising living standards and by promoting sustainable development in developing countries. As the premier development institution in the world, it provides a wide range of assistance to developing countries, including lending and technical assistance for projects which promote sustainable growth and an improved quality of life, and structural economic policy advice. The World Bank Group is comprised of four organizations: 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). The IBRD and IDA together are commonly referred to as the "World Bank" (or the "Bank" in the following). IDA is the component that provides assistance to the world's poorest developing countries.

Canada is the eighth largest member of the Fund after the six other Group of Seven (G-7) countries and Saudi Arabia, and it is the sixth largest member of the World Bank. Canada also represents Ireland and a number of Caribbean countries[1] at the IMF and the World Bank. Canada's formal participation is authorized under the Bretton Woods and Related Agreements Act. Under Section 13 of the Act, it is stated that:

> The Minister of Finance shall cause to be laid before Parliament, on or before March 31 next following the end of each 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.

[1] At the IMF, Canada represents 10 Caribbean countries: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. In addition to these countries, Canada represents Guyana at the World Bank.

The sections that follow review the activities and operations of first the IMF and then the World Bank for the year 1999. A final section deals with issues common to both institutions. The annexes contain detailed numerical summaries of the year's activities.

Roles of the International Monetary Fund and World Bank

International Monetary Fund

- Oversees the international monetary system and promotes international monetary co-operation.
- Promotes orderly exchange rate relations among member countries.
- Provides short- to medium-term financial support to members facing balance of payments difficulties.
- Draws its financial resources primarily from the quota subscriptions of its members.

World Bank

- Provides support for poverty reduction through investments in health and education.
- Promotes economic development and structural reform in developing countries.
- Assists developing countries through long-term financing of development projects and programs.
- Provides special financial assistance to the poorest developing countries through the International Development Association.
- Stimulates private enterprises in developing countries primarily through its affiliate, the International Finance Corporation.
- Secures most of its financial resources by borrowing on international capital markets.
- Enhances the flow of capital and technology for productive purposes to developing countries by encouraging foreign investment by providing investment insurance against non-commercial risks in developing countries.

International Monetary Fund

Overview

As a major trading nation, Canada has a major stake in a strong international monetary system that promotes the free movement of goods, services and financial assets. The IMF is important to ensuring a sound world financial system and broad-based economic growth through assistance to countries experiencing unsustainable external imbalances and related economic difficulties.

Benefits of Membership

IMF membership provides a number of specific benefits:

- The Minister of Finance is a Governor of the Fund and elects an Executive Director to its 24-member Executive Board. This representation allows Canada to have high-level influence on decisions taken by the IMF on specific country assistance programs and major policy issues affecting the world financial system.
- The IMF, through its regular surveillance of member country economies, provides Canada with an independent source of policy advice on macroeconomic policies and engages in regular dialogue on these policies with Canadian officials at the Department of Finance, the Bank of Canada and other government agencies.
- The efforts of the IMF to ensure countries abide by their obligations, including under Fund-supported programs, help ensure that they repay Canadian bilateral loans and use our bilateral development assistance effectively.
- Canada earns a market rate of return on its financial position in the IMF.
- Were Canada ever to experience severe balance of payments difficulties, it would have the right to approach the IMF for financial assistance.

How the IMF Works

The IMF works like a credit union. It has a large pool of resources that it makes available in several ways to help members finance temporary balance of payments problems.

Members provide resources to the IMF in amounts determined by "quotas" reflecting each country's relative importance in the world economy. A country's quota in turn helps determine the amount of Fund resources that it may use if it experiences economic difficulties. At the end of 1999, the total quotas for the Fund's 182 members was SDR 210.2 billion.[1]

A member country uses the general resources of the IMF by making a purchase (drawing) of other members' currencies with an equivalent amount of its own currency. A member repurchases (repays) its own currency from the IMF with other members' currencies over a specified period of time, with interest. In this way, a member country receives credit from other members.

Members seeking financial assistance can draw on a "reserve tranche" and four "credit tranches," each amounting to 25 per cent of their quota. For access to resources beyond the first credit tranche, the member and the IMF have to reach a mutual agreement on a set of economic measures and reforms aimed at removing the source of the country's balance of payments difficulty and creating the conditions necessary for sustainable non-inflationary growth.

Depending on the prospective duration of the problem, these measures are agreed to as part of a Stand-By Arrangement (SBA) or an Extended Fund Facility. An SBA typically lasts 12 to 18 months while extended arrangements generally run for three years. Emergency financing for countries in crisis situations that could spill over to other countries is also available through the Supplemental Reserve Facility (SRF), created in December 1997. A precautionary line of defence is available through Contingent Credit Lines, established in February 1999, to countries that are pursuing sound policies but are nonetheless vulnerable to contagion.

Members can also use financial facilities created for specific purposes, including the Compensatory and Contingency Financing Facility, which provides financial support to members experiencing temporary export shortfalls or other unforeseen adverse external shocks.

Concessional financing to low-income developing countries under the Poverty Reduction and Growth Facility (formely the Enhanced Structural Adjustment Facility) is made available in the form of low-interest loans with extended maturity periods.

[1] The SDR (special drawing right) is the standard unit of account for the IMF's operations. It represents a weighted basket of five major currencies – the US dollar, the Japanese yen, the pound sterling and euro values for the German mark and the French franc. At the end of 1999, the exchange rate was SDR 1 = C$1.99.

Canada's Priorities at the IMF

Global Economic and Financial Stability

The financial crises that have affected a number of emerging market countries since mid-1997 revealed weaknesses in the international financial system and underscored the need to reform the global financial architecture. In co-operation with its international partners, Canada has played an active role in identifying areas where reforms are required and in taking steps to implement those reforms. In their June 1999 report to Leaders at the Köln Summit, the G-7 finance ministers recommended a number of steps to strengthen the international financial system, and help reduce the risk of financial crises and make it easier to manage future crises more effectively. The finance ministers attached particular importance to reforms in the following areas:

- strengthening macroeconomic policies and financial systems in emerging markets;
- strengthening and reforming the international financial institutions (IFIs) and Arrangements;
- enhancing transparency and promoting best practices;
- strengthening financial sectors;
- improving crisis prevention and management, and involving the private sector; and
- promoting social policies to protect the poor and most vulnerable.

The IMF continues to be at the centre of efforts to reform the global financial architecture, including in the priority areas outlined in the G-7 report. The Fund's involvement, and Canada's priorities in these efforts, are described in more detail below.

Strengthening Macroeconomic Policies in Emerging Markets

The global financial crisis, which began in Asia in 1997 and then spread to Russia and Brazil in mid-1998 and early 1999, appears largely to have run its course. However, some countries remain at risk of a crisis. The potential for a resurgence of financial contagion suggests that one should not become complacent about the outlook for emerging economies, or underestimate the role of the IFIs in promoting economic reform and catalyzing other financial support to assist crisis economies.

In East Asia, several countries are now enjoying strong recoveries, having benefited from international financial assistance and the pursuit of appropriate fiscal, monetary and exchange rate policies. In particular, the strong performance of Korea and Thailand has allowed these two countries to suspend drawings on their IMF lending packages, although program reviews will continue in 2000 and a substantial reform agenda remains in

Thailand's financial sector. Indonesia, on the other hand, will likely require further assistance from bilateral donors and IFIs, as the country continues to grapple with a ballooning government debt load, very slow financial and corporate restructuring, and ongoing political/separatist tensions.

Although the devaluation of the Brazilian currency in early 1999 sparked fears of a regional financial crisis, overall Latin America in fact showed some resilience. Financial market pressures forced a few Latin American economies to abandon their currency pegs and most of the region fell into recession in 1999. However, most Latin American economies are expected to recover in 2000, aided by higher commodity prices, stronger world demand and increased capital inflows. Several economies (including Argentina, Brazil and Chile) appear to have emerged from recession in the fourth quarter of 1999. The outlook for Brazil, in particular, has brightened considerably since the abandonment of its exchange rate peg – the movement to a freely floating currency has not placed as much upward pressure on inflation as expected.

Mexico successfully weathered the Brazilian devaluation last year due in large part to the sustained implementation of prudent monetary and fiscal policies, as well as the maintenance of a flexible exchange rate regime. Recent increases in oil prices, if sustained, will continue to benefit Mexico, which is a major oil exporter. In 1999, Mexico assembled a financing package worth US$23.7 billion, including loans from the IMF, World Bank and Inter-American Development Bank, to help guard against speculative pressures in the run-up to presidential elections in July 2000.

Other Latin American countries, however, are experiencing financial difficulties:

- Although Argentina appears to have emerged from recession, the country is faced with a large external financing requirement and is expected to conclude an agreement with the IMF on an SBA early in 2000.
- Colombia, which is in the throes of its worst recession on record, secured a US$2.7-billion IMF Extended Fund Facility in December 1999.
- Ecuador, which defaulted on its Brady debt and euro-bonds in 1999, is in a financial crisis. Recently a new government came to power. Given the recent turmoil and the government's announced intention to dollarize its economy, negotiations with the IMF on a possible financing facility have been delayed.
- Venezuela, which is also in recession, was hit by devastating floods in December 1999 and has informally inquired about financial assistance from the IMF. Venezuela's currency (the bolivar) is generally viewed as overvalued, and economic reforms are desperately needed to reduce the large fiscal deficit.

Elsewhere in emerging markets, the IMF played an active role in providing financial assistance to help stabilize the macroeconomic situation in a number of economies:

- Turkey, which was hit by two large earthquakes in the second half of 1999, also had to address its fiscal policy and structural weaknesses. In December 1999, the IMF approved financial support totalling US$4 billion for Turkey. The World Bank, which had already approved US$1 billion in emergency financial assistance, has indicated it will provide an additional loan of US$3 billion over three years beginning in early 2000, provided Turkey continues its program of economic reforms.
- Romania, faced with the risk of defaulting on its external obligations which fell due in 1999, obtained US$547 million under an IMF SBA in August 1999.

Finally, Russia negotiated a US$4.5-billion SBA with the IMF in July 1999. Although economic developments were generally positive throughout 1999, the program was suspended later in the year because Russia failed to achieve some of the agreed structural benchmarks. The election of a new parliament (the Duma), followed by President Boris Yeltsin's resignation in December 1999, may lead to a more co-operative relationship between the Kremlin and the Duma. However, it remains to be seen whether or not the new government led by acting President Vladimir Putin will be able to put forward a serious reform program.

IMF-Led Packages for Emerging Economies

Contributions (in billions of US dollars)

Donor	Russia	Mexico	Colombia	Turkey	Romania
IMF (% quota)	4.5 (56%)	4.2 (120%)	2.7 (255%)	4 (300%)	0.5 (39%)
Other IFIs		8.7	4.2	4	
Bilateral		10.8			
Total	4.5	23.7	6.9	8	0.5

Note: While there were no new IMF commitments to East Asian countries in 1999, Fund disbursements to Thailand, Indonesia, Korea and the Philippines continued according to commitments made in 1997 and 1998.

Strengthening and Reforming the International Financial Institutions and Arrangements

In 1999, the international community strengthened the existing IFIs and filled in the gaps in other arrangements. In this respect, Canada was actively involved in the discussions which led to agreement in three areas to provide a more focused approach and complement the Bretton Woods framework:

- The IMF's ministerial advisory body – the Interim Committee – was revitalized by giving it permanent standing as the International Monetary and Financial Committee (IMFC). It was also agreed that the IMFC would be supported by a deputies' process to prepare for meetings and have joint sessions with the IMF/World Bank Development Committee when appropriate.
- To promote international financial stability through enhanced information exchange and international co-operation in financial market supervison and surveillance, the Financial Stability Forum was established in April 1999. The Forum is well placed to promote this objective as it regularly brings together senior officials from finance ministries, central banks and financial sector supervisory bodies from countries with significant financial centres, as well as representatives of the international supervisors, the Bank for International Settlements, the IMF and World Bank. The Forum has the role of identifying gaps in the regulation of financial systems and developing solutions to address these vulnerabilities.

  The Financial Stability Forum established working groups to deal with highly leveraged institutions, offshore financial centres (OFCs) and short-term capital flows. The working group on OFCs, chaired by Canada's Superintendent of Financial Institutions, John Palmer, is evaluating the impact of OFCs on global financial stability, and the progress made by such centres in enforcing international prudential standards and in complying with cross-border information exchange agreements. The working groups are expected to report to the Forum at its next meeting in March 2000. A task force on the implementation of standards and a study group on deposit insurance were also established in 1999; the latter is chaired by the President of Canada Deposit Insurance Corporation, Jean-Pierrre Sabourin.

- The Group of Twenty (G-20) was established in the fall of 1999 to ensure broader participation in discussions on international financial affairs among countries whose size or strategic importance gives them a particularly crucial role in the global economy. The G-20 consists of finance ministers and central bank governors from 19 industrialized and emerging market countries, and representatives from the European Union, the European Central Bank, and the IMF and the World Bank and their policy committees. Canada's Minister of Finance, Paul Martin, was named the first chairman of the G-20. Following the inaugural ministerial meeting in Berlin in

December 1999, Minister Martin announced that the G-20 had agreed to an agenda aimed at reducing vulnerabilities to international financial crises. The four priority areas identified are:

– a comprehensive stock-taking of progress made by all member nations in reducing vulnerabilities to crises;
– an evaluation by countries of their current compliance with international codes and standards in the areas of transparency and financial sector policy;
– the completion of Reports on Observance of Standards and Codes and Financial System Stability Assessments by the IMF with the co-operation of the World Bank; and
– an examination of differing exchange rate regimes and their role in cushioning the impact of international financial crises.

G-20 deputies will report on the items identified at the next ministerial meeting, which will be held in Canada in the autumn of 2000.

Enhancing Transparency and Promoting Best Practices

To enable market participants to make informed judgements about risks and provide greater incentives for policy makers to implement sound policies, further measures were taken to enhance transparency and promote best practices in four areas in 1999: transparency and accountability in the Fund's own operations, the provision and publication of data, the development and implementation of international standards, and governance.

Transparency and Accountability in the Fund's Own Operations

Better information on the activities of the IMF contributes to greater public understanding of the institution. For this reason, Canada has supported measures to enhance the transparency and accountability of the Fund's own operations. The Fund has responded to the concerns of members for ensuring transparency by making available significantly more information on its activities. This includes publication of country reports, increased dissemination of information on the Fund's annual consultations with member countries, and the liberalization of access to the Fund's archives. The public now has access to IMF Executive Board documents that are more than 5 years old, and other archival materials more than 20 years old. At Canada's instigation, the Fund began this year to release summaries of the IMF's work program to help increase the public's awareness of Fund activities. In addition, the Fund has adopted a policy establishing a presumption in favour of publication of Letters of Intent and other documents that underpin Fund-supported programs.

Since 1997, the IMF has released Public Information Notices (PINs), which provide background information on a member country's economy and the IMF's assessment of the country's policies and prospects. PINs are issued at the country's request following the conclusion of the Fund's regular Article IV consultation with the member. Canada's most recent PIN was published February 18, 2000 (see http://www.imf.org/external/np/sec/pn/2000/PN0011.HTM). An increasing number of countries have agreed to the publication of PINs, with about 80 per cent of countries now following this procedure. The Fund is also issuing PINs on policy papers and regional economic reviews.

The Fund also encourages countries to publish the "mission statements" that are prepared at the time of the IMF's annual Article IV consultations with member countries. Prior to the preparation of the staff's report to the Executive Board, the IMF mission often provides the authorities with a statement of its preliminary findings at the conclusion of its discussions with the authorities. A number of countries, including Canada, are now releasing these statements. In addition, some 50 countries have agreed to participate in a pilot project for the voluntary release of Article IV staff reports. Canada's Article IV report was released February 18, 2000 (see http://www.imf.org/external/pubs/cat/longres.cfm?sk&sk=3420.0).

Canada has placed great importance on the establishment of an independent evaluation process that can impartially assess IMF activities on a regular basis. In this context, the IMF first launched, in 1997, an evaluation by independent external experts of several aspects of programs supported by the Enhanced Structural Adjustment Facility. At the urging of Canada and other countries, the IMF published the external evaluators' report and other documents related to the exercise, and broadened the process further by asking the general public to comment.

Two additional external evaluations were completed in 1999 and released to the public. One, an evaluation of the overall effectiveness of the IMF's surveillance of member countries' policies, was chaired by former Bank of Canada Governor John Crow (see http://www.imf.org/external/pubs/ft/extev/surv/index.HTM). The external evaluators recommended that the Fund's surveillance focus on core macroeconomic and exchange rate matters and the international aspects of a country's macroeconomic policies. The other evaluation reviewed the IMF's research activities (see http://www.imf.org/external/pubs/ft/extev/res/index.HTM). The external evaluators recognized the contribution of research activities to the objectives of the Fund and made a number of recommendations to improve the quality, focus and dissemination of Fund research.

Canada's representative on the Executive Board, Thomas A. Bernes, is Chairman of the Evaluation Group of IMF Executive Directors. The Group is reviewing the Fund's experience with external evaluation and intends to present a recommendation to the IMFC at its spring 2000 meeting on ways to strengthen the Fund's capacity to undertake independent evaluation of its operations, policies and programs.

