Report on Operations Under the Bretton Woods and Related Agreements Act

1997

Prepared by:
International Trade and Finance Branch
March 1998

Department of Finance Canada   Ministère des Finances Canada

Copies of this report, published annually by the
Department of Finance, may be obtained from:

Distribution Centre
Department of Finance
300 Laurier Avenue West
Ottawa, Ontario
K1A 0G5
Telephone: (613) 995-2855
Facsimile: (613) 996-0518

Also available on the Internet at
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Introduction

The Bretton Woods institutions – the International Monetary Fund (IMF) 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 capital movements, and support high rates of sustainable economic growth. The IMF (or the "Fund" in the following) has become the 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 and other economic difficulties.

The World Bank's goal is to help raise living standards and to promote 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 for projects, technical assistance 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). The IDA is the component that provides assistance to the world's poorest developing countries.

Canada is the eighth largest member of the Fund and Bank after the six other Group of Seven (G-7) countries and Saudi Arabia. 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."

The sections that follow review the activities and operations of, first, the IMF and then the World Bank for the year 1997. A final section deals with issues common to both institutions. The annexes contain detailed numerical summaries of the year's activities.

Roles of the IMF and the World Bank

International Monetary Fund

- Oversees the international monetary system and promotes international monetary co-operation.
- Promotes exchange stability and orderly exchange 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

- 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 (IDA).
- Stimulates private enterprises in developing countries primarily through its affiliate, the International Finance Corporation (IFC).
- Secures most of its financial resources by borrowing on international capital markets.

International Monetary Fund

Overview

Canada is an open economy that is highly dependent on foreign trade and financial flows. Consequently, 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 sustainable 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 has an Executive Director on its 24-member Executive Board. This representation allows Canada to have a high-level influence on decisions taken by the IMF on specific country assistance programs and major 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 Finance Canada and the Bank of Canada.
- The efforts of the IMF to ensure debtor countries abide by their obligations under Fund support programs help ensure that they repay Canadian bilateral loans and use our bilateral development assistance effectively.
- Canada earns a financial 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 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 1997, the total quotas for the Fund's 182 members was SDR1 145.3 billion.

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 and 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 severity of the problem, these measures are agreed as part of a "Stand-by Arrangement" (SBA) or an "Extended Fund Facility" (EFF). Stand-by arrangements typically last 12 to 18 months while extended arrangements generally run for three years. Drawings of the higher tranches are generally spread over the duration of the arrangement. Emergency financing for countries in crisis situations, which could spill over to other countries, is available through the recently created Supplemental Reserve Facility (SRF).

Members can also use financial facilities created for specific purposes, including the Compensatory and Contingency Financing Facility (CCFF) 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 Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) is made available in the form of low-interest loans with extended maturity periods.

[1] The SDR is the standard unit of account for the IMF's operations. It represents a weighted basket of five major currencies – the U.S. dollar, the German mark, the Japanese yen, the pound sterling and the French franc. At the end of 1997, the exchange rate was SDR 1 = C$ 1.93.

Canada's Priorities at the IMF

Global Economic and Financial Stability

A key objective is to ensure that the IMF is able to cope with the emerging needs of the world economy and can deal with any new crises that might arise such as, for example, that which affected Mexico in late 1994. This requires that the Fund move quickly to adapt its lending facilities and policies. Discussions continued during 1997 on a number of initiatives which were advanced at the G-7 Economic Summit in Halifax. The key elements of these proposals were directed at:

- identifying problems before they reach crisis proportions through a strengthening of the IMF's surveillance of national policies and financial market developments and through fuller disclosure of this information to market participants; and
- ensuring that the Fund has adequate resources for its regular lending operations through consideration of an Eleventh General Review of Quotas and has adequate liquidity to respond to financial emergencies through a doubling of the resources currently available under the IMF's General Arrangements to Borrow.

As follow-up to these recommendations, the Executive Board of the Fund initiated action two years ago in a number of areas. The financial crisis that engulfed countries in Asia in 1997 and the ongoing challenges posed by an increasingly integrated global economic system reinforced the importance of the Fund carrying through with these initiatives.

Asian Financial Crisis

For many years prior to 1997 the East Asian economies had among the highest growth rates in the world, supported by relatively low inflation, sound government balances, and high savings and investment rates. This attractive combination drew high levels of foreign capital inflows into the region, and these were further encouraged by relatively inflexible exchange rates that appeared to minimize currency risk. More recently, however, problems began to emerge. In several countries, export growth slowed and asset prices fell sharply. Trade competitiveness suffered as the U.S. dollar, to which currencies were linked, rose against the Japanese yen, a major purchaser of the region's goods. In the end, the large capital inflows proved to be too much for the region's underdeveloped financial systems to handle. Rapid expansion of domestic credit was increasingly channelled into unproductive investments and, as businesses faltered, bank portfolios deteriorated as well. As the problems accumulated, domestic and foreign participants alike began to move their assets elsewhere.

Against this background, Thailand was forced to let the baht float on July 2. Its value began to plummet rapidly, and the currencies and stock markets of Malaysia, Indonesia and the Philippines came under pressure as well.

In early August, Thailand was forced to seek IMF financial support, and a US$17.2 billion package was arranged. This included US$3.9 billion from the Fund, plus large contributions from the World Bank, Asian Development Bank and bilateral donors.

IMF-Led Packages for Thailand, Indonesia and Korea

Contributions (in billions of U.S. dollars)

Donor	**Thailand**	**Indonesia**	**Korea**
IMF	3.9 (505% of quota)	10.0 (490% of quota)	21.0 (1939% of quota)
World Bank	1.5	4.5	10.0
Asian Development Bank	1.2	3.5	4.0
Bilateral donors	10.6	≈ 23.2	23.35
Total	17.2	≈ 41.2	58.35

But despite this international support, confidence did not return to the region. The continuing turmoil led the Philippines to delay its exit from a US$1 billion extended arrangement with the IMF, which was established in 1994. In October, Indonesia also sought an IMF stand-by arrangement, despite the apparent absence of an imminent balance of payments crisis. It was hoped that the resulting US$43 billion stabilization package (over half of which is a ‘second line of defence’ of bilateral aid) would restore investor confidence in the country and halt the contagious effects sweeping the region.

However, the crisis continued to spread and, towards the end of 1997, it engulfed South Korea, the world’s eleventh largest economy. Despite a richer and more advanced economy than those in Southeast Asia, Korea suffered from similar effects of a weak financial system. Confidence in the economy eroded quickly in November and foreign capital fled, leaving Korea with little option but to seek international support. In early December, a US$58 billion package was announced (with a US$23 billion second line of defence, to which Canada has pledged US$1 billion). A deal reached in January with international creditors to reschedule a portion of its short-term debts further bolstered Korea’s external financing position.

Throughout the crisis, the IMF and its financial packages have taken centre stage in the international response. In each of the three main countries affected, both bilateral and multilateral donors made the acceptance of an IMF-designed program of comprehensive reform a prerequisite to the provision of financial support. Moreover, the packages have been unusually large in relation to the recipient countries’ quotas.

Far-reaching structural reforms have been at the heart of all three programs, along with the requirement of tight monetary policy aimed at stabilizing the local currency. Also, government budget shortfalls have been kept to aminimum. In each program, there has been an emphasis on financial sector restructuring which has led to the closure of weak banks and finance companies, along with steps to improve regulation, supervision and accounting transparency. Additional measures specific to the individual countries have also played an important role. Indonesia has been required to carry out extensive deregulation of several markets, while Korea's program has focused on capital account liberalization and reform of the chaebol (major corporate conglomerates).

