



Department of Finance  
Canada

Ministère des Finances  
Canada



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# **Canada at the IMF and World Bank Group**

Report on Operations  
Under the Bretton Woods  
and Related Agreements Act

2014-2015

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## Foreword by the Minister of Finance

More than five years after the global financial crisis, growth remains lacklustre and in many countries high unemployment, high debt, low investment and financial sector weakness persist. In addition, the past year and a half presented several new challenges, including growing divergence in economic performance and policies among major economies, heightened exchange rate and financial market volatility, as well as the Ebola epidemic in Guinea, Liberia and Sierra Leone. Going forward, downside risks for both advanced and emerging economies remain elevated and the economic environment remains tenuous.

The challenges facing the global economy are not insurmountable, and the International Monetary Fund (IMF) and World Bank Group will continue to be important partners in the global community's efforts to promote shared global growth, stability and prosperity. Together we must remain vigilant, and as Canada's new Governor at the IMF and World Bank Group, I am looking forward to working with these institutions to achieve these goals. A strong and stable global economy will benefit all Canadians, helping to complement our efforts at home to foster economic growth while strengthening the middle class to ensure each of us has a real and fair chance to succeed. It is in this spirit that I am pleased to present to Members of Parliament and the Canadian public this annual report, entitled *Canada at the IMF and World Bank Group 2014–2015: Report on Operations Under the Bretton Woods and Related Agreements Act*.

The IMF has a critical role to play in backstopping economic and financial stability and promoting sustainable growth. In this regard, it is of utmost importance that the IMF provide effective and transparent economic surveillance, sound policy advice and effective adjustment lending, and Canada will push to ensure the Fund is properly equipped and fairly governed to do this job. The coming year will also bring new opportunities for the Fund to support its membership, including in the areas of sustainable development and climate change. Here, Canada will encourage the Fund to capitalize on its comparative advantages, and will advocate for collaboration with other international institutions.

The World Bank Group has played an integral role in the 2030 Agenda for Sustainable Development, including the creation of the Sustainable Development Goals. With its strong capital base and global network of expertise, the World Bank Group is well placed to play an important role in the implementation and eventual achievement of the Sustainable Development Goals. Over the last year, the World Bank Group implemented several strategic reforms to improve its development effectiveness and financial sustainability. Going forward, I will encourage the World Bank Group to explore innovative ways to increase development lending, mitigate risk and catalyze new resources from development actors, including the private sector. Facilitating new and innovative partnerships will enable the World Bank Group to achieve its twin goals of eliminating extreme poverty and increasing global shared prosperity.

Over the past seven decades, Canada has played an integral part in the formation and modernization of the Bretton Woods institutions. As these institutions evolve Canada must continue to support them, maintaining a strong voice and active engagement. This report sets out the key developments at these institutions in 2014–15 and discusses Canada's views and objectives at both the IMF and World Bank Group that will guide our interactions in the coming year.

The Honourable Bill Morneau  
Minister of Finance



## Purpose of This Report

This report summarizes the main developments at the IMF and World Bank Group in 2014–15, and reports on past and present objectives that are of core importance to Canada as a large shareholder in these institutions.

This report serves to inform Canadians about Canada's engagement with the IMF and World Bank Group and meets the requirements for annual reporting laid out in sections 13 and 14 of the Bretton Woods and Related Agreements Act:

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

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

Unless otherwise stated, this report covers the respective fiscal years of both Bretton Woods institutions: May 1, 2014 to April 30, 2015 for the IMF and July 1, 2014 to June 30, 2015 for the World Bank Group.



## Overview

Founded as part of the United Nations Monetary Conference in 1944, the International Monetary Fund (“IMF” or “the Fund”) and World Bank Group celebrated their 70th anniversary in 2014. These institutions (known as the “Bretton Woods institutions”) have grown to play a central role in the global financial architecture, with a focus on promoting global economic and financial stability and poverty reduction.