In response to increased public interest in the IMF's financial position and the desire of members such as Canada for enhanced operational transparency, the Fund has since 1998 published at intervals throughout the year information on its financial resources and liquidity position, as well as information about members' financial accounts with the IMF.

Provision and Publication of Data

Following the 1995 Halifax Summit, the Fund initiated work on new data standards to better inform markets of financial and economic developments and to strengthen Fund surveillance. Countries that are capital market borrowers are now making comprehensive data available to the public on a timely basis under the IMF's Special Data Dissemination Standard (SDDS) established in April 1996. Information on the statistical practices of members subscribing to the new standard is posted on the IMF's Dissemination Standards Bulletin Board (DSBB) on the Internet (http://dsbb.imf.org/). Canada was one of the first countries to subscribe to the new standard, and information on Canada's statistical practices is posted on the DSBB at http://dsbb.imf.org/country/cancats.htm.

How to Access Information at the IMF

A vast array of Fund information – including fact sheets, press releases, speeches, *IMF Survey*, annual reports, world economic outlooks, staff country reports, and working papers – is available on the Fund's public Web site at http://www.imf.org/ . In addition, the IMF's Publication Services provides a wide variety of Fund documents on the policies and operations of the IMF as well as world financial and economic developments:

- IMF annual reports
- *World Economic Outlook*
- *International Capital Markets*
- IMF staff country reports
- *International Financial Statistics*
- *Annual Report on Exchange Arrangements and Exchange Restrictions*
- press releases
- *IMF Survey*

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The Fund reviewed progress under the SDDS in 1999 and strengthened the standard by requiring the disclosure of additional information on international reserves on a monthly basis, with weekly disclosure of key reserve assets to be encouraged. A new data template on international reserves was developed by the Fund in co-operation with the Committee on the Global Financial System of the Group of Ten (G-10) central banks. The template covers information on the amount and composition of reserve assets, other foreign assets held by the central bank and the government, short-term foreign liabilities, and related activities that can lead to demand on reserves (such as financial derivatives positions and guarantees extended by the government for private borrowing). The transition period for providing the information required by the template expires at the end of March 2000. In July 1999, Canada became one of the first countries to disseminate the additional data required by the expanded standard. Moreover, Canada currently exceeds the reporting standard by releasing key data on its international reserves on a weekly basis.

Standards

The Fund is also contributing to the development and dissemination of international standards in other areas. In 1998, the Fund adopted a Code of Good Practices on Fiscal Transparency to guide member countries in enhancing the accountability and credibility of fiscal policy. In 1999, the Fund adopted a similar code with respect to monetary and financial policies. Also in 1999, the Basle Committee on Banking Supervision, with input from the IMF and World Bank, prepared a draft handbook to help countries in implementing the Basle Core Principles for Effective Bank Supervision. To keep track of the standards that are being established, the Financial Stability Forum developed a prototype compendium of standards and best practices.

Work also progressed over the past year on how Fund surveillance could contribute to monitoring and encouraging implementation of the internationally agreed codes and standards. It was agreed that this surveillance by the Fund should be carried out on a modular basis covering a wide range of standards and codes, with the Fund responsible for its core areas of expertise, and other institutions, such as the World Bank, Organisation for Economic Co-operation and Development and Basle Committee, taking responsibility for other areas. Canada and the other G-7 countries have proposed that the Fund incorporate the monitoring of standards into its Article IV process, building on input from other institutions as necessary. The IMF has also prepared experimental country case studies – the Reports on Observance of Standards and Codes – that summarize individual countries' compliance with the various international codes and standards.

Governance

One of Canada's priorities is the promotion of good governance, transparency and accountability in IMF member countries. The Fund adopted guidelines in 1997 on its role in issues of governance and is more actively emphasizing the links between poor governance and weak economic performance. In support of this role, the Fund is delaying or suspending financial support until countries have taken appropriate corrective action. In the past year, Canada continued to encourage the Fund to work with member countries to improve the quality of government expenditures by reducing outlays for unproductive purposes, such as costly military budgets, thereby making room for productive spending on primary health care and basic education, for example. In this context, the Fund's Executive Board encouraged Kenya in 1999 to reinforce earlier measures to enhance accountability, strengthen budget planning and execution, and remove incentives for corruption by implementing a comprehensive work plan of further measures to enhance governance.

Strengthening Financial Sectors

Increasingly, the IMF is paying greater attention to financial sector issues. The Fund is contributing to the development and dissemination of international principles and good practices of sound financial systems, strengthening its surveillance of countries' financial systems and, in conjunction with the World Bank, supporting structural reforms in financial sectors. While the Fund works closely with other international institutions and groups on financial sector issues, its co-operation with the World Bank in the past year led to an improvement in the identification of potential vulnerabilities in countries' financial systems. This co-operation is described more extensively in the "Joint Issues" section.

An important lesson from the recent financial crises in emerging market countries is that the opening of the capital account must be carried out in an orderly and well-sequenced manner. In particular, countries with weak, underdeveloped or poorly regulated financial markets are highly vulnerable to the risks associated with open capital flows. To this end, Canada has called for the IMF to play an expanded role in this area by developing a practical guide, or "roadmap", for safe capital liberalization in developing countries. The objective would be to codify best practices and spell out appropriate policies for countries at different stages of development.

In this regard, the Fund reviewed in 1999 the experience of selected countries with the use or removal of capital controls. The review suggests that, in some circumstances, controls can play a useful role in helping countries shield themselves from financial crises. Controls, however, are not a substitute for sound economic policies and prudential supervision of the financial sector. Moreover, capital controls may lose effectiveness over time as market participants find ways to circumvent the controls.

Improving Crisis Prevention and Involving the Private Sector

The recent crises in emerging markets have led to a consensus among international policy makers that private investors need to be involved to a greater degree in crisis prevention and resolution. Canada attaches considerable importance to this issue. The international financial architecture needs to be adapted to reflect today's world of large-scale private capital flows. To date, the international community has generally relied upon significant financial assistance from the official sector, led by the IMF, to address balance of payments problems caused by large capital outflows. However, this approach to crisis resolution is neither sustainable, given that the scale of private capital flows dwarf the resources of the official sector, nor desirable, since it may distort the assessment of risk in international markets and encourage excessive and imprudent capital flows to emerging market economies.

Over the past two years, Canada has therefore advocated a more comprehensive approach to crisis prevention and resolution that involves the private sector more actively in the process. The IMF has an important role to play in establishing an operational framework for improved private sector involvement in this area. This reflects the IMF's position at the centre of the international financial system and, more importantly, the fact that it has a number of mechanisms at its disposal that could facilitate a more orderly and co-operative resolution to international payment problems. The principles and modalities of private sector involvement were discussed on a number of occassions by the IMF Executive Board in 1999, and further progress on developing an operational framework for its application is expected in the spring of 2000.

Promoting Social Policies to Protect the Poor and Most Vulnerable

Canada places a high priority on efforts to better protect the poor and most vulnerable from the burden of adjustment. In conjunction with the enhanced debt reduction scheme for heavily indebted poor countries, and as part of its contribution to the global anti-poverty effort, the IMF replaced its concessional facility, the Enhanced Structural Adjustment Facility, with the more focused Poverty Reduction and Growth Facility (PRGF) in 1999. As a consequence, direct anti-poverty measures will play a central role in programs supported by the IMF, World Bank and other lenders. To finance its participation in the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and continue its assistance to the poorest countries under the PRGF, the Fund in 1999 began implementing a series of measures, including off-market gold sales, to generate the necessary resources. The Fund's role in this area is covered more extensively in the "Joint Issues" section and in the World Bank report.

Lending Developments in 1999

A core activity of the Fund is to provide short- and medium-term financial assistance to members faced with balance of payments difficulties. The objective is to enable countries facing such difficulties to correct temporary payments imbalances with a minimum of disruption to the international monetary system. The provision of financing from the IMF, and the additional financing that an arrangement with the Fund often attracts from other sources, enables countries to undertake smoother economic adjustment.

IMF Off-Market Gold Sales

At the annual meetings in September 1999, IMF Governors endorsed a financing package involving internal transfers, bilateral contributions and off-market gold sales to generate resources to meet the Fund's debt relief costs and to continue its assistance to the poorest countries under the PRGF – about US$3.5 billion.

In December 1999, the Fund's Board approved off-market sales of up to 14 million ounces of its gold reserves and a number of other measures which will ensure full financing for the IMF's participation in the HIPC Initiative and the PRGF. The investment income from the profits generated by the gold transactions will be used to provide debt relief under the HIPC Initiative. The Fund expects to complete its off-market operations in the spring of 2000. None of the IMF gold involved in these transactions will be sold on the open market. Therefore, the off-market sales will have no effect on the world gold market.

At the end of 1999, the IMF had lending arrangements worth SDR 57.6 billion in place for 57 member countries (see Annex 1). Drawings by these countries in 1999 decreased to SDR 10.8 billion as some member countries recovered from the severe crises that affected their economies in 1998. While lending decreased under all facilities in 1999, several members received large drawings during the year. Brazil received the largest disbursement, drawing SDR 3.6 billion under the Supplemental Reserve Facility (SRF), the Fund's short-term lending facility that addresses crisis situations, and SDR 0.8 billion under a Stand-By Arrangement. Mexico received the largest amount under a stand-by – SDR 1.0 billion. Repurchases (repayments) exceeded purchases in 1999, in large part due to repayments related to the large disbursements made in 1998 under the SRF.

Table 1
IMF Resource Flows

	1998	1999
	(in SDR billions)	
Total purchases	21.5	10.8
Of which:		
Stand-By Arrangements	12.1	7.5
Extended Fund Facility	6.3	1.9
Compensatory and Contingency Financing Facility	2.2	0.7
Poverty Reduction and Growth Facility	0.9	0.7
Total repurchases	6.7	19.4
Net purchases	14.8	-8.6

Indonesia's drawings of SDR 1.0 billion dominated disbursements under the Extended Fund Facility in 1999.

No countries made use of two new facilities established in 1999: the Contingent Credit Lines to help countries avoid financial contagion, and a temporary Y2K facility that went unutilized because anticipated date-change difficulties did not materialize.

Lending decreased slightly under the IMF's concessional facility, the PRGF. Pakistan and Algeria accounted for a large share of the SDR 0.7 billion disbursed under the Compensatory and Contingency Financing Facility, one of the Fund's other special-purpose facilities which was recently streamlined and rationalized.

Managing Canada's Interests at the IMF

The Minister of Finance is Canada's Governor at the IMF and is responsible for the management of Canadian interests at the Fund. The Minister exercises influence on IMF issues through Canada's Executive Director at the Fund's Executive Board, interventions at the spring and fall meetings of the IMFC, his plenary speech at the IMF and World Bank annual meetings, and periodic meetings with the Managing Director of the Fund (the Minister's speeches are available on the Department of Finance Web site at http://www.fin.gc.ca/). The Governor of the Bank of Canada, Gordon Thiessen, is Canada's Alternate Governor of the IMF. The Governor also attends the Fund's spring and fall meetings.

The management of Canada's interests in the ongoing work of the IMF is the responsibility of the Executive Director, Thomas A. Bernes, Canada's representative on the Executive Board. He is one of 24 Executive Directors. In addition to Canada, he represents 11 other countries (Ireland and 10 Caribbean countries), which form a constituency at the Executive Board. Of the 24 members of the current Executive Board, 12 are from developing or transition countries and 12 from industrial countries. As the main decision-making body of the Fund, the Board normally meets three times a week.

The Department of Finance co-ordinates Canadian policy advice on IMF issues and Canada's operational interests in the IMF. The Bank of Canada also works closely with the Department of Finance in providing advice on issues of interest to Canada's Executive Director. Other government organizations include the Department of Foreign Affairs and International Trade and the Canadian International Development Agency. Within the Department of Finance, the International Finance and Economic Analysis Division is specifically responsible for conducting analyses and preparing advice on the policy issues and specific country programs that are brought before the Executive Board. The Department and Canada's Executive Director's office also work closely with Canada's World Bank Executive Director's office and meet frequently with Canadian non-governmental organizations.

Parliament is informed of the activities and operations of the Bretton Woods institutions through the tabling of the annual report on their operations, the communiqués of the Interim and Development committees and appearances of the Canadian Executive Directors and departmental officials before parliamentary committees.

Canada's Voting Record

Since most decisions at the Fund are taken on a consensus basis, formal votes by Governors and the Executive Board are rare. Canada attempts to influence the development of Fund policy proposals before they are brought to the Board (often through the circulation of memoranda outlining Canadian positions) or to influence other members in the course of Board discussions. But in 1999 Canada voted against an increase in the remuneration of IMF Executive Directors and abstained on the vote to increase IMF staff salaries.

Canada's Office at the IMF

In addition to the Executive Director, Canada's office is staffed by two Canadian advisors and a technical assistant. Ireland staffs the Alternate Director's position and the Caribbean countries staff a second advisor's position.

The primary responsibility of the Executive Director's Office is to represent the interests of Canada and the other members of the constituency at the Fund's Executive Board. The office participates in the Board's discussions of a wide variety of policy, operational and administrative matters, including surveillance issues and country assistance requests and reviews.

Canadian Members of the Executive Director's Office

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Canada's Financial Participation

Canada's financial participation in the IMF consists primarily of its quota subscription. Canada's quota following the recent increase, associated with the coming into effect of the Eleventh Review, is SDR 6,369.2 million, or about 3 per cent of total quotas. Canada's quota subscription is a government asset, which is made available to the Fund partly in Canadian dollars and partly in reserve currencies, such as US dollars or SDRs. These latter non-Canadian dollar amounts continue to be part of Canada's foreign exchange reserves. As an asset, Canada's quota subscription is not recorded as an expenditure item in the budget of the Canadian government.

Only a tiny portion of the Canadian dollar part of its subscription is actually held in cash by the IMF. The balance is held by the Bank of Canada in the form of demand notes, which are available to the Fund in the event it needs to draw upon additional resources. Canada earns interest on its quota subscription when the Canadian dollar is used in Fund lending operations, i.e., drawn by other member countries. In 1999, Canada received SDR 56.2 million on its net creditor position in the IMF. In addition, Canada received SDR 2.4 million in interest on General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) lending to the IMF (additional information on this lending is provided below). The net income from Canada's net creditor position with the Fund is paid into the Government of Canada's Exchange Fund Account, adding to the foreign exchange reserves.

Table 2
Canada's Financial Position in the IMF

	December 31, 1999	December 31, 1998
	(in SDR millions)	
Quota	6,369.2	4,320.3
Fund holdings of Canadian dollars	4,061.3[1]	2,892.1[1]
Reserve position in the Fund	2,307.9[2]	1,428.2[2]

[1] In accordance with Fund regulations, at least 0.25 per cent of Canada's quota is held by the IMF in a Canadian dollar cash deposit at the Bank of Canada. The Fund's remaining Canadian dollar holdings are in the form of non-interest-bearing demand notes, also kept by the Bank of Canada.

[2] This is the amount Canada is entitled to draw on demand from the IMF for balance of payments purposes. Canada's reserve position in the Fund is the result of the portion of Canada's quota subscription made available to the Fund over time in reserve currencies, the use of the Canadian dollar in Fund financial transactions with other members, and loans to the IMF under borrowing arrangements such as the GAB and NAB. As the name suggests, Canada's reserve position in the Fund is a part of Canada's official foreign exchange reserves.

Special Drawing Rights

- The special drawing right (SDR) is an international reserve asset created by the IMF and allocated periodically to its members as a supplement to their foreign currency and gold reserves.
- A general SDR allocation requires a determination by the IMF Board of Governors that there is a global need to supplement existing reserve assets.
- SDRs were first allocated to members in 1970. There have been two other general allocations, the most recent undertaken in 1981. The outstanding stock of SDRs currently totals SDR 21.4 billion.
- In September 1997, IMF Governors approved a special one-time allocation of SDR 21.4 billion that will ensure that all members receive an equitable share of cumulative SDR allocations (the amendment to ratify the allocation has not yet been accepted by a sufficient majority of members).
- Canada has received allocations totalling SDR 779.3 million. Following the special one-time allocation, Canada's allocations will increase to SDR 1,266.5 million.

At the end of the year, Canada's holdings of SDRs amounted to SDR 383.8 million, or 49.2 per cent of Canada's cumulative allocation of SDRs. In 1999, largely due to the payment of one quarter of the increase in its IMF quota in SDRs, Canada held SDRs in an amount lesser than its allocation, and so paid net interest of SDR 10.3 million.[2]

The Second Special Contingency Account (SCA-2) was established by the IMF in 1990 to safeguard against potential losses arising from follow-up financial arrangements with countries that successfully completed a rights accumulation program and cleared their arrears to the Fund. The SCA-2 was financed over a period of years jointly by IMF creditors through lower interest earnings and debtor countries who paid higher rates of charge. Since the balances in the SCA-2 were no longer required, the IMF refunded them in late 1999 to contributing countries such as Canada, which received SDR 11.2 million.