Thus far, both Thailand and Korea have made substantial progress in implementing their programs, while the situation in Indonesia remains more tenuous. Although a difficult period of adjustment lies ahead, it is hoped that the IMF-mandated reforms will help the region once again achieve the dynamic growth that it has enjoyed in the past.

Provision and Publication of Data

Following the Halifax Summit, the Fund also initiated work on new data standards to better inform markets of financial and economic developments and 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" established in April 1996. Information on the statistical practices of members subscribing to the new standard is posted on the IMF's Data 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.

The recent developments in Southeast Asia demonstrated additional shortcomings in the public availability of data on external debt and international reserves with regard to forward operations and the usability of reserves. Disclosure of information on the financial situation of commercial banks was also problematic. At the urging of Canada and other members, the IMF is examining ways to expand the Special Data Dissemination Standard to improve coverage of these areas.

Agreement was reached in 1997 on a less demanding general standard for all Fund members . The General Data Dissemination System will focus on improving data quality within a statistical framework that takes into account the diversity of members' economies and the developmental requirements of their statistical systems.

New Arrangements to Borrow (NAB). At the Halifax Summit, the Group of Seven asked the Group of Ten (G-10) and other countries with the capacity to support the international monetary system to develop financing arrangements aimed at doubling the amount of resources currently available under the

General Arrangements to Borrow (GAB) (a credit arrangement which backstops the IMF's regular resource base). A G-10 Working Group, chaired by Canada, undertook consultations with potential new participants.

The Fund's Executive Board approved the New Arrangements to Borrow in early 1997 effectively doubling the resources, or credit, currently available to the IMF through the GAB. The resources will be provided by the G-10 countries, other industrial countries and a group of key developing countries judged to have the capacity to support the international financial system. The broader participation of the NAB underlines the changing nature of the global economy and the willingness of emerging economies to share responsibility for managing the international monetary system. The Asian financial crisis has given impetus to ratification of the arrangement by participants so that the NAB can become operational.

New Arrangements to Borrow

The main features of interest of the New Arrangements to Borrow (NAB) are:

- 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;
- 25 countries have agreed to lend up to SDR 34 billion (about Can$66 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 will enter into force when it has been ratified by potential participants with credit arrangements amounting to no less than SDR 28.9 billion, including the five members with the largest credit arrangements; and
- the NAB does not replace the General Arrangements to Borrow (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.

Quota Review

The Fund must have adequate resources to maintain its effectiveness as a monetary institution addressing temporary balance of payments problems through support of sound adjustment policies. Reviews of Fund quotas are conducted at regular intervals to replenish its regular or quota-based resources. The last quota increase came into effect in 1992.

The IMF reached agreement under the Eleventh General Review last September on a 45-per-cent increase in IMF quotas to SDR 212 billion (US$287 billion). Seventy-five per cent of the overall increase will be distributed among all members in proportion to their existing quotas. The balance of the increase will be distributed so as to better align members' quotas with their relative positions in the world economy. The new quotas will come into effect when members having 85 per cent of total quotas ratify their increased quotas.

SDR Allocation

For a number of years, the IMF has been examining ways to help redress inequities in the present distribution of SDRs arising from the fact that a number of new members, including Russia and the other former centrally planned economies, have not participated in previous allocations. At the IMF/World Bank annual meetings 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 one-time allocation, which requires an amendment of the Fund's Articles of Agreement, will double the amount of SDRs already allocated. The allocations to be provided to member countries will establish a common "benchmark" of cumulative allocations to present quotas.

Special Drawing Rights (SDRs)

- The 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.

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.

Transparency and Accountability

Greater 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 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 coverage of the Fund's annual consultations with member countries, and opening of the archives for documents that are more than 30 years old.

In May 1997, the IMF inaugurated a new series of Press Information Notices (PINs) that 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 consultation with the member. Canada's first PIN was published February 19, 1998.

In 1997, the IMF also concluded an internal staff review of the experience of reform programs under the Enhanced Structural Adjustment Facility (ESAF). The study found that progress has been uneven. On the positive side, fiscal imbalances have been reduced, helping to reduce inflation; price liberalization and structural reforms have taken hold; declines in per capita income growth rates have been arrested; and social indicators have improved. However, stronger macroeconomic and structural policies are needed to enhance growth with improved living standards and to accelerate progress toward external viability. The report was made publicly available in February 1998.

Canada has placed great importance on the establishment of an independent evaluation process which can impartially assess IMF activities on a regular basis. In this context, the IMF launched an evaluation by independent external experts of several aspects of ESAF-supported programs. The evaluation concentrated on three topics: developments in countries' external position during ESAF-supported programs; social policies and the composition of government spending during ESAF-supported programs; and the effect of countries taking "ownership" of ESAF-supported programs. The experts completed their report in early 1998. Canada will be pressing to make this report publicly available as soon as possible.

How to Access Information from the IMF

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. These include:

- IMF Annual Report;
- World Economic Outlook;
- IMF staff country reports;
- International Financial Statistics;
- Annual Report on Exchange Arrangements and Exchange Restrictions;
- press releases; and
- IMF Survey.

The Publications Centre is located at 700 – 19th Street N.W., Washington, D.C. 20431, U.S.A. Phone: (202) 623-7430; fax: (202) 623-7201; Internet address: publications@imf.org.

In addition, 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

Governance

A significant initiative in 1997 was the adoption of guidelines regarding the role of the Fund in issues of governance. The guidelines (News Brief 97/15 on the Fund's web site) reflect the increased importance that Fund members place on good governance and support a more active Fund approach in advocating policies and administrative practices that reduce the opportunity for corruption in the management of public resources.

Capital Account Liberalization

With the rapid growth of international capital markets, many countries have been liberalizing the capital account of their balance of payments. At its spring 1997 meeting, the Fund's Interim Committee (which is a twice-yearly meeting of IMF Governors who have representatives on the Executive Board) agreed that the IMF is uniquely placed to promote the orderly liberalization of capital movements. The Committee therefore proposed that the promotion of capital account liberalization be recognized as a specific purpose of the Fund in the Articles of Agreement.

In September, the Interim Committee supported further work on the orderly liberalization of capital movements as a prelude to an amendment of the Fund's Articles. Canada has emphasized that appropriate safeguards, transitional arrangements and approval policies will be required to ensure orderly progress toward capital account liberalization. We have also strongly argued for close co-operation with other international institutions, such as the World Trade Organization (WTO) and the Organization for Economic Co-operation and Development (OECD), to ensure that the Fund's role is consistent with the work underway in these fora.

Lending Developments in 1997

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.

At the end of 1997, the IMF had lending arrangements worth SDR 43.5 billion in place for 60 member countries (See Annex 1). Drawings by these countries in 1997 almost tripled from the 1996 level to SDR 16.8 billion. The sharp increase in lending was primarily the result of drawings by members affected by the Asian crisis.

Table 1
IMF Resource Flows

	1996	1997
	(in SDR billions)	
Total Purchases	6.0	16.8
Of which:		
Stand-by Arrangements	2.5	13.2
Extended Fund Facility	2.6	2.8
Compensatory and Contingency Financing Facility	0.2	0.1
Structural Adjustment Facility and Enhanced Structural Adjustment Facility	0.7	0.7
Total Repurchases	5.1	5.7
Net Purchases	0.9	11.1

Korea, Indonesia and Thailand all made large drawings under stand-by arrangements.