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

Canada is among the most significant members by financial contribution and voting share at both the IMF and World Bank Group, and as a result has an important governance role at both institutions. The Minister of Finance represents Canada on the Board of Governors of both the IMF and the World Bank Group. Governors delegate day-to-day decisions to an Executive Director at both institutions. Given its financial contributions and level of engagement, Canada has always nominated, at both institutions, an Executive Director that represents a constituency of members, including Canada, at the Executive Board.<sup>1</sup>

This report to Members of Parliament and the Canadian public provides an overview of the operations of the IMF and World Bank Group, discusses key developments at both institutions in 2014–15, describes Canada’s engagement and contributions, and reports on objectives that are of core importance to Canada.

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

- 1) Strengthen the IMF’s governance structure to support global economic growth and financial stability;
- 2) Increase the traction of IMF surveillance and policy advice to bolster the economic recovery and crisis prevention; and
- 3) Promote effective IMF tools, lending programs and conditionality to address the root causes of instability.

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

- 1) Promote appropriate financial instruments and partnerships that strengthen the World Bank Group’s capacity to deliver development assistance;
- 2) Improve the institutional effectiveness of the World Bank Group, including through appropriate reforms, accountability mechanisms and governance structure; and
- 3) Promote Canadian priorities in World Bank Group programming.

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

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



Links to more information are provided throughout the report. For detailed information on the end-of-year financial performance of the IMF and the World Bank Group, the reader may refer to their annual reports. Additional information on Canada's official development assistance activities at these institutions is available in Canada's annual report on the Official Development Assistance Accountability Act.<sup>2</sup>

## The International Monetary Fund

### 1. Key Developments at the IMF in 2014–15

#### 1.1. Meeting the Challenges of a Weak Global Economic Recovery

Over the past year, the IMF has undertaken its core activities of economic surveillance (monitoring and advice), lending and capacity development in an environment where the global economic recovery has been weaker and more drawn out than following previous major recessions. Global growth has remained subdued, unemployment high and productivity growth low. Weak levels of investment have also weighed on the recovery. The Fund's membership also faced severe disruptions over 2014–15, including the Ebola epidemic in Western Africa, economic, financial and political setbacks with the IMF-supported program in Greece, and geopolitical conflict in Ukraine. Global growth prospects for 2015 (and beyond) have been marked down since the end of the last reporting period. In such an environment, the Fund continues to play a critical role in providing high quality macroeconomic analysis, advice and technical assistance, as well as direct financing to support its members.

#### 1.2. Strengthening Economic Surveillance and Advice

Economic “surveillance”, or the Fund's work to monitor economic developments and provide policy advice, is a key component of its core mandate.<sup>3</sup> In September 2014, the IMF completed a comprehensive review of these activities as part of its Triennial Surveillance Review (TSR). This review followed up on major initiatives and reforms undertaken since the previous review in 2011 (including the Fund's Integrated Surveillance Decision) and identified new areas for improvement. The 2014 review concluded that improvements were possible in five broad areas: (1) integrating and deepening risk and spillover analysis; (2) mainstreaming macro-financial surveillance; (3) better tailoring policy advice; (4) delivering policy advice as part of a cohesive package utilizing expert analysis; and (5) improving traction (i.e., uptake) through a client-focused and candid approach.<sup>4</sup>

To implement the 2014 TSR recommendations, the Managing Director has developed an Action Plan that sets out how and when the Fund will undertake the recommended reforms. The plan includes actions to deepen the Fund's analysis of the sources and transmission of risks, and lays the groundwork for stronger and more focused policy advice on structural reforms. Given the comprehensive nature of the recommendations, as well as the cost and time required to implement them, it was decided that going forward, these reviews would be undertaken on a five-year basis—with the next review expected to take place in 2019.

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<sup>2</sup> For more information visit: <http://www.international.gc.ca/development-developpement/partners-partenaires/bt-oa/odaaa-lrmado.aspx?lang=eng>.

<sup>3</sup> Background on IMF surveillance activities can be found in the “Surveillance” section of Annex 1

<sup>4</sup> See Objective #2 in the section entitled “Reporting on Canada's Objectives at the IMF in 2014–15” for further details.