Last year, in line with earlier commitments, Canada made further contributions to the IMF's Poverty Reduction and Growth Facility (PRGF), formerly the Enhanced Structural Adjustment Facility. The facility provides financial support on concessional terms to low-income countries facing protracted balance of payments problems. Canada's commitment to the PRGF is a loan of SDR 500 million and a grant of approximately SDR 190 million. In March 1999, the Government announced that Canada intended to commit an additional SDR 200 million of new lending to the facility. At the end of 1999, loan payments under these arrangements totalled SDR 460 million of the SDR 500 million (to be SDR 700 million) and subsidy contributions equalled SDR 128.6 million of the SDR 190 million.

[2] When a member's holdings of SDRs is greater (lesser) than its cumulative allocation, that member (the Fund) receives interest on the difference.

Canada is also a participant in the GAB, the credit arrangement established by the G-10 to supplement the Fund's regular resources in the event of financial crises. Canada's GAB commitment is the equivalent of SDR 892.5 million. This line of credit was not used in 1999. As noted above, Canada is also a participant in the NAB, which was not activated in 1999. Previous GAB and NAB loans were repaid by the IMF to Canada in March 1999.

New Arrangements to Borrow

The following are the main features of the NAB, which came into force in 1998:

- Participating countries will make loans to the IMF when supplementary resources are needed to forestall or cope with an impairment of the international monetary system, or deal with an exceptional situation that poses a threat to the stability of the system.
- Twenty-five countries have agreed to lend up to SDR 34 billion (about C$68 billion) to the Fund in the case of financial emergencies.
- Canada's share in the arrangement is 4.1 per cent, in the form of a commitment to provide non-budgetary loans to the IMF from its international reserves.
- The NAB does not replace the GAB, which will remain in force. However, the NAB will be the first and principal recourse of the IMF in the event of a need for supplementary resources.

Challenges Ahead

A key challenge for the Fund is to ensure that its mission meets the needs of an increasingly integrated global economic system. Over the years, the institution has proved to be very adaptable, and the evolution of the Fund's place in the international financial system must continue to reflect changes in the world economy. In particular, there is a need to assess the role of the Fund in a world of large-scale private capital flows. To meet these challenges:

- The IMF should examine how it can reorient its surveillance activities to better foresee, prevent and respond to liquidity and confidence crises of the type that have recently affected a number of emerging market countries. This should include broadening the scope of these activities to include *inter alia* external debt management, the appropriateness of exchange rate regimes, compliance with standards and codes, and financial sector regulation and supervision. The Fund has a key role to play in encouraging "best practices" and monitoring compliance in these areas.
- The Fund also needs to consider ways of ensuring that its lending programs do not distort the private sector's assessment of risk and return in international investment. The Fund may also have a role in providing both the incentives and mechanisms to facilitate orderly workouts among international debtors and creditors.

THE WORLD BANK

Overview

Membership in the World Bank affords Canada an important voice on key development issues in the world's premier multilateral development bank. With 181 members and loans and credits to 86 developing member countries in fiscal year (FY) 1999, the World Bank has a far-reaching impact on global development. It assists members, both developing countries and countries in transition from planned to market economies, by providing concessional assistance and access to world financial markets for development purposes. In addition, it advises on policy issues crucial to improving members' longer-term development and poverty reduction prospects. In over 50 years of existence, the World Bank has provided more than US$450 billion in loans to the developing world (see Annex 3).

In FY 1999 alone, the World Bank committed loans and credits of about US$29.0 billion to these countries (see Annex 2), slightly above the FY 1998 total of US$28.6 billion. East Asia received a third of this lending (US$9.7 billion), while Latin America received 28 per cent (US$7.7 billion). Over the past two years, Bank support has reflected the large needs of countries recovering from financial crisis. In the case of Russia, however, the collapse of the banking system and the ongoing economic and political crises have slowed down disbursements considerably. Africa and South Asia relied heavily on support through the Bank's concessional lending facility, the International Development Association (IDA). Together, these two regions received close to 60 per cent of total IDA lending, which was largely focused on poverty reduction. The continuing sanctions on India and Pakistan in the aftermath of nuclear testing have affected the Bank's lending program. Bank lending is limited to those projects that address basic human needs.

Many of the Bank's members continue to face a tremendous challenge in raising the living standards of their populations. The Bank's support has been crucial in transforming a number of countries from dependence towards greater self-reliance. Where countries have established an appropriate enabling environment, private capital can play an important role in helping to finance future growth. The World Bank continues to play an important catalytic role in encouraging the use of private capital for development.

How the World Bank Group Works

The World Bank Group is made up of four complementary but distinct entities: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC).

The IBRD and IDA (together commonly known as the World Bank) both provide funding for investment projects and for adjustment – or economic reform – operations. The IBRD lends funds on commercial terms (slightly above the market interest rate) to the better-off borrowing members, while IDA provides interest-free credits to the poorest borrowers. The IBRD gets its funds primarily from borrowing on international markets, on the basis of its triple-A credit rating. In effect, the IBRD on-lends to borrowing countries at a rate of interest much lower than that which they could secure on their own borrowings. IDA, on the other hand, receives grant funding from donors and other sources, including World Bank net income. As of June 1999, the outstanding IBRD loans and IDA credits amounted to US$117.2 billion and US$83.2 billion, respectively.

The IFC supplements the activities of the IBRD and IDA by undertaking investments on commercial terms in productive private sector enterprises. The IFC provides such services as direct private sector loans, equity investments, resource mobilization and technical assistance. As of June 1999, the total outstanding loans and equity investment of the IFC were equivalent to US$10 billion. MIGA's mandate complements that of the IFC: it promotes private foreign direct investment in developing countries, primarily by providing insurance against non-commercial risk, such as the risk of currency inconvertibility during civil conflict. MIGA's outstanding guarantees as of June 1999 amounted to US$3.7 billion.

Benefits of Membership

- Canada's voting share of about 3 per cent in the World Bank gives it a seat on the Bank's 24-member Executive Board and on the joint IMF/World Bank Development Committee. Canada has the opportunity, both at the Executive Board and in discussions with Bank staff, to provide direct input into the formulation of Bank policies and operational decisions. Canada and other shareholders help to guide the Bank in improving developing countries' economic, social and environmental performance.
- Participation in the Bank affords an opportunity to influence international development policy issues of concern to Canadians. Canada was a leading voice at the Board of Directors' discussions in 1999 that led to the enhanced Heavily Indebted Poor Country (HIPC) Initiative, as well as at the policy discussions that led to establishing a closer link between the HIPC debt initiative and poverty reduction goals.
- Canada benefits from the Bank's leadership role in bringing together donors to respond quickly to emergency situations in countries in post-conflict situations. The World Bank also provides Canada with a forum for working together with other donors to establish a common position to deal with the financial crises of emerging markets. In the context of the Middle East peace process, Canada has been closely involved with the Bank's efforts to mobilize resources for the West Bank and Gaza. Through such co-operation, Canada's influence in the developing world can be leveraged beyond what could be achieved through its bilateral programs. Canada also took part in mobilizing assistance to Kosovo.
- Canada benefits from the role the World Bank plays in bringing together donors for consultative groups (CGs) to provide assistance to specific countries in need. Through CGs, donor countries are able to better co-ordinate their policy advice and operational programs to provide more coherent advice to borrowers and to maximize the impact of their operations. Last year, the World Bank participated in 38 separate CGs and donor groups. The Canadian International Development Agency (CIDA) and other donors also benefit from the Bank's co-ordination of major international programs, such as the Strategic Partnership With Africa (SPA) and the Global Environment Facility (GEF). This co-ordination process is being enhanced now through the new Poverty Reduction Strategy Papers and the Comprehensive Development Framework of the Bank.
- The Canadian government draws heavily on the Bank's research and policy work to enrich its understanding of international development. A wide variety of CIDA programs also benefit significantly from direct access to Bank staff and expertise.
- Finally, Canadian companies and individuals enjoy substantial procurement benefits from Canada's membership in the World Bank Group. Disbursements in FY 1999 for Canadian goods and services totalled US$243 million, bringing total cumulative disbursements to more than US$3.8 billion.

In the Wake of the Emerging Market Financial Crisis

The global financial crisis that struck Asia in 1997 and then swiftly spread to other emerging market economies, including Brazil and Russia, appears to be abating. In Asia there are signs of strong economic recovery: growth rates are positive for the first time since the onset of the crisis, inflation rates are down to moderate levels, interest rates are far below the peaks experienced in 1997 and 1998, and exports are expanding. In 2000, Latin America is expected to recover from the deep but short-lived crisis, while the worst seems to be over for Russia.

The crisis pushed large segments of population of the affected countries into poverty, particularly in East Asia, Brazil and Russia. Moreover, in East Asia, the crisis has produced millions of new poor, partially reversing two decades of progress made in poverty reduction. All affected countries have been hit by falling incomes, rising absolute poverty and malnutrition, declining public services, threats to educational and health status, increasing vulnerabilities among women and children, and growing crime and violence. The crisis has also left a formidable agenda of institutional and governance reforms. They include strengthening domestic financial sectors, restructuring corporate governance and improving public sector transparency and accountability. In response, the Bank has intensified its support in FY 1999 to address these issues.

The long-term growth prospects for developing countries as a whole do not seem to be favourable. The World Bank predicts that growth in developing countries from 2002 to 2008 is likely to be lower than in the early 1990s, before the emerging market financial crisis erupted. This may retard the urgent progress needed on the poverty reduction front. In fact, the global financial crisis has effectively halted the progress made in poverty reduction during the 1990s. No progress has been made since 1996 in reducing the number of people living in poverty in the developing regions. In Sub-Saharan Africa, Latin America and the Caribbean reductions in poverty appear to remain below the target adopted by the international community to reduce by half the proportion of people living in extreme poverty by 2015.

The demand for Bank resources has increased as a result of the contraction of private capital flows to developing countries. Even though the worst of the financial crisis appears to be over, the recovery of private capital flows has been slower than expected. Gross private flows to developing countries in 1999 were almost a third lower than in 1998. This contraction, coupled with a declining trend in transfers from bilateral Official Development Assistance agencies, increased demand for World Bank financing considerably in FY 1999 (July 1, 1998-June 30, 1999). Demand has been particularly high for adjustment lending,[3] which has been the principal vehicle for the delivery

[3] An “adjustment loan” is a rapidly disbursing lending instrument used by the Bank to provide support for a government’s structural reform program. The bulk of the Bank’s total lending operations, however, are in the form of “investment loans,” which are disbursed over the medium- to long-term implementation periods of specific development projects.

of Bank assistance to crisis-affected economies. These loans have been supporting economic reform and measures to address poverty. Adjustment lending as a share of total IDA and IBRD lending operations increased in FY 1999 to 53 per cent, compared to 39 per cent in FY 1998 and 26.5 per cent in FY 1997. Nearly 70 per cent of adjustment lending for FY 1999 was poverty-focused, reflecting the Bank's strong emphasis on reducing the short- and long-term effects of crises on the poor.

Reducing Poverty

The unexpected nature and depth of the recent financial crisis and its serious impact on social conditions have brought to light the need for more work to prevent crises when possible and to mitigate the social consequences when they occur. This calls for a development framework that recognizes the importance of macroeconomic fundamentals, but at the same time gives equal weight to institutional, social and structural underpinnings. FY 1999 saw the Bank taking important steps to move beyond simply financing projects and supporting only discrete policy reforms, to addressing broader issues such as human and social development, governance and institutions. Mindful of the challenges of this new approach, the Bank is working with developing countries to pilot a more inclusive and more integrated approach to its development mission. The approach, known as the Comprehensive Development Framework (CDF), calls for a development strategy "owned" by the country itself, focused on a long-term vision of the results to be achieved, and supported by strong partnerships among governments, donors, civil society, the private sector and other development actors. In FY 1999, the Bank launched CDF pilot projects in 11 countries[4] and the West Bank and Gaza, where stakeholders engaged in an active dialogue in order to identify development challenges, analyze ways to improve development effectiveness, and strengthen partnerships.

Both as a means of providing central policy focus for the CDF, and of increasing the link between heavily indebted poor country (HIPC) debt relief and poverty reduction, the Bank proposed, with strong support from Canada, that country-specific poverty frameworks be developed and articulated via new Poverty Reduction Strategy Papers (PRSPs). In December 1999, the Executive Boards of the IMF and World Bank endorsed the adoption of the PRSPs.

The key principles underlying the framework are that poverty reduction strategies should be country-driven, oriented to achieving concrete results in terms of poverty reduction, comprehensive in looking at cross-sectoral determinants of poverty outcomes and informed by a long-term perspective, and should provide the context for co-ordinated action by various

[4] The CDF pilots are underway in Bolivia, Côte d'Ivoire, Dominican Republic, Eritrea, Ethiopia, Ghana, Kyrgyz Republic, Morocco, Romania, Uganda and Vietnam.

development partners. The PRSPs will be formulated by national authorities in broad consultation with civil society and other stakeholders. They will describe and diagnose poverty conditions in countries and present a medium-term action plan to reduce poverty and generate more rapid economic growth. In many cases, as in Uganda (see below), the PRSPs will be built on national poverty reduction plans already being designed and implemented by a country.

Poverty Reduction in Uganda

In June 1997, Uganda launched its Poverty Eradication Action Plan (PEAP) following a national consultation process involving a cross-section of stakeholders (central and local governments, civil society and the private sector). The PEAP is a good model of what a PRSP would look like. The PEAP lays down national priorities for poverty reduction and guides sector policies. Extensive consultations with civil society have revealed that public action is critical in providing clean water, addressing difficulties faced by small-scale farmers, enhancing human security and strengthening governance.

In 1998-99, the government adopted a medium-term budget framework that is consistent with the PEAP and medium-term financial stability. The Ministry of Finance and other ministries worked closely with local governments in determining budgetary allocations. Civil society participated in the dialogue on priorities and spending commitments.

The government also established a Poverty Action Fund (PAF) to enhance transparency and the monitoring of donor resources. The Fund has four critical features: it involves civil society in the selection of programs and projects, it is fully integrated in the budget, it allocates 5 per cent of funds to monitoring, and it involves both civil society and government in monitoring the impact of PAF outlays. In order to monitor the process closely, the amounts disbursed to each district from the Fund are advertised in the press. In the education sector, for example, budget allocations for schools are posted on some school notice boards. Civil society (non-governmental organizations, district officials, parliamentarians and the media) meet quarterly with central government officials to discuss delivery against budget allocations. In just the first year of operation of the PEAP, Uganda's social expenditures increased substantially from 5.1 per cent of gross domestic product in 1997-98 to 6.1 per cent in 1998-99. This happened against a backdrop of a decline in donor support. Uganda has also intensified its fight against corruption. In 1998-99, the anti-corruption agency initiated a number of high profile investigations, which have led to the dismissal of senior officials and criminal prosecution.

First, the PRSPs will be undertaken for some of the HIPC countries and then introduced gradually to all low-income countries that are eligible for concessional funding from the World Bank and the IMF. Several HIPC countries, including Uganda, Ghana and Burkina Faso have made progress in developing their own poverty reduction strategies. The PRSPs are intended to provide a framework for assistance from the international financial institutions (IFIs) and bilateral donors; as such, the success depends very much on the enhanced co-operation and co-ordination of various players.

Improving Co-ordination With Other Agencies

In 1998, at the request of shareholding governments, the Bank and the IMF undertook a frank assessment of their joint work and developed substantive measures to improve mutual co-operation. These measures, which are now being implemented, include a better delineation of responsibilities between the institutions and the establishment of a senior management Liaison Committee charged with enhancing joint Bank/Fund work with relevant international supervisory agencies. Through these closer links, the IMF has been able to benefit from the experience of the Bank in assessing the longer-term development impact of its own structural adjustment lending. Collaboration between the Bank and Fund has been particularly close in critical financial sector work. They are also working closely with governments to develop and implement a debt relief program for HIPC countries. These activities are described in detail in the “Joint Issues” section.

Over the past year, the World Bank also has worked to deepen its partnerships with regional development banks and other multilateral agencies (including the World Trade Organization (WTO) and the United Nations Conference on Trade and Development) as well as with bilateral agencies.

- A tripartite consultation mechanism involving the Bank, the IMF and the Asian Development Bank has been established to co-ordinate programs in Asian crisis economies.
- In a move to enhance World Bank and UN co-ordination, the two organizations recently formed the “Philadelphia Group” (symbolic of the fact that Philadelphia is halfway between Washington and New York) to share views and work programs in the areas of common interest, such as social policy, poverty reduction and governance.
- The Bank, in partnership with the IMF, the WTO and several UN organizations, has created an integrated framework to help least developed countries to effectively participate in the international trading system.

Other World Bank Operations in FY 1999

A) Helping Institutional and Governance Reforms

Strong institutions and good governance are necessary to reduce country vulnerability to crises. They also encourage private investment and promote economic growth and poverty reduction. With its adjustment loans and technical assistance projects, the Bank is supporting various public sector reforms that are targeted towards improving governance by enhancing public accountability and transparency of government agencies. The Bank also provides governments with advice on the drafting of governance-related laws, including legislation to combat corruption. This work is being supported by extensive Bank analysis of budgetary processes and institutional effectiveness. In Indonesia, for example, the Bank is working with the government and representatives of civil society to develop a comprehensive public sector anti-corruption strategy.