In late 1997, Korea became the first member country to receive assistance under the recently approved Supplemental Reserve Facility (SRF). The establishment of the SRF followed a November 18-19, 1997 meeting in Manila of 14 Asia-Pacific economies, including Canada, to discuss the evolving crisis in Asia. To strengthen the capacity of the IMF to carry out its responsibilities, the Manila Agreement adopted at the meeting urged the IMF to examine the establishment of a short-term lending facility that would take account of the increased scale of private capital flows and the size of potential financial problems. The SRF addresses crisis situations which could spill over to their countries.

In 1997, lending increased slightly under the Extended Fund Facility (EFF) – mainly to Russia and the Philippines. Large credits were also provided to Algeria, Argentina, Bulgaria, Ukraine and Peru under stand-by and extended arrangements. Lending rose slightly under the IMF's concessional facility, the Enhanced Structural Adjustment Facility.

Bulgaria was the only country to make a drawing under the Compensatory and Contingency Financing Facility (CCFF), one of the Fund's other special purpose facilities.

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 interventions at the spring and fall meetings of the Interim Committee, his plenary speech at the IMF/World Bank annual meetings and through periodic meetings with the Managing Director of the Fund. (The Minister's speeches are available on Finance Canada's home page located at http://www.fin.gc.ca.) The Governor of the Bank of Canada is Canada's Alternate Governor of the IMF. The Governor also attends the spring and fall meetings of the Fund.

The management of Canada's interests in the ongoing work of the IMF is delegated by the Governor to the Executive Director, Thomas A. Bernes, Canada's representative on the Executive Board. Mr. Bernes 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 involved departments and agencies include Foreign Affairs and International Trade Canada (FAITC) and the Canadian International Development Agency (CIDA). 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.

Parliament is informed of the activities and operations of the Bretton Woods institutions through the tabling of the Annual Report on the operations of the Bretton Woods institutions, the communiqués of the Interim and Development Committees and by 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. In 1997, Canada 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 a Canadian advisor and two technical assistants. Ireland staffs the Alternate Director's position and the Caribbean countries occupy a second advisor's position.

Structure of the Executive Director's Office

Executive Director:	Thomas A. Bernes
Canadian Advisor:	Mostafa Askari
Canadian Assistant:	Jeff Chelsky
Canadian Assistant:	Christoph Duenwald

Phone: (202) 623-7778; Fax no: (202) 623-4712

Address: 11-100, 700 19th Street, N.W. Washington, D.C. 20431 USA

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 discussions of a wide variety of policy, operational and administrative matters, including surveillance issues and country assistance requests and reviews.

Canada's Financial Participation

Canada's financial participation in the IMF consists primarily of its quota subscription. Canada's quota is SDR 4,320.3 million, or about 3 per cent of total quotas. Our quota subscription is a government asset which we make available to the Fund partly in Canadian dollars and partly in reserve currencies, such as U.S. 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 our 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 1997, Canada received SDR 20.4 million on its net creditor position in the IMF. Canada's quota will increase to SDR 6,369.2 million when the new quotas agreed under the Eleventh Review are ratified.

At the end of the year, Canada's holdings of SDRs amounted to SDR 834.3 million, or 107.1 per cent of our cumulative allocation of SDRs. In 1997, Canada held SDRs in an amount greater than our allocation, and so earned net interest income of SDR 1.6 million[2]. This income, and the net income from our net creditor position with the Fund noted above, are paid into the Government of Canada's Exchange Fund Account, adding to our foreign exchange reserves.

Table 2
Canada's Financial Position in the IMF

	December 31, 1997	December 31, 1996
	(SDR millions)	
Quota	4,320.3	4,320.3
Fund holdings of Canadian dollars	3,153.0[1]	3,467.5[1]
Reserve position in the Fund	1,167.3[2]	852.8[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. Our reserve position in the Fund is the result of both the portion of our quota subscription made available to the Fund over time in reserve currencies and the use of the Canadian dollar in Fund financial transactions with other members. As the name suggests, our reserve position in the Fund is a part of Canada's official foreign exchange reserves.

Last year, in line with earlier commitments, Canada made further contributions to the IMF's 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 ESAF is a loan of SDR 500 million and a grant of approximately SDR 190 million. At the end of 1997, loan payments under these arrangements totalled SDR 368.1 million and subsidy contributions equalled SDR 79.3 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 General Arrangements to Borrow, the credit arrangement established by the G-10 industrial countries 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 has not been used in recent years, but continues to provide an important backstop for the Fund's operations in the event of a financial emergency. As noted above, Canada is also committed to participating in the New Arrangements to Borrow when the facility becomes effective.

Challenges Ahead

A key challenge for the Fund is to ensure that its mission meets the needs of an increasingly integrated global economic system. In addition, the Fund must continue to provide support to members with balance of payments problems, including the heavily indebted poor countries. 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 Asia;
- the IMF must continue to make an effective contribution to a comprehensive debt strategy by ensuring that it has sufficient resources to continue to finance the Enhanced Structural Adjustment Facility for the benefit of the heavily indebted poor countries. The IMF must continue its efforts to establish a "self-sustained" ESAF to ensure low-interest loans with extended maturity periods are available for low-income countries; and
- the IMF must devote close attention to the issue of how to achieve appropriate sequencing of capital account liberalization, with special emphasis on the priority of strengthening financial sectors and ensuring their adequate regulation and supervision.

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 almost 85 developing member countries in fiscal year 1997, 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 prospects. In its 1997 fiscal year, the World Bank provided loans and credits to these countries of about US$19 billion (see Annex 2). In over 50 years of existence, it has provided more than US$397 billion in loans to the developing world (see Annex 3).

Many of the Bank's members, both developing countries and countries in transition, continue to face a tremendous challenge in raising the living standards of their populations. However, the Bank's support has been instrumental in transforming a number of countries from dependence towards greater self-reliance. Where countries have established an appropriate enabling environment, private capital is stepping in to play an increasingly 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.

Bank Reforms Accelerate Further in 1997

In his third year in office, President James D. Wolfensohn deepened his program of far-reaching reforms through his Strategic Compact in all areas of the Bank. The Strategic Compact was unanimously approved by the Executive Board in 1997. Priority was placed on improving results on the ground by enhancing the quality and impact of the Bank's operations, through such means as decentralizing operations to the field. In fiscal year 1997, more than half of the Bank's Country Directors were relocated to the regions. Further steps were also taken to make the Bank a more client-focused, better-managed and more responsive organization, better able to meet evolving global challenges. Canada is giving its strong support to President Wolfensohn's efforts to bring about real change at the Bank.

Responding to the Changing Global Environment

Events in 1997 reinforced the importance of the Bank's ongoing efforts to better adapt to the changing global environment. In particular, the volatility in the Asian financial markets underlined the need to strengthen the Bank's work in supporting financial sector reform, as well as the need for a more co-ordinated approach among the international institutions and with the private sector in responding to financial market crises. To this end, the Bank took steps to expand its financial sector expertise, develop new products that can more quickly respond to crisis situations and enhance its work on crisis prevention.

One key outcome was the decision to establish a Special Financial Operations Unit (SFOU) to help manage financial sector crises. In conjunction with this, a high level external Advisory Board is being created to provide feedback on the SFOU's advice and operations. In order to prevent further financial sector distress, additional funding will be made available for strengthening financial systems in non-crisis countries and for reducing the negative impact of reform measures on the poor in crisis countries.