The TSR and budget considerations also impacted the Fund's *External Sector Report* and *Spillover Report*. These reports assess the implications of an increasingly interconnected global economy, and together with bilateral surveillance efforts are a key component of the Fund's efforts to monitor and address potential spillover effects of domestic policy on global stability. In an effort to streamline multilateral surveillance and reduce duplication with other reports, the *Spillover Report* took on a more thematic approach in 2015, and beginning in 2016 will be incorporated into the Fund's *World Economic Outlook* as a separate chapter. For the time being, the *External Sector Report* will remain a stand-alone publication. Canada has long highlighted the value of these reports in raising the profile of external and spillover analyses and in ensuring that the Fund develops a consistent and coherent view of key policy challenges across its bilateral and multilateral surveillance activities.

Over the course of 2014–15, the Fund also undertook research and evaluations on a wide variety of issues such as sovereign debt, jobs, growth, the Sustainable Development Goals and international taxation. In most cases, the work builds on work from past years and serves to augment, update or refine analysis to better inform the IMF's policy advice. An important component of the follow-up work has been the Fund's efforts to mainstream financial sector surveillance into its annual country surveillance. To help in this effort, Canada has agreed to be part of a pilot project in our forthcoming annual bilateral surveillance consultation.

In the area of sovereign debt, the Fund continued to explore the relationships among sovereign debt, the stability of the banking and broader financial sectors, and approaches to sovereign debt restructuring. For example, in a paper published in March 2015,<sup>5</sup> the Fund examined how banking sector developments can affect public debt, including the spread of risks from banks to the sovereign borrower. Based on its findings, this paper stresses the importance of both regulatory and macroprudential policies, as well as sound fiscal policy, in containing risks and enhancing crisis preparedness. Fund staff also published two papers on sovereign debt restructuring over the past year. These papers built on past work to ensure consistent responses to debt sustainability analyses in large Fund-supported adjustment programs,<sup>6</sup> and to strengthen collective action clauses in international sovereign bond contracts to limit the power of holdout creditors and facilitate necessary restructurings.

Finally, the Fund continued to build on work completed in 2013 and 2014 on the challenges and opportunities facing small states. As several Caribbean countries are part of our constituencies at the Fund and World Bank Group, this type of research and policy advice is of particular interest. This year, the IMF released a new paper discussing macroeconomic developments and selected issues in small developing states.<sup>7</sup> Going forward, Canada will continue to encourage the Fund to sustain its engagement with small states, including through tailoring its advice and assistance to their distinct circumstances.

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<sup>5</sup> *From Banking to Sovereign Stress: Implications for Public Debt* (<https://www.imf.org/external/np/pp/eng/2014/122214.pdf>).

<sup>6</sup> See Objective #3 in the section entitled "Reporting on Canada's Objectives at the IMF in 2014–15" for further details.

<sup>7</sup> *Macroeconomic Developments and Selected Issues in Small Developing States* (<http://www.imf.org/external/np/pp/eng/2015/030915.pdf>).



### 1.3 IMF Lending and Total Exposures in 2014–15

To assist members in need, the IMF utilizes two types of lending arrangements: (1) non-concessional lending to countries facing balance of payments difficulties; and (2) concessional lending for low-income members facing similar challenges. The IMF's non-concessional lending activities include the extension of precautionary credit lines, subject to high qualifying criteria, to countries confronting elevated risks and potentially requiring ready access to financial assistance.

During its 2015 fiscal year (FY2015)—running from May 1, 2014 to April 30, 2015—the IMF approved 16 new lending arrangements totalling SDR 81.8 billion (approximately \$139 billion).<sup>8</sup> Although lending remains below levels observed during the height of the global financial crisis, the total number of arrangements has increased compared to the previous two fiscal years and the total size of the new arrangements is the second largest in the Fund's history. This largely reflects the renewal of major precautionary programs—meant as a form of “insurance” for countries with sound macroeconomic fundamentals. Without these arrangements, the total amount of lending approved by the Fund this year would have been the lowest since 2009 (approximately SDR 14.3 billion). Table 1 provides a summary of new IMF lending arrangements approved in FY2015, while Table 2 lists new approved lending arrangements by country. Chart 1 shows the number and size of lending arrangements approved over the past 10 years.