With respect to the corporate sector, the Bank is assisting governments in developing corporate restructuring and bankruptcy frameworks and stronger competition policy as well as corporate governance and legal reforms. In co-operation with the IMF, the Bank has intensified its support of financial sector reforms in FY 1999. Having increased the number of in-house experts by 50, the Bank supported governments in improving financial sector supervision and regulation, developing capital markets and training domestic regulators. The financial sector's share of total adjustment lending amounted to about 13 per cent in FY 1999. Moreover, the Bank approved 18 stand-alone projects worth US$2.87 billion for financial sector reforms.

The Toronto Centre

Recognizing the need to strengthen financial sector regulation and supervision in crisis economies, in 1997 the Government of Canada and the World Bank announced the creation of the Toronto International Leadership Centre for Financial Sector Supervision. The Toronto Centre provides experience-based training for senior financial supervisors and regulators in emerging markets. It focuses on the leadership dimension of the supervisory function, offering pragmatic programs based on the premise that experience is the best teacher. Canadian funding for the Toronto Centre is provided by the Canadian International Development Agency. Several Canadian banks (Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Royal Bank of Canada and The Toronto-Dominion Bank) provided funding to the Toronto Centre in FY 1999, while the IMF and the Bank for International Settlements have committed financial support. The World Bank continued to provide financial assistance to the Centre in FY 1999. The Schulich School of Business at York University is hosting the institution.

The Toronto Centre successfully completed four courses on banking supervision during 1999; there was an excellent roster of candidates for these sessions. The candidates have been at senior levels, generally reporting to the governor or deputy governor of their respective central banks. The Toronto Centre will branch out in the coming year, providing one course on securities and another on insurance, along with three courses on banking supervision. In February 2000, David Winfield, who brings a wide range of experience in international trade issues from his distinguished career as a diplomat, replaced Paul Cantor as the new Executive Director of the Centre.

The World Bank has set up a Web site for the Toronto Centre at http://www.worldbank.org/html/fpd/tc.

B) Post-Conflict and Emergency Assistance

In 1999, the Bank provided substantive emergency assistance to countries that were devastated by war and natural disasters. In countries emerging from conflicts, the Bank's support is designed to facilitate their transition to peace. The Bank helps post-conflict countries to rebuild physical infrastructure, reconstruct institutional capacity and put in place key economic reforms.

In FY 1999 the Bank, in collaboration with the IMF and other donors, including Canada, moved rapidly to organize emergency financial assistance to the countries affected by the Kosovo crisis. Similar efforts are under way in East Timor.

The Bank Assists Regions Recovering From Conflicts

Kosovo: At the Interim and Development Committee meetings in April 1999, finance and development ministers asked the Bank, working in co-operation with the Commission of the European Union, to co-ordinate the international effort to assist countries affected by the Kosovo crisis. The Bank, in collaboration with other multilateral and bilateral agencies, organized international donors' conferences for various affected countries in southeastern Europe as well as for Kosovo itself. The Bank's post-conflict support seeks to promote economic recovery, address social sector needs, rebuild physical and social infrastructures and reconstruct institutional capacity in the region. The Bank is working closely with the Stability Pact for South East Europe in analyzing various reconstruction initiatives.

Kosovo, a sub-federal entity within the Federal Republic of Yugoslavia – which is not a member state of the World Bank – presented a special case for Bank operations. While Kosovo is ineligible for regular International Development Association or International Bank for Reconstruction and Development funding, the Bank established a special US$25-million trust fund from the Bank's FY 1999 net income to fund its capacity- and institution-building work in Kosovo. Part of this funding will support the work of the United Nations Mission in Kosovo to establish a civil administration. It is anticipated that in 2000 the trust fund will receive a further net income allocation of a similar magnitude.

East Timor: The World Bank has taken a leading role in co-ordinating the international effort to assist East Timor. In the late fall of 1999, the Bank, working closely with the United Nations Transitional Administration in East Timor, led a mission to the nascent country to assess reconstruction and development needs. The Bank's conclusions formed the basis for an international meeting of donors in December at which delegates pledged a total of US$523.5 million in assistance. Just prior to this meeting, the World Bank Executive Directors endorsed the establishment of a special US$10-million trust fund (financed from World Bank resources) to support development and reconstruction in East Timor. Executive Directors also approved a grant of US$1 million from the Bank's Post-Conflict Fund as bridge financing until the trust fund monies became available.

The Bank also moved swiftly when one of the worst floods in its history hit Bangladesh in 1998. Through a US$200-million emergency flood recovery credit, the Bank helped in maintaining macroeconomic stability, repairing damaged infrastructure facilities and strengthening the country's capacity for disaster preparedness and management. Similarly, the Bank responded quickly in the face of devastating floods in western Turkey and the earthquake damage in its Adana region with emergency assistance through the US$369-million Emergency Flood and Earthquake Recovery Project, which aims to restore basic infrastructure in affected communities and rural areas.

C) Assisting Small States

Small developing economies face special challenges due to their small size: they lack institutional capacity, have difficulty attaining economies of scale in production and have limited capacity to diversify risk within the domestic economy. Moreover, most of them are highly vulnerable to natural disasters and commodity price volatility in international markets. The loss of some preferential trading arrangements has further exacerbated their vulnerabilities. Recognizing these difficulties, the Bank, together with the Commonwealth Secretariat, has undertaken to review the effectiveness of existing instruments within multilateral development and trade institutions and processes and to identify policies, tools and/or approaches that would help these countries meet the challenges of globalization. This work is scheduled to be presented to ministers at the spring 2000 Development Committee meeting.

Of the 175 developing countries worldwide, 42 are small states. Since Canada represents 11 Caribbean small states at the World Bank, it has and will continue to work with its Caribbean partners to ensure that the special characteristics and challenges of small states are properly articulated and addressed. Canada has worked hard to ensure that the views, experiences and expertise of the small states themselves are included in the policy development process.

D) World Bank and International Trade

In anticipation of a next round of WTO negotiations, in FY 1999 the Bank intensified its work in supporting the poor countries to effectively participate in trade negotiations. Several capacity-building projects were launched during the year to help these countries implement their commitments to earlier trade rounds and build domestic expertise to participate in future negotiations.

The WTO 2000 Capacity Building Project, a three-year research and capacity-building initiative, was launched in January 1999 to help developing countries participate more effectively in the next round of WTO negotiations. Another capacity-building project was introduced during the year to specifically assist developing countries in the negotiations on agriculture. Both these projects are carried out in close collaboration with the WTO and various other institutions, and they receive support from a variety of donors.

The Bank also intensified its efforts within the integrated framework (IF), where six core organizations are working together with the least developed countries (LDCs) to co-ordinate their trade assistance programs. The main objective of the IF is to ensure that trade-related technical assistance is demand-driven and meets the needs identified by the LDCs. As part of the IF, about 40 LDCs are currently carrying out comprehensive needs assessments. By working closely with all involved parties, the IF seeks to increase the efficiency and effectiveness of the delivery of trade-related technical assistance.

During FY 1999, the Bank also convened a task force to explore possibilities to minimize the risks faced by commodity-exporting developing countries due to price fluctuations in the world markets.

E) Culture and Development

The Bank formalized its operational policy in FY 1999 to recognize the integral role of culture in sustainable development. The Bank is paying special attention to preventing investments supported by the Bank from harming cultural heritage sites and respecting the importance of indigenous cultures. During the year, the Bank developed close to 30 projects that combined sustainable development goals and promotion of cultural heritage.

F) Rural and Urban Services

Rural and urban sectors received 30 per cent of total Bank lending in FY 1999. Rural development is critical in pursuing the Bank's poverty reduction objective, since three quarters of poor people in developing countries live in rural areas. The Bank's work in rural development is wide-ranging and includes sustainable natural resource management, irrigation, river basin management, rural finance and agricultural research and extension work. With regard to the latter, the Bank works with the Consultative Group on International Agricultural Research, which brings together a network of 16 international agricultural research centres to mobilize the best agricultural knowledge to the developing countries.

Urbanization is another development issue that is becoming increasingly prominent. It is predicted that within a generation, the number of urban dwellers, the majority of them poor, will increase by 2.5 billion in the developing countries. Unless addressed quickly, urban poverty is poised to become a global crisis. This is the main message conveyed in the Bank's urban and local government strategy that was introduced in FY 1999. The urban strategy, which will guide the Bank's work in this context is focused on four areas of action: increasing services to the urban poor, encouraging city-owned development strategies, assisting capacity building in local governments, and strengthening national urban development strategies. Reflecting this shift in priorities, the Bank in FY 1999 lent US$706 million in support of urban development projects.

In December 1999, the Bank co-launched (with the UN Centre for Human Settlements/HABITAT and under the patronage of Nelson Mandela) the Cities Alliance initiative to promote city development strategies and upgrading of slums. Canada, through the Canadian International Development Agency (CIDA), has joined the Cities Alliance coalition and will contribute $800,000 to this initiative in 2000-01.

International Development Association

IDA is the World Bank Group's concessional lending window. It provides long-term loans at zero interest to the poorest of the developing countries in its mission to reduce their poverty and improve their quality of life. IDA does this by supporting projects that improve their living standards and by promoting equitable access to the benefits of economic development. IDA focuses on:

- results – to get the biggest development return from scarce aid resources;
- sustainability – to achieve an enduring development impact within an environmentally sustainable framework; and
- equity – to remove barriers and open up opportunities for the disadvantaged.

IDA is funded largely by contributions from the governments of the richer member countries and is replenished every three years. The Twelfth Replenishment (IDA 12), which was agreed to in November 1998, will finance projects over the three-year period that began in July 1999. Funding for this replenishment will allow IDA to lend about $20.5 billion over the period.

IDA resource allocations are based on each recipient country's policy performance. For this purpose, the Bank has developed a rating system based on 20 indicators that reflect performance in three broad policy areas: sustainable growth and poverty reduction, reduction of inequalities, and governance/public sector management.

IDA Priorities

Poverty reduction is the cornerstone of IDA's development efforts. Sound macroeconomic and structural policies, institutional reforms and good governance are essential to achieving a sustainable decline in poverty. In recent years, IDA has devoted significant resources to improving the quality and effectiveness of its assistance efforts. The participation of governments, non-governmental organizations (NGOs) and civil society is crucial. The degree of borrower ownership and the level of participation by NGOs and civil society have increased substantially through the course of IDA replenishments.

IDA focuses its work on areas shown to have a significant development impact. For example, work is under way to improve IDA's track record in assisting borrowing countries to formulate and implement poverty reduction strategies that adequately incorporate gender. As well, in recognition of the fact that weak governance, including corruption, can constrain development, IDA has incorporated governance considerations in its work.

Lending for social services has been a focal point of the World Bank's – and particularly IDA's – poverty reduction efforts in recent years. IDA places particular emphasis on lending targeted directly at the poor under the Program of Targeted Interventions (PTI). For example, a PTI project in Algeria provides affordable housing and land titles to about 50,000 households in low-income areas, including urban slums. The project will also offer basic infrastructure services, including roads, safe drinking water, sewage, drainage and electricity. Over the 1996–99 period, PTI lending has consistently accounted for more than 50 per cent of IDA's investment lending.

Table 3
IDA Lending for the Program of Targeted Interventions
Fiscal Years 1997–99

	1997	1998	1999
IDA PTI lending (in US$ millions)	1,874	3,267	3,070
As % of IDA investment lending	53	54	65
As % of all IDA lending	41	44	45
Number of IDA PTI projects	37	59	71

An important result of the IDA 12 replenishment process was the conclusion that these new resources would be directed to countries that have good policies. IDA 12 resources focus on four key areas:

- **Investing in people** – Investments in basic social services, including primary education and health care, clean water and sanitation, nutrition and social protection. This funding will address such needs as ensuring that children who are forced to work to help support their families do not have to sacrifice opportunities to learn. Social sector lending will remain around 40 per cent of investment lending during IDA 12.
- **Promoting broad-based growth** – Development experience shows clearly that sustainable, broad-based economic growth is essential for poverty reduction. IDA therefore supports policy changes and projects that encourage the role and growth of the private sector, including local small businesses, micro-enterprises and small holding farms.
- **Supporting good governance** – Good governance is critical to sustainable, broad-based economic development and improvements in human well-being. As discussed above, IDA has strengthened its analytical framework to assess the quality of overall policy performance in recipient countries; the resultant standards will be applied in the allocation of IDA 12 resources.
- **Protecting the environment** – IDA will support strategies that promote environmentally sustainable development since the effects of poverty and environmental damage are often mutually reinforcing.

IDA Success Stories

- The China Basic Education in Poor and Minority Areas project benefits approximately 5 million children. The project supports activities for girls to earn money for school fees, provides free textbooks to 55,000 poor girls, strengthens girls' lower-secondary schools in religious minority areas, and trains female principals.
- In Senegal, the coverage and quality of family planning services in the public and private sectors have been considerably enhanced. Over 1,000 nurses were trained to manage rural health posts.
- The Arsenic Mitigation Water Supply project in Bangladesh is helping to stop contamination that is estimated to be affecting at least 15 per cent of the population.
- In Benin, forestry management plans have been designed and implemented for 268,000 hectares of forest and involving 320,000 people within or around the forests.
- With the help of an IDA-supported transport rehabilitation project, 984 km of roads were repaired in Georgia, significantly reducing travel times. Broad-based road maintenance is reaching most of the country.

IDA also recognizes that a special effort is needed in Africa – a region that continues to present a particularly difficult development challenge. Many African countries are now pursuing sound policies and experiencing greatly improved growth rates, opening a window of opportunity to improve the lives of their poorest citizens. Yet investment levels in these countries are too low to sustain this growth. Sustaining and building on the efforts of African governments will require substantial support from the international community, including both the private and public sectors. To support African countries that are committed to poverty reduction, economic reform and sustainable, broad-based growth, IDA intends to increase Africa's share of IDA resources to up to 50 per cent of IDA 12 resources, as long as the performance of individual countries warrants it.

Canada's Priorities at the World Bank

A) Developmental Priorities

Poverty Reduction: Despite considerable progress over the past two decades in improving living standards worldwide, over 3 billion people remain in poverty. The financial crisis of the emerging markets has eroded some of the progress achieved, with millions of people thrown back into poverty over the past three years.

Canada has long been a key player in international efforts to assist the poorest and strongly supports poverty reduction as the overarching objective of the World Bank. As such, Canada endorses the CDF under which the Bank promotes broad-based poverty reduction strategies in developing countries. The Bank has increasingly recognized that poverty reduction cannot be addressed in isolation. Private sector development, good governance and environmentally sustainable policies are just a few of the factors that need to be considered in designing strategies to help improve the living standards of the poor in member countries.

Canada's Voting Record

World Bank Executive Board decisions are usually taken on a consensus basis, without recourse to a formal vote. On occasion, however, individual Executive Directors have been unable to join the Board consensus for various reasons. In 1999, the Canadian Executive Director did not join the Board consensus on 10 occasions.

- In January 1999, Canada abstained on the US$350-million single-tranched Structural Adjustment Loan for Pakistan, given a preference for disbursement of this facility in two separate tranches in order to make the loan's economic policy conditionality more effective. Despite the sanctions against Pakistan, the Board approved this loan on an exceptional basis, considering Pakistan's financial problems.
- In May 1999, Canada abstained on a US$7.5-million credit for a cultural heritage project in Azerbaijan since the project was not well integrated into the country's larger social development agenda.
- In July 1999, Canada abstained on a US$60-million IBRD loan and a US$100-million IDA credit to China for a poverty reduction project in the western province of Qinghai since adequate environmental assessments were not undertaken beforehand.
- In 1999, Canada opposed three loans to India and abstained on four because they were seen as inconsistent with multilateral sanctions on India which limit Bank financing to projects that support basic human needs. Altogether, these loans amounted to US$250 million, including a US$210-million IBRD loan for an energy sector restructuring project, and a US$30-million IFC investment in a coal mining project.

Poverty assessments continued to provide valuable support for the Bank's poverty reduction efforts last year. The Bank has completed 113 poverty assessments, covering approximately 90 per cent of the world's poor. However, the quality of poverty data is uneven. To address this problem and to help improve the effectiveness of its poverty reduction work, in 1998 the World Bank shifted the direction of its poverty work in two ways:

- by changing the focus of Country Assistance Strategies, which set out the Bank's key operational priorities in individual countries, from an analysis of the nature of poverty to the formulation of strategies designed to reduce poverty; and
- by emphasizing the broader impacts of Bank projects and policies on the poor, rather than focusing strictly on the quantity and value of poverty-targeted projects.

The Bank has also increased the prominence of social sector issues in macroeconomic stabilization programs. Good macroeconomic policy is key to boosting growth and thereby reducing poverty. At the same time, adequate attention to social issues is key to the success of macroeconomic stabilization and sustainable development goals.

To further ensure that poverty reduction remains at the heart of the Bank's operations, the Poverty Reduction and Economic Management Network (PREM) was established in 1997. The PREM, which is charged with developing an overall approach to poverty evaluation, advises Bank country teams on the poverty reduction impacts of emerging policies, programs and individual projects.

Gender Issues: World Bank lending in almost all sectors includes activities that specifically benefit women. In FY 1999, the Bank took steps to integrate gender issues into Country Assistance Strategies. In Bangladesh and Senegal, gender issues in health and education were incorporated in the Country Assistance Strategies. In general, the Bank-funded projects in agriculture, education, health and infrastructure take particular care to incorporate gender analyses and actions. CIDA is currently working closely with the World Bank to improve the latter's capacity in gender equity. Several consultations have been held on this issue in the past year. Also, $150,000 of a $1-million grant made by CIDA in FY 1999 to the World Bank Institute has been earmarked for gender equity.