Since July 1997, as part of the IMF-led international effort, the Bank has pledged US$16 billion in direct response to the crisis in Southeast Asia. This includes pledges of US$1.5 billion for Thailand, US$4.5 billion to Indonesia and up to US$10 billion for Korea. The Bank response to both Thailand and Indonesia is based on the use of standard loan operations aimed at both strengthening those sectors of the economy directly implicated in the crisis and at identifying and assisting the governments in dealing with social impacts. In Thailand, the Bank is focusing on reforming investments and implementing a social action program for rural job protection and maintaining participation in the education sector. In Indonesia, the Bank program emphasizes macroeconomic stability, financial sector reform, competition policy, regulatory reform and the protection of low-income groups. The Bank is also assisting the government in a budgetary review with a view to increasing the government's social spending.

The crisis in Southeast Asia has also emphasized the need for responsive Bank lending. In Thailand and Indonesia, the Bank has shown a capacity to mount an extensive response under a tight deadline. The Bank's response to Korea was developed to be both rapid and flexible. In this respect, the Korea Economic Reconstruction Loan, approved in December 1997, provided much quicker balance of payments assistance for a program of financial and real sector reforms and responded to the immediate need to overcome Korea's liquidity problems, restore investor confidence and assist in the resolution of fundamental problems in the financial and real sectors.

Other broader new lending instruments, the so called "adaptable lending products" were also introduced in 1997. There was a recognition internally, as well as externally among clients, that the Bank had to become more flexible and innovative in its delivery mechanisms in order to cut down on bureaucratic delays and to address emerging new developments.

Adaptable Lending: New Investment Instruments

To respond to the increasingly diverse demands of its clients, the Bank introduced two new lending instruments in 1997 – the Learning and Innovation Loan (LIL) and the Adaptable Program Loan (APL).

The LIL is small and experimental in nature, usually less than US$5 million. It is designed to be used:

- when institutional capacities need to be strengthened;
- in testing an uncharted but promising approach for which viable solutions have not yet been proven; and
- in piloting a promising development effort based on initial work undertaken.

The APL involves a series of loans, designed to provide assistance during times when development processes cannot be addressed through a single investment operation. They are intended to support a multi-year commitment, thus cutting down on the time needed to prepare new loans.

Benefits of Membership

- Canada's voting share of about 3 per cent in the World Bank gives us 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 provide the Bank with guidance to improve developing countries' economic, social and environmental performance.
- Participation in the Bank affords an opportunity to influence international development policy issues of concern to Canadians. Input into the Bank's annual research report – the World Development Report (WDR) – provides an important vehicle by which Canada can influence the global debate on poverty, labour, health and the environment. For example, a broad spectrum of Canadian academics, non-governmental organizations (NGOs), research institutions and government officials met in Ottawa in early 1997 with the Bank's chief economist and his staff to provide input into the 1997 WDR on "The Changing Role of the State". This report examined how to enhance the institutional capacity of the state to provide more effective management and to better implement social and economic reforms.
- Canada benefits from the Bank's leadership role in bringing together donors to respond quickly to emergency situations in countries in post-conflict situations. For example, Canada and other donors have worked closely with the World Bank to assemble an emergency reconstruction assistance package for Bosnia. 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. Under the aegis of the Post Conflict Unit, in 1997 the Bank provided assistance on de-mining with support from Canada and other donors. Through such co-operation, Canada's influence can be leveraged beyond what could be achieved through its bilateral programs.
- 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 32 separate CGs and donor groups. CIDA and other donors also benefit from the Bank's co-ordination of major international programs, such as the Special Program of Assistance for Africa and the Global Environment Facility.
- The Canadian government draws heavily on the Bank's research and policy work to enrich their 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 our membership in the World Bank Group. Disbursements in fiscal year 1997 for Canadian goods and services totalled US$155 million, bringing total cumulative disbursements to more than US$3.4 billion.

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 a market interest rate – LIBOR) 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, whereas IDA receives grant funding from donors (details are provided below). In effect, the IBRD on-lends to borrowing countries at a rate of interest much lower than what they could secure on their own borrowings.

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. MIGA's mandate complements that of the IFC; it promotes private foreign direct investment in developing countries, primarily through the issuance of insurance against non-commercial risk, such as the risk of currency inconvertability during civil conflict.

Canada's Priorities at the World Bank

Developmental Priorities

Despite considerable progress in improving living standards worldwide, over three billion people remain in dire poverty. 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. The Bank has taken an increasingly sophisticated (or "integrated") view of poverty reduction in recent years; in doing so, it has 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 which need to be considered in designing strategies to help improve the living standards of the poor in member countries. Greater emphasis has also been placed on ensuring that social safety nets are in place to protect the poor during periods of economic adjustment.

Poverty assessments continued to provide valuable support for the Bank's poverty reduction efforts last year. Since fiscal year 1989, 93 poverty assessments have been completed, covering approximately 90 per cent of the world's poor. The findings of these assessments are an important input to the Bank's Country Assistance Strategies (CASs) which, in turn, are the basis of the Bank's lending programs. 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 to help guide the Bank's poverty strategy.

Lending for the social sectors has been a focal point of the Bank's poverty-reduction efforts in recent years. The Bank is now the world's single largest source of financing for investment in human capital. The Bank, and particularly the IDA, has placed particular emphasis on lending targeted directly to the poor under the Program of Targeted Interventions (PTI). Over the 1995-1997 period, PTI lending has consistently accounted for more than 50 per cent of the IDA's project lending.

IDA Lending for the Program of Targeted Interventions Fiscal Years 1995-1997

	1995	1996	1997
		(US$ millions)	
IDA PTI Lending	2,432	3,246	1,874
As % of IDA investment lending	54	63	53
As % of all IDA lending	43	47	41
Number of IDA PTI projects	48	51	37

Private Sector Development: Canada has encouraged the increasingly co-ordinated approach to private sector development that has developed within the Bank Group over the past year. 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 the Bank's regional offices.

The Bank further expanded its partial risk and partial credit guarantee programs, approving three partial guarantees, totalling US$420 million in fiscal year 1997. These guarantees are particularly important in promoting infrastructure development; an estimated US$200 billion to US$250 billion is currently needed by developing countries for infrastructure alone over the next 10 years – an amount far above the capacity of governments and international agencies to finance. Such long-term funding volumes can only be supported by greater reliance on financing from the private sector. The Bank is increasingly using guarantees to expand developing countries' access to international and domestic capital markets.

To assist in improving developing country competitiveness, the Bank introduced a program in 1997 to share knowledge and to provide technical assistance to client countries. For example, the Economic Development Institute, the Bank's training institute, held a competition policy training course in New Delhi in partnership with other international training institutions.

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; not only does it show that the poor are capable of helping themselves, but it underlines that they can be very good credit risks. Members of the Consultative Group on the Poorest (CGAP), including the World Bank and Canada, met several times in 1997 to exchange views on best practices and to explore opportunities to augment resources of existing micro-finance institutions.

Micro-credit: The Consultative Group to Assist the Poorest (CGAP)

Up until the end of fiscal year 1997, CGAP had approved funding for 14 retail micro-finance institutions, including the Women's World Bank Fund, the Vietnam Bank for the Poor, and the Rural Finance Facility in South Africa. Over this period, CGAP also funded a number of capacity building initiatives – for example, the Pilot Capacity Building Initiative in Africa and the global Micro-finance Network.

CGAP's objectives are:

- to increase the level of resources available to the poor in developing countries through micro-finance programs;
- to provide donors with a vehicle to disseminate and exchange information and lessons of experience on micro-finance; and
- to improve donor co-ordination in the provision of these services.