At end-April 2015, the IMF had SDR 49 billion in resources committed to active arrangements in 29 countries (this total rises to SDR 122 billion committed across 37 countries when precautionary arrangements are included). Even as several large crisis programs have wound down, European countries (i.e., Greece and Ukraine) still account for the vast majority (78 per cent) of resources committed to active arrangements. For the precautionary arrangements, the bulk of the commitments consist of credit facilities for Mexico and Poland. Table 3 provides a summary of active IMF lending arrangements as of April 30, 2015, and Chart 2 shows the distribution between active and precautionary arrangements.

Over the course of FY2015, the IMF continued to play an important role in assisting Canada's constituency members by supporting ambitious macroeconomic adjustment programs in Jamaica and Grenada, and post-program monitoring in both Antigua and Barbuda and St. Kitts and Nevis. Following severe floods that resulted in estimated damages equivalent to 15 per cent of gross domestic product (GDP), the Fund also provided emergency financial assistance to St. Vincent and the Grenadines in August 2014 through the Rapid Credit Facility.

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<sup>8</sup> The IMF's financial operations are conducted in Special Drawing Rights (SDRs). The SDR is the international reserve asset created by the IMF to supplement the existing official reserves of member countries. It can be exchanged for the freely useable currencies of IMF members. The SDR serves as the unit of account of the IMF, and its value is based on a basket of currencies comprising the US dollar, euro, pound sterling and Japanese yen. On April 30, 2015, 1 SDR equalled 1.70 Canadian dollars.



## IMF Lending Facilities

### Non-Concessional

Stand-By Arrangement (SBA)	Medium-term assistance for countries with balance of payments difficulties of a short-term nature. Can also be used as a precautionary facility.
Extended Fund Facility (EFF)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term nature.
Flexible Credit Line (FCL)	Precautionary instrument for countries with very strong economic fundamentals and policy track records facing potential or actual balance of payments pressures.
Precautionary and Liquidity Line (PLL)	Precautionary instrument to provide financing to meet actual or potential balance of payments needs in countries with sound policy frameworks.
Rapid Financing Instrument (RFI)	Rapid financial assistance to members facing urgent balance of payments needs.

### Concessional

Extended Credit Facility (ECF)	Medium-term assistance to address protracted balance of payments problems.
Standby Credit Facility (SCF)	Financing to resolve short-term balance of payments and precautionary needs.
Rapid Credit Facility (RCF)	Rapid assistance for urgent balance of payments needs where an upper credit tranche quality program is not needed or feasible.

Table 1

### Summary of New Lending Arrangements Approved During FY2015

	Number of New Arrangements <sup>1</sup>	Size (SDR Billions) <sup>2</sup>	Size (C\$ Billions)
Non-concessional lending	9	79.9	136.1
<i>Adjustment/program lending</i>	3	12.5	21.2
<i>Precautionary lending</i>	6	67.4	114.9
Concessional lending <sup>3</sup>	7	1.8	3.1
<b>Total lending</b>	<b>16</b>	<b>81.8</b>	<b>139.3</b>

Notes: C\$/SDR = 1.70444 (as of April 30, 2015). Totals may not equal sum of components due to rounding.

<sup>1</sup> Disbursements under the RCF not included.

<sup>2</sup> Totals include augmentations of arrangements (concessional lending = SDR 0.3 billion; non-concessional lending = SDR 0.08 billion) and disbursements under the RCF (SDR 0.1 billion)

<sup>3</sup> Lending to Kenya and Honduras is blended between SBA (non-concessional) and SCF (concessional) facilities and counted as separate arrangements.

Sources: IMF; Department of Finance calculations.



Table 2

**New IMF Lending Arrangements Approved During FY2015, by Country**

Member	Lending Facility	Size (SDR Billions)	Size (C\$ Billions)
Mexico <sup>1</sup>	FCL	47.3	80.6
Poland <sup>1</sup>	FCL	15.5	26.4
Ukraine	EFF	12.3	21.0
Morocco <sup>1</sup>	PLL	3.2	5.5
Serbia <sup>1</sup>	SBA	0.9	1.6
Ghana	ECF	0.7	1.1
Yemen	ECF	0.4	0.6
Kenya <sup>1,2</sup>	SBA/SCF	0.5	0.6
Chad	ECF	0.1	0.2
Georgia	SBA	0.1	0.2
Honduras <sup>1,2</sup>	SBA/SCF	0.1	0.2
Kyrgyz Republic	ECF	0.1	0.1
Grenada	ECF	0.01	0.02
Seychelles	EFF	0.01	0.02
<b>Total</b>		<b>81.2</b>	<b>138.5</b>

Notes: C\$/SDR = 1.70444 (as of April 30, 2015). Augmentations of arrangements (concessional lending = SDR 0.3 billion; non-concessional lending = SDR 0.08 billion) and disbursements under the RCF (SDR 0.1 billion) not shown.