Private Sector Development: Canada has encouraged the increasingly co-ordinated approach to private sector development that has grown within the Bank Group over the past two years. It is now recognized that the private sector has an important role to play in addressing virtually all development challenges, from protecting the environment to assisting in privatization in transition economies. In response, business innovation programs are now under way in all of the Bank's regional offices. The private sector development strategy of the Bank seeks to encourage private provisioning of infrastructure facilities. In FY 1999, the Bank used a wide range of instruments for this task – adjustment lending, technical assistance, investment lending, guarantees and adaptable program lending. Altogether, some 16 per cent of FY 1999 total lending was earmarked for supporting private sector projects in transport, water and sanitation, urban development and communications.

In a shift of emphasis that reflects the growing importance of private capital and investment to developing countries, the World Bank Group has restructured to better align and expand its work related to the private sector. The reorganization, which took effect on January 1, 2000, strengthened the link between the World Bank Group's public sector work and its private sector development work done through the IFC. The reorganization includes both a new structure within the Bank Group and a new approach to creating a favourable business environment and helping finance small and medium-sized enterprises. A new combined unit has been given the mandate to co-ordinate Bank Group activities to disseminate the knowledge that will encourage creation of local intermediaries to help capitalize local financial institutions, and train the latter in the business of financing small and medium-sized enterprises. The new unit, in combination with increased IFC investments in local intermediaries that finance small businesses, reflect a significantly higher priority for this sector within the Bank Group.

The Bank also uses **guarantees** to expand developing countries' access to international and domestic capital markets. Complementing products offered by the IFC and MIGA, the Bank provides partial risk and partial credit guarantees for private investment in priority projects. One of the guarantee projects approved last year covered the first bond issue of Thailand's Electricity Generating Authority. The issue, the first emerging market credit since the collapse of the Russian economy in August 1998, received achievement awards from *Finance Asia* and *Euro Week*. FY 1999 also saw IDA getting involved in a partial risk guarantee project for the first time, to secure financing for a power project in Côte d'Ivoire that will export electricity to neighbouring countries. Also in FY 1999, the Bank introduced policy-based guarantees that would allow the Bank to participate in co-guarantee arrangements with other multilateral and bilateral organizations. The first application of this instrument was in Argentina. The country's US$1.5-billion sovereign bond issue, which came to market in October 1999, was supported by a US$250-million policy-based guarantee by the World Bank. The issue won the prestigious *International Financial Review*'s 1999 awards for Sovereign Bond and Latin American Bond of the Year. The bond was also named one of the "Deals of the Year" by *Institutional Investor* magazine, and won the *Investment Dealers' Digest* award for Emerging Markets Bond of the Year.

In February 2000, the IFC marked its entry into the information network. It announced an investment of US$200 million in a venture in partnership with Japan's SOFTBANK to spawn start-up Internet companies in some 100 developing countries. It is expected that this initiative will encourage other Internet enterprises to follow with their own investments and initiatives to establish technology and information centres all around the world.

Another example of the private sector's role in development is the growing impact of **micro-credit operations** (relatively small loans made to the poor by grassroots organizations such as the Grameen Bank in Bangladesh). With a small investment, these organizations have been successful in improving the living conditions of the poor, particularly women, in developing countries. Evidence from these operations is compelling; it shows that the poor can be very good entrepreneurs as well as very good credit risks.

The Consultative Group to Assist the Poorest (CGAP), which includes the World Bank, Canada and 26 other multilateral and bilateral donors, was established in 1995 to support the development and expansion of sustainable institutions that provide micro-financing services to the poor. CGAP has now entered its second stage of operations.

During the initial phase (1995-98), CGAP provided US$26 million in grants to support micro-finance operations, as well as technical assistance for financial management training and the development of "best practices

Micro-Credit: The Consultative Group to Assist the Poorest

In its FY 1999, the Consultative Group to Assist the Poorest (CGAP) made 13 new investments in micro-finance institutions and special programs, including a new CGAP-France–Africa Capacity Building Program based in Senegal; a technical support project in West Africa involving Développement international Desjardins; and an experiment in market-based supervision with the Credit Unions of Guatemala. CGAP also funds the development of much needed practical tools and standards for the micro-finance sector.

For CGAP's second phase, donors have adopted the following strategies:

- to support micro-finance institutional development through the creation of tools and the delivery of capacity-building activities;
- to support changes in the practices of CGAP members, especially as they relate to the management of micro-finance portfolios;
- to increase the understanding of the impact of micro-financing on poverty reduction;
- to improve the legal and regulatory framework for micro-finance; and
- to facilitate the commercialization of the micro-finance sector.

Through this work, CGAP seeks to strengthen the ability of micro-finance organizations with a proven track record and to provide assistance to the poor. The World Bank has contributed US$30 million to the first phase of the facility and has agreed to provide a further US$7 million for the first year of the second phase until a multi-year commitment is put into place. CGAP bilateral donors have also agreed to provide US$4 million in additional contributions in 1999.

policies" for micro-finance providers. CGAP members/donors are responsible for the maintenance of a core fund to support micro-finance programs in the developing world. The Canadian government approved a $1.5-million, three-year agreement between CIDA and CGAP, which started in 1999.

Good Governance and Corruption: The Bank continues to emphasize the critical importance of good governance and making strides in addressing the issue of governance. As mentioned above, governance issues feature prominently in Bank-supported adjustment programs. In addition to encouraging more effective management of borrowing member public expenditures and more participatory and open approaches in decision making, the Bank incorporates anti-corruption measures into its own procedures. The Bank recently amended its procurement guidelines to strengthen the procedures for disqualifying bidders, temporarily or permanently, from future Bank-financed projects if it finds evidence of fraud or corruption. During the year, the Bank publicly named several firms that were found to be involved in fraudulent activities.

Canada has been particularly outspoken and concerned about unproductive expenditures, particularly excessive military expenditures. Canada has spoken strongly at the Bank to highlight the need to be tough on countries which increase defence spending while receiving international assistance. At a time of scarce donor resources, the Bank's clients can ill afford to waste resources on unproductive spending. Recognizing this problem, the Bank is reviewing its current guidelines by surveying the policies and program approaches of the bilateral donors and other multilateral donors. Among other things, the Bank is requesting better information from borrowers on military-related aggregate expenditures to aid in its public expenditure reviews. In order to enhance the overall transparency and accountability of public sector activities, the Bank, in co-operation with the IMF, supports measures to strengthen public expenditure management systems in borrower countries. A number of countries are seeking Bank assistance in the conversion of military-run industries (China, South Africa and Hungary), while others, including Angola, Rwanda and Cambodia, have asked for help with demobilization and demilitarization.

IDA allocations are increasingly based on a borrowing government's efforts to reduce unproductive expenditures.

The World Bank Institute (WBI)[5] is an important delivery instrument for training on governance and anti-corruption issues. Through its public sector reform program, the WBI helps building and implementing anti-corruption strategies for those who directly seek Bank support in this area. The demand has been growing rapidly, with the Bank receiving over 30 requests. The WBI has helped countries such as Bolivia, Chile, Ethiopia, Nicaragua, Uganda and

[5] In March 1999, to improve the efficiency of the Bank's education and training programs, the Economic Development Institute was merged with the Bank's Learning and Leadership Centre, with the new institute working under the name of World Bank Institute.

Ukraine to undertake in-depth analyses of institutional and policy weaknesses behind corrupt practices and, with broader participation of civil society groups, to design strategies to combat corruption. On the governance front, the WBI has established close working relations with other international organizations such as Transparency International and the Parliamentary Centre of Canada.

Environmentally Sustainable Development: The Canadian government, alongside Canadian NGOs, has long been a vocal advocate of the need for the Bank to better integrate environmental considerations into its operations and has been a keen supporter of the Bank's recent efforts. The establishment of the Environmental Sustainable Development vice-presidency in 1993 has been instrumental in supporting this objective. In FY 1999, the Bank approved US$540 million of loans in support of 11 stand-alone environmental projects. In addition, the Bank approved US$690 million for 17 agricultural, water and urban development projects which have a strong environmental focus. Over and above the Bank's portfolio of environmental projects, the Bank requires that every project it supports be environmentally sustainable. Environmental assessments, which are discussed with the public, are designed to test the environmental sustainability of each Bank project. In FY 1999, the Bank also took measures to expand the environmental assessments from project to sector level. This means that in the future broad sector strategies in agriculture and urban development, for example, will be reviewed in terms of their environmental impacts.

Cumulative active environmental projects since 1986 (including investments to reduce pollution, protect ecosystems and build environmental management capacity) levelled off in FY 1999 at US$11.1 billion, after several years of sharp increases. This levelling off reflected the completion of several earlier environmental projects.

Of particular note is the increasing work undertaken by the Bank in co-operation with other shareholders in the area of **climate change**. It is now recognized that collective global action is required to find solutions to this problem, and the Bank has stepped up its efforts to provide assistance to its borrowing member countries in helping to reduce "greenhouse gases." In FY 1999, the Bank's Ozone Projects Trust Fund (established under the Multilateral Fund of the Montreal Protocol, or MFMP) approved a US$150-million proposal (disbursed over 11 years, starting with US$20 million in 1999) to reduce and close all chlorofluorocarbon (CFC) production facilities in China – one of the most important milestones in the history of the Montreal Protocol and its Fund. The project will eliminate CFC production of about 45,000 tons over 11 years. This amount represents about 60 per cent of the CFC production in developing countries, or about 45 per cent of the global production. In addition, during the year, the MFMP approved similar projects in Argentina, Colombia, India, Indonesia, Jordan, Pakistan, Thailand and Turkey.

With these new approvals the total disbursements for projects related to reducing greenhouse gases in FY 1999 are about US$60.8 million (approximately US$14 million over its target). Cumulative World Bank approvals in the area as of the end of 1999 now equal US$351.68 million.

The Bank has also been active in developing a commercial framework for carbon emissions trading under the Conference of the Parties on Climate Change process. The Bank launched a Prototype Carbon Fund in January 2000.

World Bank Launches the Prototype Carbon Fund

In January 2000, the World Bank launched the Prototype Carbon Fund (PCF), established with contributions from governments and private companies. The PCF is the world's first commercial carbon emissions trading instrument. In its 2000 budget, the Government of Canada made available to the PCF up to $20 million. The PCF will invest in cleaner technologies in developing countries and transition economies, thus reducing their greenhouse gas emissions. These emissions reductions will then be transferred to the Fund's contributors in the form of emissions reduction certificates. All parties will gain:

- poor countries will gain access to climate-friendly technologies as well as earning revenue from selling emissions reductions;
- contributors will receive low-cost emissions reductions to help them meet their commitments arising from the Kyoto Protocol; and
- the environment will benefit because the PCF provides poor countries with funds to switch to cleaner and more efficient technologies.

Starting in April 2000, the Bank plans to invest the Fund's capital in projects that promote renewable energy technologies – such as wind, small-hydro and bio-mass energy technology – that would not be profitable without revenue from emissions reductions sold to the PCF. Some 20 developing countries have already shown interest in undertaking PCF projects.

In addition, the Bank continued with its traditional work as a Global Environment Facility (GEF) implementing agency. As of June 30, 1999, the value of allocations to the GEF portfolio implemented by the World Bank Group had risen to over $1.06 billion. The portfolio, working in over 80 countries, is composed of 124 projects, plus 18 "enabling activity" grants to assist countries to fulfill certain stock-taking and reporting obligations under the Biodiversity Convention. During the course of the year, the GEF Council approved a work plan that included 28 regular GEF investment projects. The Board approved 13 new operations for over US$136 million.

B) Transparency and Accountability

Transparency and accountability are fundamental to ensuring the longer-term sustainability of the Bank Group's operations. Canada has been a major proponent of increased openness at the Bank. The Bank has responded to concerns from shareholders by making public a growing number of documents on operations, both from the IBRD/IDA and from the IFC. Once-confidential Country Assistance Strategy documents are now made available to the public at the request of respective governments.

Transparency also requires **better consultation with beneficiaries**. Canada and other donors have pushed the Bank and borrowing countries to find ways to improve consultations with local people – civil society and NGOs – in beneficiary countries, not only in the design and implementation of projects but also in the preparation of key policy documents, such as Country Assistance Strategies. To ensure that the Bank is accountable to its clients, Canada has been one of the major supporters of the work of the **Inspection Panel**. Canadian Jim MacNeill is the current Chair of the Panel. The World Bank was the first multilateral organization to establish an independent panel to consider outside complaints. Any group that may be affected by a Bank-supported project has the right to request that the Panel investigate whether the Bank has abided by its policies and procedures. Since its inception in 1994, the Panel has received 20 formal requests for inspections. The Panel received three requests for inspections during FY 1999, and recommended one investigation in China. This was in regard to a controversial US$160-million poverty reduction project in China's western provinces of Gansu and Qinghai and the Inner Mongolia Autonomous Region. Several Executive Directors, including Canada's, who abstained from voting, expressed concerns about the environmental and social impacts of the project – particularly in the province of Qinghai. The project was approved on the condition that the Inspection Panel carry out a full investigation to recommend means of strengthening and improving the project.

C) Improving World Bank Effectiveness

Assessing Aid Effectiveness: In November 1998, the Bank's Economics Department released a landmark study on the effectiveness of international development assistance. It concluded that foreign aid has been highly successful in reducing poverty in countries which practise sound economic management and possess robust government institutions.[6]

The study estimates that by providing an annual increase of US$10 billion in aid to good performers, an extra 25 million people would be lifted out of poverty. Moreover, every dollar of foreign aid provided to good performers can leverage an additional two dollars of investment as aid increases the

[6] *Assessing Aid: What Works, What Doesn't, and Why* (World Bank, Policy Research Report Series, 1998). For the full report, see the World Bank Web site at http://www.worldbank.org/research/aid/aidtoc.html

How to Access Information at the World Bank

The World Bank's Public Information Centre, which became operational in early 1994, provides a wide range of Bank documents, including:

- project information documents;
- project appraisal documents (after approval by the Board of Executive Directors);
- country economic and sector work documents and sectoral policy papers;
- the annual report and the *World Development Report*;
- the *Monthly Operational Summary* and *International Business Opportunities*;
- environmental data sheets, assessments, analyses and action plans;
- *World Debt Tables*; and
- operation evaluation department précis.

The Bank's InfoShop is located at
1776 G Street N.W., Washington, DC 20433, U.S.A.
Phone: (202) 458-5454
Fax: (202) 522-1500
E-mail address: pic@worldbank.org
Additional up-to-date information is also available on the Internet at
http://www.worldbank.org/html/pic/PIC.html

confidence of the private sector and helps to build the public services that investors need. Conversely, the study confirmed that foreign assistance delivered to countries with poor governance and economic policy records is not particularly effective; significant foreign assistance has not led to any significant improvement in poverty reduction in these countries. Little evidence was found to substantiate the notion that an inadequate policy and institutional environment can be circumvented by targeting foreign assistance to specific activities (such as health and education).

The Bank is increasingly moving towards rewarding good performers. IDA allocations are now based on a performance criterion. The impact is most evident in Bank lending to Africa. Also, in India, for the first time, the Bank is exercising greater selectivity by concentrating support to reforming states. This in turn has resulted in increased reform efforts in several states. In order to monitor country performances in a meaningful manner, the Bank is focusing on incorporating poverty-related outcome indicators to measure real results. The outcomes are poverty focused and include such indicators as child malnutrition, and child and maternal mortality.

Ensuring the efficiency and effectiveness of the Bank's operations has long been a key objective of Canada. But efficiency and effectiveness entail more than just reducing costs and saving money. They require selectivity in setting clear priorities and delivering services more efficiently. The Bank needs to operate in those areas where its assistance is needed and where it has a clear comparative advantage. It needs to reconsider its role in areas where the private sector or other multilateral development banks may be better placed to provide assistance.

In 1997, the Bank began to implement its three-year Strategic Compact, a plan for the comprehensive renewal of the World Bank. Under this plan, President James D. Wolfensohn pledged to transform the working culture of the Bank from one focusing on project development and approval to one which focuses on project implementation, quality and development effectiveness. The Strategic Compact has been underpinned by the Bank's Cost Effectiveness Review, developed jointly with KPMG, which recommended significant changes to internal Bank procedures and staff levels.

The Bank has come a long way towards meeting the goals of the Strategic Compact to provide higher quality service more efficiently. A significant shift of operational staff to the field has been undertaken to move the Bank closer to clients and make Bank assistance more effective. Currently, about 24 country directors operate from the field, compared with only 3 two years ago. Notable achievements have also been made in encouraging local-level ownership in projects and strategy formulation. For example, in preparing Indonesia's Country Assistance Strategy, the Bank was engaged in intense discussions with civil society and other stakeholders for over 18 months on issues of corruption and governance. The discussions were fruitful and results were productive.