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 facility.

Good Governance and Corruption: Over the past year, the Bank has made great strides in addressing the issue of governance, not just in terms of policy and research, but also in its own operations. In addition to encouraging more effective management of borrowing member public expenditures and more participatory and open approaches in decision-making, the Bank is now incorporating measures into its own operations to help combat corruption. The Bank has amended its procurement guidelines to provide conditions for disbarring bidders from future Bank-financed projects for a stated period, or even indefinitely, if it finds evidence of fraud or corruption.

Canada has also been particularly concerned about unproductive expenditures, particularly excessive military expenditures. 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 has issued a note "Bank Work on Military Expenditures" for staff guidance. Among other things, the Bank is requesting better information from borrowers on military-related aggregate expenditures to aid in its public expenditure reviews. It is also encouraging to see that a number of countries are seeking Bank assistance in the conversion of military-run industries (China, the Czech Republic and Hungary), while others, including Angola, Ethiopia and Uganda, have asked for help with demobilization and demilitarization.

During the recent IDA negotiations, donors underlined that lending decisions should increasingly be based on a borrowing government's efforts to reduce unproductive expenditures. The recent IDA review for the 1994-1996 period indicates that lending is in fact being linked more closely to country performance in such areas. The Bank's Economic Development Institute (EDI) has also been using its public sector reform program to build consensus in client countries to work against corrupt practices. In 1997, seminars on corruption were held in about 30 borrowing member countries.

Environmentally Sustainable Development: Canada has long been a vocal advocate of the need for the Bank to better integrate environmental considerations into its operations and is a keen supporter of the Bank's recent efforts. The establishment of the Environmental Sustainable Development (ESD) vice-presidency in 1993 has been instrumental in supporting this objective. By the end of fiscal year 1997, cumulative lending to the environment sectors was close to US$3.8 billion.

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".

The World Bank has undertaken a number of initiatives in this area, including:

- re-examining the relationship between energy and the environment;
- preparing a “Carbon Backcasting Study” on what would have happened to project costs and types if the damages associated with global climate change had been integrated into energy lending;
- launching a “Climate Change Global Overlays” program to help countries adjust their policies so as to integrate global externalities into their national economic planning; and
- designing a program for a “Global Carbon Initiative (GCI)” to investigate the feasibility of market mechanisms and voluntary payments to reduce emissions and support sustainable growth for developing countries.

In addition, the Bank continued with its traditional work as a Global Environment Facility implementing agency. In this role, the Bank assists countries in identifying emissions abatement opportunities that are cost-effective, focusing in particular on renewable energy and energy efficiency.

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.

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 peoples 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**. 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, the Panel has received 10 formal requests for inspections; it recommended an investigation of five of these in fiscal year 1997.

How to Access Information from the World Bank

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

- Project Information Documents (PIDs);
- Staff Appraisal Reports (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, environmental assessments, environmental analyses and environmental action plans;
- Global Development Finance; and
- Operation Evaluation Department Précis.

The Public Information Centre is located at 1776 G Street N.W., Washington, D.C. 20433, U.S.A. Phone: (202)458-5454; e-mail address: pic@worldbank.org. Additional up-to-date information is also available on the Internet (http://www.worldbank.org)

Getting Results

Improving the development effectiveness of the Bank's operations is crucial to ensuring that its broader policy objectives are being met. To this end, considerable effort has gone into designing development impact indicators that can help track the progress of Bank operations and assess their impact on affected peoples. All projects approved after July 1996 are required to be fitted with specific performance monitoring indicators. Moreover, about 40 per cent of operations approved before July 1996 have been "retrofitted" with performance indicators, and the remainder will be "retrofitted" before the end of fiscal year 1998. Performance indicators are based on 16 sector-specific areas, such as education, agriculture, finance and poverty reduction. A handbook has been prepared to assist managers in utilizing the indicators in project design and monitoring.

Performance Indicators: Poverty Reduction

The Wapenhans Report on improving portfolio quality emphasized the importance of developing a better understanding of the impact of the Bank's operations by setting clear performance goals. Since poverty reduction is the Bank's overarching objective, this is one of the key sectors where the Bank has been working to establish meaningful performance indicators.

Three classes of indicators have been developed: (i) input indicators; (ii) process or output indicators; and (iii) impact indicators.

The following provides some simple examples of indicators for a secondary school project for girls.

Input Indicators: number of trainees trained; amount of credit disbursed; numbers of schools to which funds were disbursed.

Process/Output Indicators: number of graduating students; number of facilities installed/repaired.

Impact Indicators: number of girls from project schools who found employment.

Involving NGOs in Decision-Making

President Wolfensohn has been a major catalyst behind the Bank's outreach program with NGOs; particular emphasis has been placed on the importance of expanding partnerships with civil society. NGO co-operation expanded further in fiscal year 1997 with NGO liaison staff appointed to 72 resident missions; more than half of these are full-time NGO specialists. About 47 per cent of Bank projects across all major sectors included some form of NGO participation in fiscal year 1997.

NGOs have increasingly participated in the design stage of project preparation as well as in the implementation phase. The Bank compiles a List of World Bank-Financed Projects with Potential for NGO Involvement, which includes a number of upcoming Bank projects seeking NGO involvement. NGOs are also playing a stronger role in the Bank's economic and sector work, particularly in working with borrowing countries on the preparation of National Environment Action Plans and poverty assessments. NGOs' central role in the Global Environment Facility (GEF) is also noteworthy.

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 representative on this committee was Ruth Remple from the Inter-Church Coalition on Africa.

In fiscal year 1997, an interagency working group on NGO capacity building was launched and a joint NGO-Bank program was initiated to monitor stakeholder participation in eight Bank projects.

Within Canada, NGOs have participated in a regular series of government interdepartmental meetings on such issues as multilateral debt, the IDA and Africa. This consultation has proven useful for advancing Canadian interests at the Bank.

Key Developments in 1997

Establishment of the Toronto Centre: Recognizing that weaknesses in financial sector regulation and supervision were major factors behind the recent crises in financial markets, the Government of Canada and the World Bank jointly announced at the IMF/World Bank annual meetings in 1997, the creation of the Toronto International Leadership Centre for Financial Sector Supervisors. The Centre will provide experience-based training for senior financial supervisors and regulators in emerging markets. The training will provide participants with the knowledge and capacity to enhance the profile, credibility and influence of their institutions in the financial sectors and with their governments. Support for the Centre is being provided by the Schulich School of Business at York University where the Centre will be located.

Partnerships With Other International Organizations: Following up on Halifax Summit recommendations, the Bank has increasingly reached out to co-ordinate better with other international institutions, including the multilateral development banks (MDBs), the WTO and various United Nations (UN) agencies. In 1997, efforts were made to expand relations with the International Labour Organization. Two joint research projects have been initiated and co-operation in a number of new areas, including harmful child labour practices and labour standards, is being explored.

The President and the heads of the regional development banks now meet every six months to exchange information and experiences on key development issues. A working group on evaluation methodology has recently been established among the MDBs to better harmonize evaluation standards for assessing operational performance and development results. World Bank co-operation with the UN on data collection and assessment is also expanding, as are joint assistance programs in post-conflict countries.

The World Bank: Emerges as a "Knowledge Bank"

The emergence of a technology-driven global knowledge economy means that economic growth in the 21st century will increasingly depend on a country's ability to build and mobilize knowledge capital to complement physical and financial capital. The increased importance of knowledge capital, combined with the growing importance of private capital investment and technology-driven information flows, poses new challenges and opportunities for developing countries and for the international development community.