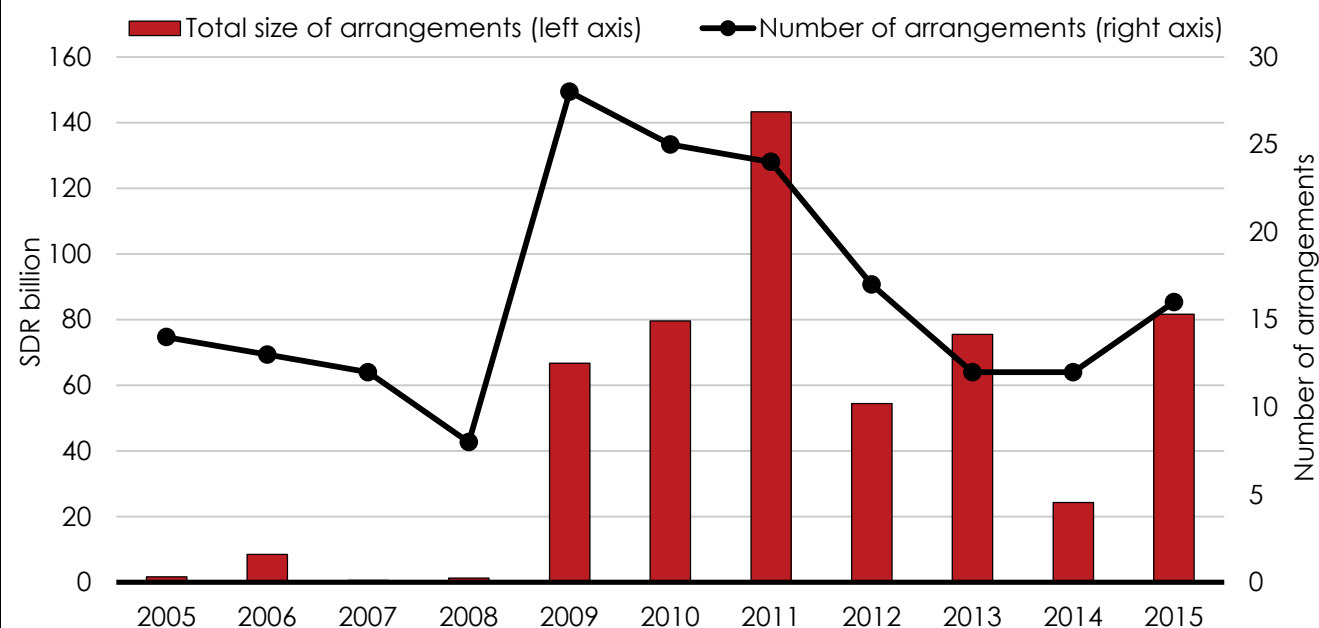
<sup>1</sup> Precautionary arrangement; includes SBAs currently being treated as precautionary.

<sup>2</sup> Lending to Kenya is blended between SBA (SDR 353 million) and SCF (SDR 136 million) facilities; lending to Honduras is similarly blended between SBA (SDR 78 million) and SCF (SDR 52 million) facilities.

Sources: IMF; Department of Finance calculations.

Chart 1

**New IMF Lending Arrangements Approved From FY2005 to FY2015**



Note: Includes augmentations after arrangement approval.

Sources: IMF; Department of Finance calculations.