In FY 1999, the Bank strengthened its efforts to improve development effectiveness through a renewed emphasis on the quality of its project portfolio. More vigilance was exercised at project preparation and supervision stages. The focus on results has been intensified. As a result, there is a significant improvement in the quality of the Bank project portfolio: 77 per cent of Bank projects had satisfactory outcomes, up from 65-70 per cent in 1990–96; and in FY 1999 the Bank managed to prepare projects in half the time and at two thirds the cost of five years ago.

D) Involving Civil Society and NGOs in Decision Making

President Wolfensohn has been a major catalyst behind the Bank's outreach program with civil society and NGOs; particular emphasis has been placed on the importance of expanding partnerships with outside groups. As a result, the level of NGO involvement in Bank-supported operations has continued to grow. Over 50 per cent of Bank projects across all major sectors included some form of NGO participation in FY 1999. Moreover, NGOs actively participated in Bank policy discussions: three quarters of Country Assistance Strategies prepared in FYs 1998 and 1999 included consultations with NGOs and civil society; NGOs provided valuable input to the policy deliberations at the Bank and the IMF on how to link HIPC debt relief to poverty reduction goals. Two Canadian NGOs, the North-South Institute and the Halifax Initiative, were involved in the HIPC consultation process. NGO participation continued to progress in the face of the emerging market financial crisis. NGOs and representatives from civil society in the affected countries were brought together with Bank officials in Manila in 1999 to discuss and learn about the impact that the economic crisis has on the poor.

One key venue for ongoing dialogue is the NGO–World Bank Committee. Membership consists of senior Bank managers and 26 NGO leaders from around the world (15 from developing countries). Canada's current representative on this committee is Mario Lavoie of the International NGO Co-operation Project. In 1999, this committee established a more decentralized structure by expanding into six regional working groups where region-specific issues and strategies for effective co-operation can best be identified and implemented. During the year, the group developed proposals to broaden NGO dialogue with the Bank. These included creating incentives for Bank staff to engage NGOs, establishing more transparent mechanisms of consultation, and making more efforts to involve stakeholders at early stages of policy and project development.

Within Canada, NGOs have participated in a regular series of government meetings and conferences on such issues as multilateral debt, the environment, IDA and Africa. This consultation has proven useful for advancing Canadian interests at the Bank. The Canadian government has benefited greatly from the expertise and advice offered by Canadian NGOs on a broad range of development issues. Through this collaborative process with government, the views of Canadian NGOs have helped shape Canada's position in World Bank project and policy discussions.

Managing Canada's Interests at the World Bank

Finance Minister Paul Martin, as Canada's Governor at the World Bank, is responsible for the management of Canada's interests at the Bank. Minister Martin exercises his influence through exchanges of views at the Development Committee and annual meetings, and through discussions with the President of the World Bank. For example, at the 1998 Annual Meetings, governors addressed the issue of how to help countries affected by the emerging market financial crisis, and discussed progress in helping the poorest countries with unsustainable debt burdens through the HIPC Initiative as well as how to improve co-operation between the Bank and the Fund. The Department of Finance consults closely with the Department of Foreign Affairs and International Trade and CIDA in formulating Canadian policies related to World Bank issues. Len Good, the President of CIDA, is Canada's Alternate Governor for the World Bank.

The day-to-day handling of Canada's diverse interests at the Bank is delegated by the Governor to the Executive Director, currently Terrie O'Leary, who was elected in October 1998. She represents Canada and 12 other countries (Ireland and 11 Caribbean countries) at the Executive Board. Of 24 Executive Directors on the Board, 12 are from developing and transition countries and 12 from developed countries.

The Bank's Executive Board formally approves all loans, credits, projects and World Bank policies, discusses Country Assistance Strategies and provides strategic advice to Bank management as appropriate.

One of the important functions played by the Executive Director is her oversight of the Bank's administration and spending through her membership on the Board of Directors' Budget Committee. The Canadian Executive Director is one of eight Budget Committee members. The Budget Committee is responsible for reviewing the Bank's administrative budget. In addition to its role in overseeing Bank administrative operations and spending, the Budget Committee deliberates extensively on the level of planned Bank financing operations. It also played an important role in the development of the Strategic Compact in 1997, which set out a comprehensive set of internal Bank reforms designed to improve efficiency. The Committee will continue to play an important role in monitoring progress on the implementation of the Strategic Compact. In June 1999, the Committee recommended to the Board the approval of the US$400-million administrative budget for FY 2000 to implement the works program for the final year of the Strategic Compact.

Canada's Office at the World Bank

The Canadian Executive Director's office continued in 1999 to support the activities of the World Trade Centre in Montreal and the Saskatchewan Trade Export Partnership, which organized commercial missions to the IFIs in Washington to help Canadian businesses understand the IFIs and identify business opportunities. During the past fiscal year, more than 500 business representatives have passed through the Executive Director's office and many more were exposed to World Bank business opportunities by participating in conferences and workshops across Canada.

The office also helped the WBI put in place the course on urban and city management held in Toronto from May 2-14, 1999. This event allowed Canada to showcase its expertise in this area.

Organization of the Office

The Executive Director is supported in her everyday duties by two Canadian advisors and two assistants. These officers are in constant communication with the Canadian government – not only with the Department of Finance, but also with CIDA and the Department of Foreign Affairs and International Trade. The Department of Finance co-ordinates Canada's policy advice and channels it to the Executive Director, and through her to World Bank management.

Structure of the Executive Director's Office

Executive Director:	Terrie O'Leary
Canadian Advisor:	Kathryn Hollifield
Canadian Advisor:	François Pagé
Canadian Assistant:	John Sinclair
Canadian Assistant:	Gilles René
Phone/fax:	(202) 458-0082/(202) 477-4155
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Beyond the formal work of the Executive Board as outlined above, the office provides a valuable interface between the Bank and Canadian constituents – individuals, NGOs, federal and provincial agencies, associations, the academic community and parliamentarians, among others.

One of the key roles of the office is to provide assistance to Canadians and Canadian businesses. Canada's procurement advisors, along with the Canadian Embassy in Washington, assist in providing advice and information on how to do business with the Bank (details are provided below.) Another point of contact for Canadians is the Bank's External Affairs Department (http://www.worldbank.org/html/extdr/gen.htm).

Canadian Procurement at the World Bank

Canadian companies and consultants often provide supplies, equipment or services to projects financed through the World Bank. Canadian expertise in the power, environmental, engineering, human resources, health, education, telecommunications, financial and transportation sectors has led to procurement opportunities for Canadian firms on developing country projects around the globe.

In FY 1999, many Canadian firms continued to benefit from Canada's World Bank membership by accessing procurement opportunities under World Bank financed loans. In FY 1999, disbursements to Canadian companies for the supply of goods and services under Bank financed project loans reached US$106 million. In addition, the World Bank estimates that US$137 million was disbursed to Canadian companies for procurement under adjustment loans, bringing total FY 1999 Bank disbursements to Canadians businesses to US$243 million.

For the first time Canadian consulting firms ranked third among all supplying countries for consulting work through Bank financed projects, after the United States and the United Kingdom. More than US$50 million of contracts were given to Canadian firms for consulting services representing 7 per cent of total disbursements. Canadian contracts were spread across more than 40 countries, with the highest volume undertaken in Benin, Burkina Faso, China, Croatia, Niger, Togo and Uganda.

The transport sector offered many opportunities to companies such as SNC Lavalin Inc., Lea International, Tecsult International, Canarail and CPCS Transcom Ltd. Bombardier Inc. won a contract valued at over US$22 million for the supply of seaplanes to Croatia. Acres International Ltd., Berocan International and Agra System Ltd. won contracts in the energy sector. Some companies, such as Price Waterhouse, Gervais Gagnon & Associés, Régie Inc. and E. Farell Consulting, were active in the area of privatization and regulatory reform.

The disbursements during FY 1999 bring cumulative disbursements to Canadian companies to US$3.6 billion. The Bank has also reviewed and approved new contracts in FY 1999 for Canadian firms for almost US$81 million, an increase over FY 1998 of 10 per cent.

Trust Fund Activities

A significant source of funds to facilitate increased Canadian participation in World Bank projects are the consultant trust funds supported by CIDA and administered by the World Bank. These are used to introduce new Canadian consultants to the Bank, as well as to encourage the Bank to undertake activities in areas of priority to Canada. In June 1995, CIDA concluded a new agreement with the World Bank, the Co-Financing, Technical Assistance and Consultant Trust Fund Framework Agreement, to govern all its trust fund arrangements with the Bank. Within the World Bank Group, CIDA currently finances trust funds at the World Bank at the IMF, the WBI as well as at the GEF – a facility hosted by the World Bank. These funds lead directly to contracts for Canadians in the feasibility, assessment and design of development projects.

In January 1999, CIDA renewed for another five years its $1-million-per-year trust fund with the WBI. The trust fund enables the WBI to engage Canadian expertise in the preparation and delivery of its training programs around the world in countries eligible for Canadian Official Development Assistance. Through annual CIDA–WBI consultations, allocations are made to a number of WBI programs – usually five or six main programs – based on their fit with Canadian priorities and engagement of Canadian partners. In addition, CIDA's Program of Assistance for Central and Eastern Europe made a direct contribution of $880,000 to a WBI program of seminars on social policy reform for decision makers in the former Soviet Union.

Following an evaluation of several of its trust funds conducted in the fall of 1999, CIDA has initiated a redesign of most of its trust funds in consultation with other stakeholders such as the Department of Foreign Affairs and International Trade and the Department of Finance. As a result, a new Framework Agreement Arrangement with the World Bank will be put in place upon completion of this process. The new agreement will continue to support Canadian consultants involved in the identification, preparation and implementation of World Bank financed projects. CIDA and Environment Canada also negotiated the new Canadian Consultant Trust Fund for the Global Environment with the World Bank. For further information on these and other Canadian trust funds at the World Bank, contact Marie Stamp, Commercial Counsellor at the Canadian Embassy in Washington (phone (202) 682-7719; fax (202) 682-7789) and François Pagé, Advisor, at the Executive Director's office (phone (202) 458-0082; fax (202) 477-4155).

Canadian Success Stories

Canadian companies continued to be beneficiaries of World Bank Group financing and capital mobilization efforts. A number of Canadian companies from key sectors have begun to work with the World Bank Group. For example, in FY 1999:

- Envista Technologies from Sakatchewan won a bid for US$1.1 million to install an environmental information system for Bogota, Columbia, through a joint program of the United Nations and the World Bank;
- Clifton Associates, also from Sakatchewan, were selected by the World Bank's mining division to undertake specific environmental assessments of uranium tailings sites in the Kyrgyz Republic; and
- the Association of Canadian Community Colleges, in co-operation with Human Resources Development Canada, won a contract of US$3 million to provide technical assistance to the National Agency for Employment and Vocational Training in Romania.

International Finance Corporation

The IFC is playing an increasingly important role in the World Bank Group's private sector development activities. As a fast-growing entity within the Bank Group, it has also attracted the attention of Canadian companies and financial institutions that are interested in making direct investments in emerging markets. Given its private sector mandate and concerns for investor and client commercial confidentiality, the IFC does not report detailed procurement figures as do the IBRD and IDA.

One of the IFC's essential functions is to mobilize financing and expert advice in favour of private sector projects in emerging markets. The Corporation has been an excellent resource for Canadian financial institutions, as well as for Canadian firms whose technical expertise is particularly suitable for these markets. In March 1999, an IFC delegation attended the annual dinner of the Canadian Association of Petroleum Producers in Calgary. This brought senior IFC officials in close contact with leading Canadian oil and gas companies to highlight financing opportunities through the IFC.

One of the most significant developments on the IFC front in the mid-1990s was the return of Canadian financial institutions (typically commercial banks) to the IFC loan syndication program. This important program helps to mobilize private financing for IFC projects and provides financial institutions with the opportunity to invest in emerging markets. By investing alongside the IFC, financial institutions participating in the syndication program gain access to potential new customers, attain a high yielding asset and, with the presence of the IFC as an investor in these projects, are provided a degree of political risk coverage. By the end of FY 1999, Canadian financial institutions had provided some US$363 million in co-financing for IFC projects.

As with other international development institutions, the emerging market financial crisis has forced the IFC to make some major changes. Throughout the developing world, the demand for long-term private capital continues to outstrip supply. This is particularly the case as lenders pull out of risky markets. Even companies in countries once considered to have "graduated" from the IFC's programs are again seeking help from the IFC and other multilateral institutions. These companies are looking for financial support but, more importantly, also seek technical support to help them in their restructuring processes.

A second challenge ahead for the IFC is to ensure that in the face of massive demand, they do not ignore the poorest countries, such as those in Sub-Saharan Africa. In today's global environment, the IFC's role in the poorest countries is more important than ever. The IFC, with the support of IDA, will work to build programs that can provide financial services for micro-enterprises as well as small and medium-sized enterprises, and that wil deepen financial infrastructure to mobilize and allocate domestic savings. The IFC will also work to develop physical infrastructure through new investments and privatization by mobilizing domestic and foreign capital.

Learning About Opportunities

Canadian firms, organizations and institutions that are interested in pursuing markets created by World Bank financed projects are urged to attend monthly business briefings held on the first Thursday of each month at Bank headquarters in Washington.

Both the Canadian Embassy in Washington, through the Office for Liaison with International Financial Institutions, at (202) 682-7719, and the Canadian Executive Director's Office at the World Bank, at (202) 458-0082, work to assist Canadian firms and consultants seeking to participate in World Bank financed projects. The range of opportunities is wide – a power project in China, an environmental assessment in Peru or a legal/judicial reform project in Russia are examples. These two offices also encourage Canadian companies to contact them if they are interested in competing for procurement contracts.

Canada's Financial Participation

International Bank for Reconstruction and Development

Canada's share of the IBRD capital is approximately 3 per cent. A relatively small proportion of this capital contribution is required to be "paid-in" – about 6 per cent overall, but just 3 per cent in the last capital contribution. The remainder is "callable," in the unlikely event that the IBRD needs it from member countries. Periodically, the IBRD replenishes its capital through general capital increases (GCIs). The IBRD's latest such capital increase (GCI III) in 1988 was for US$76.5 billion. Canada was allocated 19,655 new shares valued at US$2.37 billion. The paid-in portion of these shares is US$71.1 million. These shares were subscribed over a five-year period ending in 1993. As of June 30, 1999, Canada's cumulative subscriptions to the IBRD's capital stock totalled US$5.403 billion (44,795 shares), of which US$334.5 million has been paid-in.

International Development Association

In November 1998, donors agreed to a Twelfth Replenishment of IDA in the amount of US$20.5 billion. This will finance IDA's lending program over the three-year period to June 30, 2002.

Canada maintained the same share as in IDA 11 of 3.75 per cent of donor contributions at a total cost of C$607 million. To meet these obligations, Canada will issue three demand notes in 1999, 2000 and 2001. Each of these notes is then encashed over a six-year period. At the end of FY 1999, Canada's cumulative contributions to IDA (subscriptions and contributions) were the equivalent of US$4.222 billion.

International Finance Corporation

The Government of Canada is a strong supporter of the technical assistance and advisory programs of the IFC, which provide over US$23 million in funding for these activities. In FY 1999, Canada contributed about US$0.5 million to the programs. Canada's support has strengthened the IFC's ability to extend its work program in countries with difficult business environments, to undertake important work on strengthening legal and regulatory infrastructure, and to help the countries to develop effective private sector financial market institutions. At the end of FY 1999, Canada's cumulative contributions to the IFC amounted to US$81.346 million.

Multilateral Investment Guarantee Agency

MIGA was established in 1988 to encourage direct foreign investment in developing countries by protecting investors from certain non-commercial risks. MIGA operates on a commercial basis.

On March 31, 1998, MIGA's Board of Directors agreed on the framework for the GCI. The amount of the increase will be US$850 million, which will be divided into 78,559 shares of capital stock. Of this amount, 17.65 per cent will be paid-in and 82.35 per cent will be callable. The subscription period, over which the paid-in share will be provided, will be three years.

Under the capital increase, Canada will receive an additional 2,260 shares, with a paid-in portion of US$4,315,990 and a callable portion of US$20,137,210. Canada's paid-in contribution to MIGA is non-budgetary; its share in MIGA will stay at 2.87 per cent.

On February 12, 1999, MIGA announced a landmark increase from US$50 million to US$110 million in the amount of political risk coverage it may issue for foreign direct investments in a project and an increase from US$250 million to US$350 million in its country limit. This development will allow investors access to higher levels of risk insurance in MIGA's 127 countries of operations.

Future Challenges

The relative importance of the World Bank as financier to developing countries increases in times of financial stress. Total private capital flows to developing countries increased from US$44 billion in 1990 to over US$250 billion in 1997, but fell significantly following the emerging market financial crisis. Moreover, private capital flows to developing countries have never been evenly distributed. The major challenge for the future will therefore be for the Bank to find more creative ways of meeting the increasingly diverse needs of its clients, only some of which benefit from greater private capital.

The Bank will be a key player in international efforts to prevent future financial crises. Its operations in the areas of strengthening financial sectors, improving corporate governance and enhancing transparency and accountability of public sector activities are particularly important in putting together adequate institutional structures that may better withstand future crises.