In recognition of the growing importance of knowledge capital, in June 1997, Canada and the World Bank hosted "Global Knowledge '97", an international conference held in Toronto, which brought together leaders from government, the private sector, NGOs and the poorest countries. Among the themes addressed were:

- empowering the poor though improved information and knowledge;
- the role of the state in developing regulatory frameworks for information;
- infrastructure and capacity building;
- encouraging civic participation in the knowledge revolution; and
- utilizing distance education and technology for learning.

Financial Assistance Packages: In response to the volatility in Asian financial markets, the World Bank participated in financial bailout packages for Indonesia, Thailand and Korea along with the IMF and other international financial institutions. The Bank took steps to expand its financial sector expertise, develop ways to respond more quickly to crisis situations and enhance its work on crisis prevention. A Special Financial Operations Unit was created to help manage financial sector crises with a high-level external Advisory Board to provide feedback on the SFOU's operations.

Administrative Efficiency and Cost-Effectiveness

Ensuring the efficiency and the effectiveness of the Bank's operations has long been a key objective of Canada. But efficiency and effectiveness entail more than just budget cutting. They require setting clear priorities and a more efficient and strategic delivery of services. 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 MDBs may be better placed to provide assistance. Over the past year, the Bank has undertaken a major review of its activities under the "Strategic Compact" which will better link resource allocation to priority areas.

Managing Canada's Interests at the World Bank

The Minister of Finance, as Canada's Governor of the World Bank, is responsible for the management of Canada's interests at the Bank. The Minister exercises his influence through exchanges of views at the Development Committee and annual meetings and through periodic discussions with the President of the World Bank. For example, at the annual meetings in 1997, Governors addressed the issue of how to help member countries combat corruption and improve governance and discussed progress in helping the poorest countries with unsustainable debt burdens through the Initiative for Heavily Indebted Poor Countries (further information is provided on pages 40-42). 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 Len Good. Mr. Good is one of 24 Executive Directors; he represents Canada and 12 other countries (Ireland and 11 Caribbean countries) at the Executive Board. The Board is currently made up of 24 Executive Directors; 12 are from developing and transition countries and 12 from developed countries.

One of the important functions played by Mr. Good is his oversight of the Bank's operations through his membership on the Committee on Development Effectiveness (CODE), which was established in 1994. The Canadian Executive Director is one of eight members and is the co-chair of CODE, which examines project implementation and selected policy issues in detail. The Canadian office has actively participated in CODE with a view to understanding better the difficulties which Bank staff encounter in project implementation and the challenges facing staff in being responsive to the needs of locally affected communities in developing countries. Emerging from this effectiveness evaluation are changes in Bank procedures, and occasionally, in the Bank's general approach to project implementation.

Canada has also developed a strong working relationship with the Economic Development Institute. An existing EDI trust fund, to which Canada contributed, has supported some innovative work on governance, including work with the Parliamentary Centre in Ghana and a new corruption sensitization campaign for Tanzania and Uganda.

Canada's Office at the World Bank

During the course of the year, the office participated in numerous discussions that led to the creation of the Centre for Property Studies under the leadership of the University of New Brunswick, with the support of CIDA and the World Bank. The Centre is designed to take a multi-disciplinary approach to property issues, emphasizing the role of property rights in economic and social development. It will constitute an excellent vehicle for the promotion of Canadian expertise on legal, institutional, environmental, technical, economic and social aspects of property formalization.

Canada's office was also instrumental in helping to develop the Global Knowledge Conference. This conference was a unique occasion to promote Canadian expertise in the area of knowledge management and telecommunications. At this conference, the Minister responsible for CIDA announced a contribution by the Canadian government of $1.5 million to the development of a pilot project with the Bank called "The African Virtual University". This pilot project provides several Canadian universities and businesses with an opportunity to market their products and services to the World Bank in the countries participating in this project.

Organization of the Office

In addition to the Executive Director, the office has two Canadian advisors and one executive assistant. 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 him to the World Bank.

Structure of the Executive Director's Office

Executive Director:	Len Good
Canadian Advisor:	Kathryn Hollifield
Procurement Advisor:	François Pagé
Canadian Assistant:	John Sinclair

Phone: (202) 458-0082; fax: (202) 477-4155

Address: D-12-081, 1818 H St. N.W., Washington, D.C. 20433, U.S.A.

One of the key roles of the office is to provide assistance to Canadian business people. While the Bank provides significant procurement opportunities, it is a large organization with an opaque structure that is often difficult for newcomers to navigate. Canada's procurement advisor, along with the Canadian Embassy in Washington, assists in providing advice and information on how to do business with the Bank. (Details are provided below.)

Another point of contact for Canada is the Bank's External Affairs Department, which is headed by Mark Malloch Brown. This department has designated Tim Cullen to be responsible for liaison with the governmental and NGO community in Canada. Mr. Cullen assist in providing information about the Bank and in bringing Bank personnel to Canada for seminars and presentations on key topics of mutual interest.

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, telecommunications, financial and transportation sectors has led to procurement opportunities for Canadian firms on developing country projects around the globe.

In fiscal year 1997, many Canadian firms continued to benefit from Canada's World Bank membership by accessing procurement opportunities under World Bank-financed loans. Fiscal year 1997 disbursements to Canadian companies for the supply of goods and services under Bank loans reached US$155 million.

It is particularly noteworthy that Canadians continue to excel in the consulting field. Canadian consultants win more contracts on a per capita basis than any other supplying nation. As a per cent of disbursements, Canadian consulting firms ranked fourth in fiscal year 1997 among all supplying countries and accounted for almost 7 per cent of total disbursements. Canadian contracts were spread across a wide variety of countries, including China, Indonesia, the Russian Federation, Ghana, Ivory Coast, Bénin, Brazil, Bolivia and Venezuela.

Last year, Canadian companies received 142 contracts representing an increase of 10 per cent over fiscal year 1996. Two companies achieved particular success with Bank-financed projects. Tecsult International Limitée won 10 contracts in six countries and SNC Lavalin received 10 contracts in eight different countries.

The 1997 results bring cumulative disbursements to Canadian companies to close to US$3.4 billion. The Bank also reports on larger procurement contracts that have been awarded during the year even though project disbursements will occur in the future. In this regard, Canadian firms were awarded US$83 million in fiscal year 1997.

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 *Cofinancing, Technical Assistance and Consultant Trust Fund Framework Agreement*, to govern all its trust fund arrangements with the Bank. These funds lead directly to contracts for Canadians in the feasibility, assessment and design of development projects.

In 1995, CIDA redesigned its Canadian Consultant Trust Fund (Country Specific), which supports Canadian consultants involved in the identification, preparation and implementation of World Bank-financed projects in

14 identified developing countries. 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 Mary Stamp, Commercial Counsellor at the Canadian Embassy in Washington – phone (202) 682-7719; fax (202) 682-7789. Canadians can also access Bank funds though the Project Preparation Facility (PPF), the Global Environmental Facility (GEF) and the Policy and Human Resources Development Fund (PHRD).

International Finance Corporation

The International Finance Corporation is playing an increasingly important role in the Bank Group's private sector development activities. As the fastest 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.

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.