Table 3

**Summary of Active IMF Lending Arrangements as of April 30, 2015**

	Number of Arrangements	Size (SDR Billions)	Size (C\$ Billions)
Non-concessional lending	20	118.6	202.2
Adjustment/program lending	12	45.6	77.7
Precautionary lending	8	73.0	124.4
Concessional lending <sup>1</sup>	19	3.2	5.5
<b>Total lending</b>	<b>39</b>	<b>121.8</b>	<b>207.7</b>

Note: C\$/SDR = 1.70444 (as of April 30, 2015).

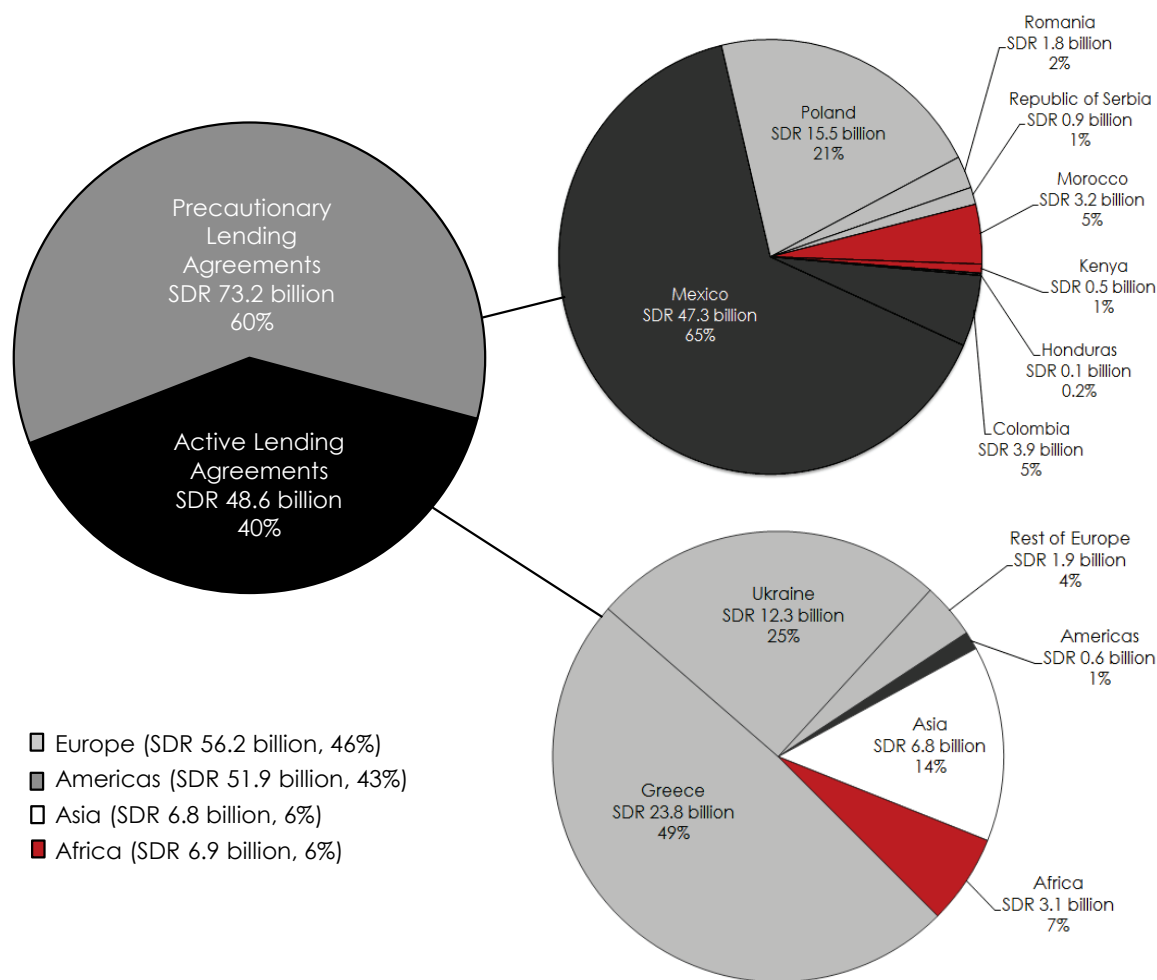
<sup>1</sup> Lending to Kenya and Honduras is blended between SBA (non-concessional) and SCF (concessional) facilities and counted as separate arrangements.