The Bank will face several other challenges in the coming year. As noted, the social costs in South East Asia and several other large emerging market economies recovering from financial crises will require increased resources and enhanced co-ordination with other international institutions and donors. At the same time, the Bank will need to look at more innovative ways to address the problems of the poorest countries, particularly those in Sub-Saharan Africa. President Wolfensohn's proposed CDF and the ensuing PRSPs should help guide the Bank by providing improved tools for assessing development needs of the developing countries. The Bank's efforts to remain flexible in its approach to development and encourage country ownership of Bank supported programs are steps in the right direction.

Without careful attention to the unique needs of individual countries, the Bank will be unable to meet its objectives of improving the quality of its operations and strengthening its development impact.

Last year the Bank saw an unprecedented increase in demand for financing; the world has not yet seen the resolution of the consequences – both economic and social – of the emerging market financial crisis. It is likely that the demand for Bank financing will remain high. However, with its responsibility to remain an active lender comes the equally important responsibility of ensuring that it has sufficient resources to handle the job. Thus establishing priorities and being selective remain key. In this context, ensuring the financial stability of the Bank as a development institution is also a continuing challenge.

JOINT ISSUES

Overview

The IMF and the World Bank are important institutions for Canada, each playing a unique role in the international economic and financial system. Nevertheless, there are key areas where the mandates of the two Bretton Woods institutions overlap, or where there is a requirement for close co-operation and co-ordination of activities. Indeed, at the Halifax Summit, G-7 leaders asked that efforts be made to increase co-operation and co-ordination between the IMF and the World Bank. The heads of both institutions have put considerable effort into fulfilling that objective. Two particular examples – the joint preparation of a proposed program of assistance for HIPCs and co-operation on addressing financial sector reform – are examined below.

Strengthening Financial Sectors

Problems in the financial sector, and especially the banking system, can disrupt to growth and macroeconomic stability and can spill over regionally and internationally, as highlighted by the emerging market financial crisis. In response to concerns about such problems, the IMF and World Bank are devoting increasing attention to financial sector issues. Discussions in both institutions in the past couple of years have focused on how they can assist member countries to establish and maintain sound financial systems.

The special Financial Sector Liaison Committee has been established to enhance operational co-ordination on work in the financial sector in individual countries.

In co-operation with the World Bank, the Fund is preparing Financial System Stability Assessments (FSSAs) for selected countries. These will help identify and assess vulnerabilities in financial systems, and help assess observance of core principles, standards and good practices by member countries.

The FSSAs include a form of "peer review" in that they are prepared with the participation of outside experts drawn from national supervisory agencies. This represents the operationalization of Canada's peer review proposal made at the IMF meetings in April 1998.

Canada was the first industrialized country to undergo an FSSA. IMF and World Bank staff members and outside specialists from Australia, Brazil, Germany, Sweden and the United States conducted a pilot review of Canada's financial system in October 1999. The results of the peer review were released in the staff report for the 2000 Article IV consultation with Canada. Overall, the assessment found Canada's financial system to be among the soundest in the world (see http://www.imf.org/external/pubs/cat/longres.cfm?sk&sk=3420.0).

Multilateral Debt Relief

At the Halifax Summit in June 1995, the G-7 countries urged the Bretton Woods institutions to develop a comprehensive approach to address the special problems of the poorest countries with large multilateral debt burdens. This was to be done through the flexible application of existing instruments and the creation of new mechanisms for debt relief. Just over a year later, at the 1996 annual meetings of the IMF and World Bank, the details of a new debt initiative for the HIPCs were endorsed by the membership of the two institutions.

The primary goal of this HIPC Initiative is to ensure that HIPCs demonstrating a track record of sustained good policy performance are able to achieve overall external debt sustainability, strengthen their poverty reduction programs and permanently "exit" from future debt rescheduling exercises.

Since its inception, debt relief under the original HIPC framework was agreed to for seven countries – Bolivia, Guyana, Burkina Faso, Côte d'Ivoire, Mali, Mozambique and Uganda – totalling US$3.4 billion in present-value terms, or a reduction in nominal debt service of about US$6.8 billion. Uganda, Bolivia, Guyana and Mozambique completed the original HIPC process and received debt relief totalling nearly US$2.8 billion in present-value terms, and US$5.5 billion in debt service relief. Preliminary reviews for assistance were also completed for five other countries – Ethiopia, Guinea-Bissau, Mauritania, Nicaragua and Tanzania. Two countries – Benin and Senegal – were considered to have debt that was sustainable under the terms of the original framework.

Two years into its implementation, the international community realized that the HIPC Initiative was not delivering its promise of debt sustainability and poverty reduction. Debt relief was too little, too late and available to too few countries. Canada, other donor countries and civil society called for a comprehensive review of the HIPC Initiative. In response, the IMF and World Bank launched a global consultative process beginning in 1999.

During the first half of 1999, submissions for HIPC enhancements poured in from civil society and governments, including six of the G-7 countries (including Canada). This consultative process was capped by the G-7 enhanced Debt Initiative, which called for faster, deeper and broader debt relief and an enhanced focus on poverty reduction. At the Köln Summit in June 1999, G-7 leaders collectively agreed on enhancements to the HIPC Debt Initiative, making poverty reduction and debt sustainability its overarching objectives. This initiative adopted many of Canada's proposals, and the emphasis on poverty reduction reflects the core mandate of the Canadian development assistance program. The World Bank and IMF endorsed the new debt plan and introduced PRSPs as the main mechanism for ensuring that gains secured from debt relief are used to invest in social sectors, particularly in health and education.

To qualify for exceptional relief under the new framework, a country must be an IDA-only borrower and face an unsustainable debt situation after the full application of current debt relief mechanisms. The sustainability of the debt burden is determined on the basis of the ratio of debt-to-exports and debt-to-revenues (calculated in net present-value terms). A debt-to-exports ratio of 150 per cent and a debt-to-revenues ratio of 250 per cent are judged to be the upper limit of debt sustainability for HIPCs, compared to a debt-to-exports target in the range of 200-250 per cent and a debt-to-revenues target of 280 per cent under the original HIPC Initiative.

According to the World Bank, these enhancements will more than double the amount of debt relief to over US$28 billion. Among the 40 HIPCs, 36 countries are now expected to be eligible for enhanced debt relief, compared to 29 under the original HIPC framework. Debt relief will be faster since the multilateral creditors are agreeing, for the first time, to provide debt relief starting at the point of decision on a country's eligibility for HIPC relief. In the first two months of 2000, the IMF and World Bank considered retroactive debt relief for Uganda and Bolivia, and Mauritania became the first "new case" to reach a decision point under the enhanced HIPC Initiative. Preliminary reviews for assistance under the enhanced HIPC Initiative have been completed for four other cases – Guinea, Honduras, Tanzania and Nicaragua.

The new HIPC Initiative will further reduce debt service ratios and release considerable resources for social sector expenditures and other key priorities. For example, based on the experience of countries already treated under the original HIPC Initiative, the World Bank calculates that debt relief under the enhanced HIPC Initiative could potentially allow social spending to increase by a third. It should also be noted that the agreed cancellation of aid-related debts by the G-7 countries after HIPC debt relief would further release resources for key priorities.

The new PRSPs will then serve as a tool to strengthen the linkages between debt relief and poverty reduction to ensure that the resources released from debt relief mean additional monies for social spending and poverty reduction programs. The PRSPs will be developed by the individual HIPC governments in consultation with the IFIs and broad segments of civil society, and will guide country assistance programs of both the IMF and the World Bank. The PRSPs, by putting the HIPCs in the driver's seat, hold the promise of accelerating poverty reduction.

Canada has been a strong supporter of reducing the unsustainable debt burdens of the poor countries. Bilateral assistance has been provided in three areas:

- Canada has forgiven all Official Development Assistance debt from HIPCs, with the exception of Burma (Myanmar); this has amounted to $900 million since 1978;

- Canada helped to close the financing gap in the debt relief package for Mozambique; in March 1998, Canada pledged to contribute $8 million, despite having no loans outstanding to this country; and
- in 1998, Canada also contributed about $32 million to the HIPC Trust Fund, of which $20 million has been earmarked to ensure the full participation of the African Development Bank; of the remainder, Canada used $1.5 million to provide debt relief for Guyana. The 2000 budget made available $175 million for additional grants to the trust funds at the IMF and World Bank to benefit the poorest countries, raising Canada's total contributions to date to $215 million.

In the fall of 1998, Canada became a leading voice in calling for HIPC reforms. On March 25, 1999, Prime Minister Jean Chrétien announced the Canadian proposals to enhance debt relief and, in so doing, Canada emerged as a leader among the G-7 on the debt issue. Moreover, Canada pledged to provide 100-per-cent debt relief to the poorest countries, namely Bangladesh, Honduras, Madagascar, Tanzania and possibly Zambia. In December 1999, Canada made good on its pledge and forgave debts owed by Bangladesh, a reforming least developed country. Other possible beneficiaries will be offered 100-per-cent reduction once they have completed their HIPC program. Canada also pledged to consider five additional countries – Ethiopia, Rwanda, Liberia, Sudan and the Democratic Republic of Congo (formerly Zaïre) – when their situation permits. The February 2000 budget expanded the 100-per-cent debt forgiveness to all eligible HIPCs that are making a real effort to improve the well-being of their citizens.

Existing Mechanisms for Assisting Heavily Indebted Poor Countries

World Bank Mechanisms

Regular Lending – The World Bank makes IDA credits available on highly concessional terms. In general, these take the form of 40-year loans which carry no interest rate charges.

Enhanced Access – Countries which are making special efforts to clear their arrears or undertake comprehensive debt workouts are given increased access to relatively scarce IDA resources.

The Fifth Dimension Facility – IDA-only countries which have incurred past market-rate borrowings from the IBRD also receive annual interest rate subsidies. In recent years, these have had the effect of reducing the interest rate on the earlier IBRD loans from an average of about 6 per cent to less than 1 per cent.

IDA-Only Debt Reduction Facility – The IBRD provides grant financing (which carries no interest or principal) to eliminate up to 100 per cent of the debt which IDA-only countries owe to commercial banks. To date, this World Bank facility has extinguished almost US$3 billion of commercial-bank debt at no cost to these developing countries.

International Monetary Fund Mechanisms

Surveillance of Policies – In individual countries, the IMF provides advice which encourages the adoption of policies that provide a basis for sustained economic growth and price stability. More broadly, IMF surveillance of the global monetary system is aimed at promoting the balanced growth of world trade and an orderly and stable system of exchange rates.

PRGF – The PRGF is the IMF's major source of concessional financing for low-income countries which are undertaking major reform efforts in the context of a Fund program. In recognition of the special challenges of these countries, the PRGF provides loans which carry longer maturity periods and significantly lower interest rates than regular IMF arrangements.

Technical Assistance – Both the IMF and World Bank provide substantial technical assistance to low-income countries to help strengthen their debt management policies.

ANNEX 1

Active IMF Lending Arrangements – As of December 31, 1999

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(in SDR millions)	
Stand-By Arrangements – Total			**39,897.68**	**12,711.81**
Bosnia and Herzegovina	May 29, 1998	April 28, 2000	77.51	24.24
Brazil	December 2, 1998	December 1, 2001	10,419.84	2,550.69
Cape Verde	February 20, 1998	March 15, 2000	2.50	2.50
El Salvador	September 23, 1998	February 22, 2000	37.68	37.68
Korea	December 4, 1997	December 3, 2000	15,500.00	1,087.50
Latvia	December 10, 1999	April 9, 2001	33.00	33.00
Mexico	July 7, 1999	November 30, 2000	3,103.00	2,068.60
Philippines	April 1, 1998	March 31, 2000	1,020.79	475.13
Romania	August 5, 1999	March 31, 2000	400.00	347.00
Russian Federation	July 28, 1999	December 27, 2000	3,300.00	2,828.57
Thailand	August 20, 1997	June 19, 2000	2,900.00	400.00
Turkey	December 22, 1999	December 21, 2002	2,892.00	2,670.28
Uruguay	March 29, 1999	March 28, 2000	70.00	70.00
Zimbabwe	August 2, 1999	October 1, 2000	141.36	116.62
Extended Fund Facility arrangements – Total			**14,035.13**	**8,826.90**
Argentina	February 4, 1998	February 3, 2001	2,080.00	2,080.00
Azerbaijan	December 20, 1996	Mars 19, 2000	58.50	5,26
Bulgaria	September 25, 1998	September 24, 2001	627.62	313,82
Columbia	December 20, 1999	December 19, 2002	1,957.00	1,957.00
Croatia	March 12, 1997	March 11, 2000	353.16	324.38
Indonesia	August 25, 1998	November 5, 2000	5,383.10	1,585.40
Jordan	April 15, 1999	April 14, 2002	127.88	106.56
Kazakhstan	December 13, 1999	December 12, 2002	329.10	329.10
Moldova	May 20, 1996	May 19, 2000	135.00	47.50
Pakistan	October 20, 1997	October 19, 2000	454.92	341.18
Panama	December 10, 1997	December 9, 2000	120.00	80.00
Peru	June 24, 1999	May 31, 2002	383.00	383.00
Ukraine	September 4, 1998	September 3, 2001	1,919.95	1,207.80
Yemen, Republic of	October 29, 1997	March 1, 2001	105.90	65.90

ANNEX 1

Active IMF Lending Arrangements – As of December 31, 1999 *(cont'd)*

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(in SDR millions)	
Poverty Reduction and Growth Facility arrangements – Total			**3,639.69**	**1,957,27**
Albania	May 13, 1998	May 12, 2001	45.04	23.69
Azerbaijan	December 20, 1996	January 24, 2000	93.60	11.70
Benin	August 28, 1996	January 7, 2000	27.18	10.87
Bolivia	September 18, 1998	September 17, 2001	100.96	67.31
Burkina Faso	September 10, 1999	September 9, 2002	39.12	33.53
Cambodia	October 22, 1999	October 21, 2002	58,50	50,14
Cameroon	August 20, 1997	August 19, 2000	162.12	36.03
Central African Republic	July 20, 1998	July 19, 2001	49.44	32.96
Côte d'Ivoire	March 17, 1998	March 16, 2001	285.84	161.98
Djibouti	October 18, 1999	October 17, 2002	19.08	16,36
Gambia	June 29, 1998	June 28, 2001	20.61	13.74
Ghana	May 3, 1999	May 2, 2002	155.00	110.70
Guinea	January 13, 1997	January 12, 2000	70.80	15.73
Guyana	July 15, 1998	July 14, 2001	53.76	35.84
Honduras	March 26, 1999	March 25, 2002	156.75	80,75
Kyrgyz Republic	June 26, 1998	June 25, 2001	73,38	43.00
Macedonia, FYR	April 11, 1997	April 10, 2000	54.56	27.28
Madagascar	November 27, 1996	July 27, 2000	81.36	40.68
Mali	August 6, 1999	August 5, 2002	46,65	39.90
Mauritania	July 21, 1999	July 20, 2002	42.49	36.42
Mongolia	July 30, 1997	July 29, 2000	33.39	21.89
Mozambique	June 28, 1999	June 27, 2002	58,80	50.40
Nicaragua	March 18, 1998	March 17, 2001	148.96	53.82
Pakistan	October 20, 1997	October 19, 2000	682.38	417.01
Rwanda	June 24, 1998	June 23, 2001	71.40	38.08
Senegal	April 20, 1998	April 19, 2001	107.01	57.07
Tajikistan	June 24, 1998	June 23, 2001	100.30	53,34
Tanzania	November 8, 1996	February 7, 2000	181.59	0
Uganda	November 10, 1997	November 9, 2000	100.43	17.85
Yemen, Republic of	October 29, 1997	October 28, 2000	264.75	114.75
Zambia	March 25, 1999	March 24, 2002	254,45	244.45
Total			**57,572.50**	**23,495.98**

ANNEX 2

IBRD Loans and IDA Credits – Fiscal Year 1999 (July 1, 1998 – June 30, 1999)

	IBRD	IDA	Total	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
By area				
Africa	5.0	2,063.5	57	2,068.5
East Asia and Pacific	8,754.8	1,010.4	55	9,765.2
South Asia	750.0	1,812.0	18	2,562.0
Europe and Central Asia	4,350.3	935.7	74	5,286.0
Latin America and the Caribbean	7,133.3	603.6	51	7,736.8
Middle East and North Africa	1,189.0	386.5	22	1,575.5
Total	**22,182.3**	**6,811.8**	**276**	**28,994.1**
By purpose				
Agriculture	1,787.7	1,020.1		2,807.8
Education	804.4	539.8		1,344.3
Electric power and other energy	340.0	100.0		440.0
Environment	311.0	228.3		539.3
Finance	2,574.9	301.5		2,876.4
Industry	590.0	87.0		677.0
Mining	300.0	15.0		315.0
Multisector	8,811.7	1,457.9		10,269.6
Oil and gas	–	17.5		17.5
Population, health and nutrition	514.2	592.5		1,106.7
Public sector management	1,042.1	387.8		1,430.0
Social sector	2,235.9	442.7		2,678.6
Telecommunications	–	10.8		10.8
Transportation	2,040.5	981.3		3,021.8
Urban development	319.0	386.6		706.5
Water supply and sanitation	509.8	242.9		752.7
Total	**22,182.3**	**6,811.8**		**28,994.1**

ANNEX 3

IBRD Loans and IDA Credits to Developing Countries

	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
			(in millions of US dollars)			
By fiscal year[1]						
Cumulative to 1968	549	11,418.1	116	1,831.8	665	13,249.9
Total 1969-1973	374	8,917.8	273	3,931.6	647	12,849.4
Total 1974-1978	666	24,372.3	376	7,947.4	1,042	32,319.7
Total 1979-1983	711	44,908.0	518	16,368.1	1,229	61,276.1
1983-1984	129	11,947.2	106	3,575.0	235	15,522.2
1984-1985	131	11,356.3	105	3,028.1	236	14,384.4
1985-1986	131	13,178.8	97	3,139.9	228	16,318.7
1986-1987	127	14,188.2	108	3,485.8	235	17,674.0
1987-1988	118	14,762.0	99	4,458.7	217	19,220.7
1988-1989	119	16,433.2	106	4,933.6	225	21,366.8
1989-1990	121	15,179.7	101	5,522.0	222	20,701.7
1990-1991	126	16,392.2	103	6,293.3	229	22,685.5
1991-1992	112	15,156.0	110	6,549.7	222	21,705.7
1992-1993	122	16,944.5	123	6,751.4	245	23,695.9
1993-1994	124	14,243.9	104	6,592.1	228	20,836.0
1994-1995	134	16,852.6	108	5,699.2	242	22,521.8
1995-1996	129	14,656.0	127	6,864.0	256	21,520.0
1996-1997	141	14,525.0	100	4,622.0	241	19,147.0
1997-1998	151	21,086.2	135	7,507.8	286	28,594.0
1998-1999	131	22,182.3	145	6,811.8	276	28,994.1
Total	**4,346**	**338,699.5**	**3,060**	**115,883.5**	**7,406**	**454,583.6**

[1] Fiscal years are those of the World Bank Group (July 1 to June 30).