Canadian Success Stories

In recent years, Canadian mining companies continued to be the prime beneficiaries of IFC financing and capital mobilization efforts. However, a number of Canadian companies from other key sectors have begun to work with the Corporation. In fiscal year 1997:

- the Bank of Nova Scotia provided a loan of US$10 million to Owens Corning (India) Limited to help establish an export-oriented, world-scale fibreglass manufacturing plant;
- Chile's Fundicion Refimet copper smelter was expanded to a capacity of 150,000 tonnes per year with funding that included equity participation by Barrick Gold Corporation and Noranda Inc.; and
- Eagle Energy acted as a field operator for Aminex plc oil and gas reduction projects in Tunisia and the Russian Federation.

Perhaps the most significant development on the IFC front has been 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 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. In fiscal year 1997, Canadian financial institutions participated in seven loan syndications totalling US$62 million.

Fiscal year 1997 syndicated loan partners included:

- Bank of Montreal (US$16 million);
- Canadian Imperial Bank of Commerce (US$11.4 million); and
- Toronto-Dominion Bank (US$9 million).

Learning about Opportunities

Canadian firms, organizations and institutions that are interested in winning World Bank contracts 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 (OLIFI) (202-682-7719), and the Canadian Executive Director's Office at the World Bank (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. The OLIFI and the Canadian Executive Director's Office at the World Bank also encourage Canadian companies to contact them if they are interested in competing for procurement contracts.

Canada's Financial Participation

IBRD

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 last 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, 1997, Canada's cumulative subscriptions to the IBRD's capital stock totalled US$5,404 million (44,795 shares), of which US$335 million has been paid-in.

IDA

The IDA 11 Agreement reached in March 1996 resulted in a US$22 billion replenishment. This will finance IDA's lending program over the three-year period to June 30, 1999.

IDA 11 Priorities

Rather than recommending new policy objectives, the IDA 11 negotiations focused on ensuring that assistance to the poorest countries is more effectively implemented. The IDA 11 Agreement places particular emphasis on improving the quality of country assistance strategies. Three critical recommendations came out of the negotiations:

- focus more on the impact of the Bank's operations, particularly on the poorest, through the development of impact indicators;
- ensure sufficient resources continue to be available for the poorest countries, particularly those in sub-Saharan Africa. However, underline that resources should be allocated first and foremost on the basis of sound economic performance; and
- encourage greater beneficiary participation in the preparation of Country Assistance Strategies (CASs).

A major Canadian priority in the IDA 11 negotiations was to ensure that significant resources continue to be directly targeted to the poor through IDA's Program for Targeted Interventions (PTI), which has been highly successful, as earlier noted.

The three-year package is composed of a one-year Interim Fund and a two-year IDA 11 exercise. (The Interim Fund was created because the U.S.A. was unable to participate in the first year of IDA 11.) Canada committed to a share of 3.5 per cent of the Interim Fund and 3.75 per cent of the two-year IDA 11 at a total cost of C$607 million. To meet these obligations, Canada will issue three demand notes, in 1996, 1997 and 1998. Each of these notes is then encashed over a seven- to eight-year period. To the end of fiscal year 1997, Canada's cumulative contributions to IDA (subscriptions and contributions) were the equivalent of US$3,987 million (including Special Fund contributions.)

IFC

The IFC's most recent General Capital Increase was approved in May 1992. Under this GCI, Canada can subscribe to as many as 35,366 new shares, valued at $35.4 million. Payments for these shares are made over a five-year period. As of June 30, 1997, Canada's cumulative subscription to the IFC amounted to $71.4 million, all of which was paid-in. This represents about 3.6 per cent of IFC's total capital.

MIGA

The Multilateral Investment Guarantee Agency was established in 1988 to encourage direct foreign investment in developing countries by protecting investors from certain non-commercial risks. Canada took up its subscription to MIGA's capital stock in 1988. Of the $32.1 million subscription, $6.4 million has been paid-in, evenly divided between cash and demand notes. Canada's share of MIGA's capital is 2.7 per cent.

Future Challenges

The relative importance of the World Bank as financier has fundamentally changed in several developing countries where the private sector has stepped in to provide necessary financing. Total private capital flows to developing countries increased from US$44 billion in 1990 to over US$250 billion in 1997. Yet, private capital flows to developing countries have not been uniformly distributed. The major challenge for the future will therefore be for the Bank to find more creative ways to meet the increasingly diverse needs of its clients, some of which benefit from greater private capital, but many of which do not.

The Bank will face several other challenges in the coming year. As noted, the evolving situation in Southeast Asia will require increased resources and enhanced co-ordination with other international institutions and the private sector on financial sector reform (see below). 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. Recent innovations, such as the Bank's new adaptable lending instruments, should help, in part, to allow for more flexible approaches that create a better sense of ownership of Bank programs within individual countries.

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. The Bank will need to further enhance its reform efforts under the Strategic Compact, particularly in the areas of project monitoring and implementation. Moreover, further enhancements in the quality of the portfolio will only be achieved if strict attention is paid to improving project design at entry.

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 highly indebted poor countries 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 be disruptive to growth and macroeconomic stability, and can spill over regionally and internationally. In response to concerns about such problems, the IMF and World Bank are devoting increasing attention to financial sector issues.

Preliminary discussions in both institutions in the past year have focused on how they can assist member countries establish and maintain sound financial systems. The emergence of the financial crisis in Asia underlines the importance of effective collaboration on financial sector activities.

It is important that Bank-Fund collaboration ensure that emerging financial sector problems are promptly identified, that each institution take the lead in its own areas of primary responsibility, and that duplication of activity is avoided. Although overlap in some areas may be unavoidable, there needs to be a clear delineation of responsibilities between the two institutions.

The Fund's involvement should relate primarily to the macroeconomic aspects of financial systems and markets. The Bank's primary concern should be with the sectoral and developmental aspects of financial systems in developing countries. It is especially important that the Fund aim to identify at an early stage systemic financial sector problems. The Bank should then follow with implementation of the restructuring of weak financial sectors.

However, the Fund has a role to play in banking system restructuring in crisis situations, particularly in countries where it has been active. Joint Fund-Bank missions in cases of financial crises would facilitate timely Bank involvement. Close collaboration is also required with other institutions and groupings working in the area of financial stability, particularly the Bank for International Settlements (BIS) and the Basle Committee on Banking Supervision.

Multilateral Debt Relief

In June 1995, at the Halifax Summit, 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 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 heavily indebted poor countries (HIPCs) were endorsed by the Interim and Development Committee.

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

To qualify for exceptional relief, a country must be IDA-only 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-service-to-exports (calculated in net present value terms). A debt-to-exports ratio in the range of 200 per cent to 250 per cent and a debt-service-to-exports ratio in the range of 20 per cent to 25 per cent is judged to be the upper limit of debt sustainability for HIPCs.

The IMF and World Bank have estimated that full implementation of the initiative could require debt relief of about US$7.5 billion of which more than US$4 billion would come from multilateral institutions. During the course of 1997, it was agreed that four countries – Bolivia, Burkina Faso, Guyana and Uganda – would receive debt relief under the Initiative. The total assistance for these countries is estimated to amount to more than US$1.2 billion in present value terms – or a reduction in nominal debt service of about US$2 billion. Over the next few years, it is expected that about 20 countries will benefit from the exceptional debt relief provided by this Initiative.

Canada has been a strong supporter of the HIPC Initiative since its inception. We will continue to press for the earliest possible consideration of eligible countries for consideration under this Initiative. Canada will also continue to press for maximum flexibility in applying the Initiative to ensure generous treatment of all eligible countries.

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 these 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.