Sources: IMF; Department of Finance calculations.

Chart 2

**Total Active Lending Arrangements by Country/Region as of April 30, 2015**

(Size of Arrangement and Per Cent of Total)



Note: Precautionary lending includes SBA (non-concessional) and SCF (concessional) arrangements currently being treated as precautionary.

Sources: IMF; Department of Finance calculations.



### 1.3.1 Non-Concessional Lending

Over the course of FY2015, the IMF approved nine new non-concessional lending arrangements totalling SDR 80 billion (\$136 billion). However, if precautionary lending is excluded, IMF non-concessional lending in FY2015 totals SDR 12.5 billion (\$21 billion) and consists of three arrangements in Georgia, Seychelles and Ukraine. The vast majority of new non-concessional, non-precautionary lending is accounted for by Ukraine's new SDR 12.3 billion arrangement that was approved in March 2015.

The concentration of IMF non-concessional lending in Europe is not a new development in FY2015, and approximately SDR 37 billion (\$63 billion) of Fund resources remained committed to large programs in Greece, Ukraine and Cyprus during the reporting period. Fund lending arrangements with these three countries accounted for over 80 per cent of the approximately SDR 46 billion (\$78 billion) committed to non-concessional, non-precautionary arrangements as of April 30, 2015.

#### Select IMF Program Updates<sup>9</sup>

**Greece**—In March 2012, the IMF undertook a four-year, SDR 23.8 billion (€29.8 billion) economic adjustment program to assist Greece in addressing high levels of debt and an undercapitalized banking sector. The program also sought to improve the efficiency of the public sector and to facilitate badly needed structural reforms to improve competitiveness. The program also required a significant private sector debt restructuring and additional European official financing of €145 billion. Although Greece undertook significant fiscal reform efforts, the program went badly off track in 2015, suffering from significant lack of ownership on behalf of Greek authorities. This led to serious implementation issues and in some cases a backtracking on past reform commitments.

Following months of often tense negotiations, including a country-wide referendum on prior actions proposed by creditors, Greece eventually entered into a new three-year program with its euro area partners for up to €86 billion under the European Stability Mechanism (ESM) in August 2015. Since then, the situation in Greece remains unsettled with the economy expected to contract in 2015, persistently high unemployment, a strained financial sector and unsustainably high levels of public debt (estimated to peak at over 200 per cent of GDP in the next two years).

At this point in time, Greece does not meet the IMF's criteria for a new or amended program, precluding further lending by the Fund until Greece's debt sustainability issues are resolved. Early and concrete progress towards implementing the wide-ranging policy reforms established under the ESM-supported program could be a basis for active Fund re-engagement. Going forward, the implementation of necessary structural reforms alongside a recapitalization of the banking sector and a firm commitment to fiscal responsibility will be crucial in returning the country to stability and growth.

**Ukraine**—In March 2015, Ukraine entered into a four-year Extended Arrangement with the IMF worth SDR 12.3 billion (\$21.0 billion or US\$17.4 billion). In support of the program, several bilateral and multilateral donors, including Canada,<sup>10</sup> have pledged financial assistance to help Ukraine meet its external financing needs. Ukraine's reform program aims to restore macroeconomic and fiscal stability, strengthen monetary policy frameworks, restore banking system soundness, improve governance and fight corruption.

The success of Ukraine's IMF program depends critically on the continued implementation of reforms. The IMF Executive Board completed a first review of the Extended Arrangement in July and found that all required performance criteria had been met. In October, Ukraine cleared an important hurdle by reaching a binding agreement with private creditors to restructure its private sector debt. Despite the strong start, risks to the program remain high.

<sup>9</sup> US\$/SDR = 1.406420 (as of April 30, 2015); EUR/SDR = 1.254050 (as of April 30, 2015)

<sup>10</sup> See Objective #3" in the section entitled "Reporting on Canada's Objectives at the IMF in 2014–15" for further details.