ANNEX 4

Disbursements by IBRD and IDA Borrowers – Goods and Services From Canada – To June 30, 1999

	IBRD	IDA	Total
	Amount	Amount	Amount
		(in millions of US dollars)	
By calendar year			
Cumulative to December 1960	133.5	–	133.5
1961	8.2	–	8.2
1962	3.7	–	3.7
1963	5.6	7.4	13.0
1964	4.7	1.8	6.5
1965	5.4	2.7	8.1
1966	11.6	5.3	16.9
1967	13.2	14.7	27.9
1968	6.3	7.8	14.1
1969	4.4	11.0	15.4
1970	7.6	1.3	8.9
1971	11.1	2.2	13.3
1972	10.5	2.3	12.8
1973	12.4	5.1	17.5
1974	15.8	8.4	24.2
1975	22.1	15.0	37.1
1976	25.7	10.8	36.5
1977	34.5	4.8	39.3
1978	26.1	5.5	31.6
1979	44.4	8.1	52.5
1980	51.5	7.8	59.3
1981	94.3	14.5	108.8
1982	75.0	17.6	92.6
1983	82.3	26.9	109.2
1984	92.6	54.3	146.9
1985	94.3	39.7	134.0
1986	184.8	46.8	231.6
1987 (January – June)	92.8	23.4	116.2

ANNEX 4

Disbursements by IBRD and IDA Borrowers –
Goods and Services From Canada – To June 30, 1999 *(cont'd)*

	IBRD Amount	IDA Amount	Total Amount
		(in millions of US dollars)	
By fiscal year[1]			
1988 – 1989	182.1	47.4	229.5
1989 – 1990	197.0	45.0	242.0
1990 – 1991	164.0	41.0	205.0
1991 – 1992	139.0	34.0	173.0
1992 – 1993	131.0	38.0	169.0
1993 – 1994	151.0	41.0	192.0
1994 – 1995	115.0	69.0	184.0
1995 – 1996	123.0	48.0	171.0
1996 – 1997	169.0	56.0	225.0
1997 – 1998	113.0	42.0	155.0
1998 – 1999	82.0	32.0	114.0
1999 – 2000	69.0	37.0	106.0
Total	**2,760.0**	**850.0**	**3,110.0**
Per cent of total disbursements	2.33	1.85	n.a.
Per cent of FY 1999 disbursements	2.76	2.15	2.51

[1] Fiscal years are those of the World Bank Group (July 1 to June 30).

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 1999

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Borrower or guarantor				
Afghanistan	–	230.1	20	230.1
Africa region	15.0	45.5	2	60.5
Albania	–	481.7	33	481.7
Algeria	5,558.5	–	62	5,558.5
Angola	–	277.8	10	277.8
Argentina	17,714.3	–	104	17,714.3
Armenia	12.0	523.3	20	535.3
Australia	417.7	–	7	417.7
Austria	106.4	–	9	106.4
Azerbaijan	–	369.2	12	369.2
Bahamas	42.8	–	5	42.8
Bangladesh	46.1	9,140.8	161	9,186.9
Barbados	103.2	–	11	103.2
Belarus	170.2	–	3	170.2
Belgium	76.0	–	4	76.0
Belize	71.8	–	8	71.8
Benin	–	696.3	47	696.3
Bhutan	–	41.9	7	41.9
Bolivia	299.3	1,564.4	74	1,863.7
Bosnia and Herzegovina	–	547.6	25	547.6
Botswana	280.7	15.8	26	296.5
Brazil	27,412.9	–	249	27,412.9
Bulgaria	1,210.1	–	18	1,210.1
Burkina Faso	1.9	902.2	50	904.1
Burundi	4.8	694.0	47	698.8
Cambodia	–	343.4	11	343.4
Cameroon	1,294.4	1,025.0	69	2,319.4
Cape Verde	–	146.4	14	146.4
Caribbean region	89.8	47.7	7	137.5
Central African Republic	–	403.5	24	403.5
Chad	–	622.2	36	622.2
Chile	3,585.9	19.0	60	3,604.9
China	23,106.3	9,946.7	219	33,053.0
Colombia	8,890.6	19.5	152	8,910.1
Comoros	–	101.7	16	101.7
Congo, Democratic Republic of	330.0	1,151.5	66	1,481.5
Congo, Republic of	216.7	183.6	20	400.3
Costa Rica	888.9	5.5	38	894.4
Côte d'Ivoire	2,887.9	1,802.3	84	4,690.2
Croatia	733.7	–	14	733.7
Cyprus	418.8	–	30	418.8
Czech Republic	326.0	–	2	326.0
Czechoslovakia	450.0	–	1	450.0

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country –
As of June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Denmark	85.0	–	3	85.0
Djibouti	–	75.6	11	75.6
Dominica	3.1	14.1	4	17.1
Dominican Republic	851.0	22.0	30	873.0
East African Community	244.8	–	10	244.8
Eastern Africa region	–	45.0	1	45.0
Ecuador	2,442.6	36.9	71	2,479.5
Egypt, Arab Republic of	4,367.5	1,984.0	102	6,351.5
El Salvador	820.6	25.6	34	846.2
Equatorial Guinea	–	45.0	9	45.0
Eritrea	–	125.4	5	125.4
Estonia	125.7	–	7	125.7
Ethiopia	108.6	2,927.7	73	3.036.3
Fiji	152.9	–	13	152.9
Finland	316.8	–	18	316.8
France	250.0	–	1	250.0
Gabon	227.0	–	14	227.0
Gambia	–	213.2	26	213.2
Georgia	–	509.6	22	509.6
Ghana	207.0	3,502.8	103	3,709.8
Greece	490.8	–	17	490.8
Grenada	3.8	8.8	2	12.7
Guatemala	1,058.1	–	34	1,058.1
Guinea	75.2	1,129.2	56	1,204.4
Guinea-Bissau	–	234.9	21	234.9
Guyana	80.0	302.8	28	382.8
Haiti	2.6	626.5	37	629.1
Honduras	717.3	978.6	55	1,695.9
Hungary	4,302.0	–	39	4,302.0
Iceland	47.1	–	10	47.1
India	25,828.1	26,161.3	401	51,989.4
Indonesia	27,043.9	1,067.2	288	28,111.1
Iran, Islamic Republic of	2,058.1	–	39	2,058.1
Iraq	156.2	–	6	156.2
Ireland	152.5	–	8	152.5
Israel	284.5	–	11	284.5
Italy	299.6	–	8	399.6
Jamaica	1,326.0	–	62	1,326.0
Japan	862.9	–	31	862.9
Jordan	1,882.0	85.3	65	1,967.3

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Kazakhstan, Republic of	1,679.1	–	20	1,679.1
Kenya	1,200.0	2,870.8	119	4,070.8
Korea, Republic of	15,647.0	110.8	120	15,757.8
Kyrgyz Republic	–	500.0	18	500.0
Lao People's Democratic Republic	–	576.0	27	576.0
Latvia	314.9	–	14	314.9
Lebanon	783.5	–	15	783.5
Lesotho	155.0	292.0	28	447.0
Liberia	156.0	114.5	35	270.5
Lithuania	293.3	–	11	293.3
Luxembourg	12.0	–	1	12.0
Macedonia, FYR of	205.5	293.8	17	499.3
Madagascar	32.9	1,743.4	80	1,776.3
Malawi	124.1	1,854.1	75	1,978.2
Malaysia	4,150.6	–	87	4,150.6
Maldives	–	47.3	6	47.3
Mali	1.9	1,241.5	59	1,243.4
Malta	7.5	–	1	7.5
Mauritania	146.0	512.7	45	658.7
Mauritius	413.1	20.2	34	433.3
Mexico	30,009.6	–	169	30,009.6
Moldova	302.8	146.0	15	448.8
Mongolia	–	175.7	11	175.7
Morocco	8,435.3	50.8	126	8,486.1
Mozambique	–	1,812.0	33	1,812.0
Myanmar	33.4	804.0	33	837.4
Nepal	–	1,557.5	70	1,557.5
Netherlands, The	244.0	–	8	244.0
New Zealand	126.8	–	6	126.8
Nicaragua	233.6	754.5	47	988.1
Niger	–	816.6	45	816.6
Nigeria	6,248.2	902.9	98	7,151.1
Norway	145.0	–	6	145.0
OECS countries	3.6	2.4	1	6.0
Oman	157.1	–	11	157.1
Org. of Eastern Caribbean States	14.1	5.5	1	19.6

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Pakistan	6,614.2	5,468.1	191	12,082.3
Panama	1,179.8	–	42	1,179.8
Papua New Guinea	597.0	113.2	38	710.2
Paraguay	807.9	45.5	42	853.4
Peru	5,053.6	–	82	5,053.6
Philippines	10,666.4	294.2	155	10,960.6
Poland	4,969.4	–	30	4,969.5
Portugal	1,338.8	–	32	1,338.5
Romania	5,195.8	–	58	5,195.8
Russian Federation	11,721.5	–	42	11,721.5
Rwanda	–	869.4	48	869.4
Samoa	–	14.4	1	14.4
São Tomé and Principe	–	58.9	8	58.9
Senegal	164.9	1,702.4	90	1,867.3
Seychelles	10.7	–	2	10.7
Sierra Leone	18.7	403.7	25	422.4
Singapore	181.3	–	14	181.3
Slovak Republic	135.0	–	2	135.0
Slovenia	168.2	–	4	168.2
Solomon Islands	–	45.9	7	45.9
Somalia	–	492.1	39	492.1
South Africa	287.8	–	12	287.8
Spain	478.7	–	12	478.7
Sri Lanka	210.7	2,271.2	83	2,481.9
Saint Kitts and Nevis	1.5	1.5	1	3.0
Saint Lucia	8.5	11.2	3	19.7
Saint Vincent and the Grenadines	1.4	6.4	2	7.8
Sudan	166.0	1,352.9	56	1,518.9
Swaziland	104.8	7.8	14	112.6
Syrian Arab Republic	613.2	47.3	20	660.5
Taiwan, Province of China	329.4	15.3	18	344.7
Tajikistan	–	180.3	10	180.3
Tanzania	318.2	3,101.6	109	3,419.8
Thailand	7,579.1	125.1	123	7,704.2
Togo	20.0	733.5	42	753.5
Tonga	–	5.0	2	5.0
Trinidad and Tobago	313.6	–	21	313.6
Tunisia	4,423.7	74.6	114	4,498.3
Turkey	13,770.5	178.5	135	13,949.0
Turkmenistan	89.5	–	3	89.5

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Uganda	8.4	2,714.4	71	2,722.8
Ukraine	2,821.8	–	16	2,821.8
Uruguay	1,640.7	–	44	1,640.7
Uzbekistan	434.0	–	9	434.0
Vanuatu	–	15.4	4	15.4
Venezuela	3,293.1	–	38	3,293.1
Vietnam	–	2,354.6	24	2,354.6
Western Africa region	6.1	52.5	4	58.6
Western Samoa	–	46.6	8	46.6
Yemen, Republic of	–	1,630.9	114	1,630.9
Yugoslavia	6,114.7	–	90	6,114.7
Zambia	679.1	2,115.7	72	2,794.8
Zimbabwe	983.0	656.9	35	1,640.1
Bank-wide total	**338,583.5**	**115,883.0**	**7,406**	**454,415.5**

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1999, by Country – July 1, 1998 – June 30, 1999

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Borrower or guarantor				
Albania	–	125.0	5	125.0
Argentina	3,226.1	–	8	3,226.1
Armenia	–	120.6	4	120.6
Azerbaijan	–	79.5	4	79.5
Bangladesh	–	1,020.7	6	1,020.7
Benin	–	25.5	1	25.5
Bolivia	–	186.8	4	186.8
Bosnia and Herzegovina	–	163.0	6	163.0
Brazil	1,686.1	–	8	1,686.1
Bulgaria	160.8	–	3	160.8
Burkina Faso	–	20.2	2	20.2
Cambodia	–	75.3	3	75.3
Cameroon	–	28.2	1	28.2
Cape Verde	–	48.6	1	48.6
Chad	–	40.9	1	40.9
Chile	160.5	–	3	160.5
China	1,674.4	422.6	19	2,097.0
Colombia	142.0	–	2	142.0
Côte d’Ivoire	?	75.6	1	75.6
Croatia	108.3	–	2	108.3
Djibouti	–	17.5	1	17.5
Dominican Republic	111.1	–	1	111.1
Egypt, Arab Republic of	345.0	205.0	6	550.0
Ethiopia	–	100.0	1	100.0
Gabon	5.0	–	1	5.0
Gambia, The	–	35.0	2	35.0
Georgia	–	136.6	7	136.6
Ghana	–	281.8	5	281.8
Guatemala	167.0	–	5	167.0
Guinea	–	55.4	4	55.4
Guyana	–	9.0	1	9.0
Honduras	–	283.7	3	283.7
India	400.0	654.8	7	1,054.8
Indonesia	2,605.1	422.6	11	2,741.1
Jordan	210.0	–	3	210.0

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1999, by Country – July 1, 1998 – June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Kazakhstan, Republic of	175.5	–	4	175.5
Kenya	–	40.0	1	40.0
Korea, Republic of	2,048.0	–	2	2,048.0
Kyrgyz Republic	–	61.5	3	61.5
Lao People's Democratic Republic	–	29.8	2	29.8
Latvia	58.6	–	4	58.6
Lesotho	–	21.0	1	21.0
Lithuania	20.1	–	1	20.1
Macedonia, FYR	32.0	90.0	5	122.0
Madagascar	–	131.4	3	131.4
Malawi	–	193.0	4	193.0
Malaysia	404.0	–	3	404.0
Mali	–	40.0	1	40.0
Mauritania	–	30.8	3	30.8
Mexico	949.9	–	2	949.9
Moldova	–	66.1	3	66.1
Mongolia	–	12.0	1	12.0
Morocco	440.0	–	6	440.0
Mozambique	–	176.0	3	176.0
Nepal	–	17.5	2	17.5
Nicaragua	–	118.6	3	118.6
Niger	–	82.6	2	82.6
Org. of Eastern Caribbean States	14.1	5.5	1	19.6
Pakistan	350.0	90.0	2	440.0
Panama	150.3	–	3	150.3
Peru	338.0	–	2	338.0
Philippines	723.3	–	5	723.3
Poland	327.0	–	3	327.0
Romania	340.0	–	4	340.0
Russian Federation	1,930.0	–	3	1,930.0
Rwanda	–	80.0	2	80.0
Samoa	–	14.4	1	14.4
Senegal	–	117.4	2	117.4
Slovenia	15.0	–	1	15.0
Solomon Islands	–	12.0	1	12.0
Sri Lanka	–	29.0	1	29.0

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1999, by Country – July 1, 1998 – June 30, 1999 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Tajikistan	–	93.4	5	93.4
Tanzania	–	40.0	1	40.0
Thailand	1,300.0	–	3	1,300.0
Togo	–	5.0	1	5.0
Trinidad and Tobago	14.8	–	1	14.8
Tunisia	194.0	–	2	194.0
Turkey	528.0	–	3	528.0
Uganda	–	164.8	5	164.8
Ukraine	600.0	–	2	600.0
Uruguay	92.5	–	2	92.5
Uzbekistan	55.0	–	2	55.0
Venezuela	80.7	–	2	80.7
Vietnam	–	308.3	4	308.3
Yemen, Republic of	–	181.5	5	181.5
Zambia	–	212.8	2	212.8
Bank-wide total	**22,182.3**	**6,811.8**	**276**	**28,994.1**