Enhanced Structural Adjustment Facility – ESAF is the Fund's major source of concessional financing for low-income countries which are undertaking major reform efforts in the context of an IMF program. In recognition of the special challenges of these countries, ESAF 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, 1997

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
				(million SDRs)
Stand-by arrangements – Total			**28,284.52**	**14,952.81**
Argentina	April 12, 1996	January 11, 1998	720.00	107.00
Bulgaria	April 11, 1997	June 10, 1998	371.90	124.30
Djibouti	April 15, 1996	March 31, 1998	6.60	2.63
Egypt	October 11, 1996	September 30, 1998	271.40	271.40
El Salvador	February 28, 1997	April 27, 1998	37.68	37.68
Estonia	December 17, 1997	March 16, 1999	16.10	16.10
Hungary	March 15, 1996	February 14, 1998	264.18	264.18
Indonesia	November 5, 1997	November 4, 2000	7,338.24	5,136.77
Korea	December 4, 1997	December 3, 2000	15,500.00	7,300.00
Latvia	October 10, 1997	April 9, 1999	33.00	33.00
Romania	April 22, 1997	May 21, 1998	301.50	180.90
Thailand	August 20, 1997	June 19, 2000	2,900.00	1,100.00
Ukraine	August 25, 1997	August 24, 1998	398.92	253.86
Uruguay	June 20, 1997	March 19, 1999	125.00	125.00
EFF arrangements – Total			**11,046.90**	**5,701.02**
Algeria	May 22, 1995	May 21, 1998	1,169.28	253.28
Azerbaijan	December 20, 1996	December 19, 1999	58.50	33.35
Croatia	March 12, 1997	March 11, 2000	353.16	324.38
Gabon	November 8, 1995	November 7,1998	110.30	49.63
Jordan	February 9, 1996	February 8, 1999	238.04	59.18
Kazakhstan	July 17, 1996	July 16, 1999	309.40	309.40
Moldova	May 20, 1996	May 19, 1999	135.00	97.50
Pakistan	October 20, 1997	October 19, 2000	454.92	417.01
Panama	December 10, 1997	December 9, 2000	120.00	110.00
Peru	July 1, 1996	March 31, 1999	300.20	139.70
Philippines	June 24, 1994	January 31, 1998	791.20	245.95
Russia	March 26, 1996	March 25, 1999	6,901.00	3,564.74
Yemen, Republic of	October 29, 1997	October 28, 2000	105.00	96.90

Active IMF Lending Arrangements – As of December 31, 1997 (Cont'd.)

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
				(million SDRs)
ESAF arrangements – Total			**4,189.23**	**2,071.71**
Armenia	February 14, 1996	February 13, 1999	101.25	50.63
Azerbaijan	December 20, 1996	December 19, 1999	93.60	38.02
Benin	August 28, 1996	August 27, 1999	27.18	18.12
Bolivia	December 19, 1994	September 9, 1998	100.96	16.82
Burkina Faso	June 14, 1996	June 13, 1999	39.78	19.89
Cameroon	August 20, 1997	August 19, 2000	162.12	135.10
Chad	September 1, 1995	August 31, 1998	49.56	16.52
Congo, Republic of	June 28, 1996	June 27, 1999	69.48	55.58
Ethiopia	October 11, 1996	October 10, 1999	88.47	73.72
Georgia	February 28, 1996	February 27, 1999	166.50	55.50
Ghana	June 30, 1995	June 29, 1998	164.40	109.60
Guinea	January 13, 1997	January 12, 2000	70.80	47.20
Guinea-Bissau	January 18, 1995	July 24, 1998	10.50	2.36
Guyana	July 20, 1994	April 17, 1998	53.76	–
Haiti	October 18. 1996	October 17, 1999	91.05	75.88
Kenya	April 26, 1996	April 25, 1999	149.55	124.63
Kyrgyz Republic	July 20, 1994	March 31, 1998	88.15	–
Macedonia, FYR	April 11, 1997	April 10, 2000	54.56	36.37
Madagascar	November 27, 1996	November 26, 1999	81.36	54.24
Malawi	October 18, 1995	October 17, 1998	45.81	15.27
Mali	April 10, 1996	April 9, 1999	62.01	20.67
Mauritania	January 25, 1995	July 13, 1998	42.75	–
Mongolia	July 30, 1997	July 29, 2000	33.39	27.83
Mozambique	June 21, 1996	June 20, 1999	75.60	37.80
Niger	June 12, 1996	June 11, 1999	57.96	28.98
Pakistan	October 20, 1997	October 19, 2000	682.38	568.65
Senegal	August 29, 1994	January 12, 1998	130.79	–
Sierra Leone	March 28, 1994	May 4, 1998	101.90	5.06
Tanzania	November 8, 1996	November 7, 1999	161.59	74.47
Togo	September 16, 1994	June 29, 1998	65.16	21.72
Uganda	November 10, 1997	November 9, 2000	100.43	80.34
Yemen, Republic of	October 29, 1997	October 28, 2000	264.75	220.75
Zambia	December 6, 1995	December 5, 1998	701.68	40.00
Total			***43,520.65***	***22,725.54***

Annex 2

World Bank Loans and IDA Credits –
Fiscal Year 1997 (July 1, 1996 – June 30, 1997)

	World Bank Amount	IDA Amount	Total Amount
		(millions of US $)	
By area			
Africa	56.0	1,680.7	1,736.7
East Asia and Pacific	4,074.4	791.6	4,866.0
South Asia	626.5	1,385.1	2,011.6
Europe and Central Asia	4,560.9	439.9	5,054.8
Latin America & the Caribbean	4,437.5	125.2	4,562.7
Middle East & North Africa	769.6	145.2	914.8
Total	14,524.9	4,621.7	19,146.6
By purpose			
Agriculture	2,810.6	735.9	3,546.5
Education	762.3	255.1	1,017.4
Electric power and other energy	1,613.4	275.8	1,889.2
Environment	22.5	224.2	246.7
Finance	993.7	201.1	1,194.8
Health, population and nutrition	245.8	694.1	939.9
Industry	145.0	50.5	195.5
Mining/Other Extractive	300.0	21.4	321.4
Multisector	1,373.0	813.6	2,186.6
Oil and Gas	114.0	21.6	135.6
Public sector Management	729.7	190.2	919.9
Social sector	1,303.7	66.5	1,370.2
Telecommunications	–	–	–
Transportation	3,084.7	607.0	3,691.7
Urban development	646.1	162.3	808.3
Water supply and sanitation	380.4	302.4	682.8
Total	14,524.9	4,621.7	19,146.6

Annex 3

World Bank Loans and IDA Credits to Developing Countries

	World Bank		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
			(millions of U.S. 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	16,852.5	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
Total	4,064	295,263.7	2,780	101,563.3	6,844	396,827

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

ANNEX 4

Disbursements by the World Bank and IDA Borrowers –
Goods and Services from Canada – to June 30, 1997

	World Bank Amount	IDA Amount	Total Amount
	(millions of U.S. 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
By fiscal year			
1988 (July 1 – June 30)	182.1	47.4	229.5
1989	197.0	45.0	242.0
1990	164.0	41.0	205.0
1991	139.0	34.0	173.0
1992	131.0	38.0	169.0
1993	151.0	41.0	192.0
1994	115.0	69.0	184.0
1995	123.0	48.0	171.0
1996	169.0	56.0	225.0
1997	113.0	42.0	155.0
Total	2,609.0	781.0	3,390.0
Per cent of total disbursements	2.32	1.83	2.18
Per cent of FY 1997 disbursements	3.14	2.33	2.87