## Precautionary Lending

In FY2015, the Fund extended precautionary credit under its Flexible Credit Line (FCL) facility, entering into successor arrangements with Mexico (SDR 47.3 billion) and Poland (SDR 15.5 billion). Colombia (SDR 3.9 billion) also has an FCL arrangement with the Fund that has been renewed in FY2016 (June 2015). All three of these members have held FCLs since the facility's inception in 2009. Fund credit under its other precautionary facility, the Precautionary and Liquidity Line (PLL), has been more limited and includes an SDR 3.2 billion agreement with Morocco.

Since the global financial crisis, precautionary credit lines under the FCL and PLL have accounted for a significant proportion of the value of the Fund's active arrangements (57 per cent as of end-April 2015, and 81 per cent of resources committed in FY2015) and continue to have a non-negligible impact on the Fund's available resources (accounting for 16.1 per cent of the IMF's current useable resources<sup>11</sup>). This has led Canada to push for various improvements to the incentive structure of these instruments that would help ensure they remain short-term backstops and facilitate members' successful and timely exits from these facilities. Canada looks forward to the next review of precautionary arrangements, when pricing and exit strategies may be expected to be front and centre.

In addition to its FCL and PLL facilities, the IMF's Stand-By Arrangements (SBAs) can also be treated as precautionary credit lines. In FY2015, three of the SBAs approved by the Fund (totalling SDR 1.4 billion) to Honduras, Kenya and the Republic of Serbia have so far been treated as precautionary and have not been drawn upon.

### 1.3.2 Concessional Lending

One of the ways the IMF supports its low-income members is through low, or zero, interest rate loans from the IMF's Poverty Reduction and Growth Trust (PRGT). Canada is one of the PRGT's largest supporters, having pledged up to \$850 million (SDR 500 million) in loans and \$40 million in subsidy resources during the last fundraising exercise.<sup>12</sup>

Under the PRGT, in FY2015 the Fund committed SDR 1.4 billion (\$2.4 billion) to new concessional lending programs in Chad, Ghana, Grenada, Kyrgyz Republic and the Republic of Yemen, and to blended (concessional/non-concessional financing) programs in Kenya and Honduras. In addition to new programs, the Fund also committed additional resources to augment existing programs and provided disbursements under the Rapid Credit Facility,<sup>13</sup> bringing total concessional resource commitments in FY2015 to approximately SDR 1.8 billion (\$3 billion). As of end-April 2015, the Fund had SDR 3.2 billion (\$5.5 billion) in active concessional lending arrangements.

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<sup>11</sup> Mexico's FCL is SDR 47.3 billion (1,034 per cent of quota) and accounts for 10.9 per cent of useable resources. Poland's SDR 15.5 billion (918 per cent of quota) FCL accounts for 3.6 per cent of useable resources, and Colombia's SDR 3.9 billion (500 per cent of quota) arrangement accounts for 0.9 per cent of useable resources. Current useable resources as of June 25, 2015 are listed as SDR 433.4 billion.

<sup>12</sup> For background on the PRGT, see the "Financial Resources" section in Annex 1.

<sup>13</sup> Loans under the Rapid Credit Facility (RCF) are provided as an outright disbursement without the need for program-based conditionality. Disbursements under the RCF are often one-off and are provided in response to an urgent balance of payments need of limited duration (e.g., due to exogenous shocks, natural disasters), and so are not included in the total of new concessional programs for the purposes of this report.





In the face of the Ebola epidemic in Western Africa, the IMF established the Catastrophe Containment and Relief (CCR) Trust in February 2015. The CCR Trust revised and expanded the Fund's existing facility for providing debt relief to its poorest and most vulnerable members to include both natural and public health disasters. The facility is intended to provide debt relief and ease balance of payments pressures in disaster-stricken countries by freeing up resources that would have otherwise been directed towards servicing debts held by the IMF. Canada contributed to this initiative by transferring a US\$4.3 million balance from the trust fund previously used to finance debt relief at the Fund. As of end-April 2015, the IMF has already employed this new facility to cover debt relief of SDR 68 million (\$115.6 million) for Guinea, Liberia and Sierra Leone—the three countries worst hit by the Ebola epidemic.

## 1.4 Capacity Development

In addition to surveillance and lending, the third leg of the IMF's core responsibilities is the provision of technical assistance and training activities, or capacity development. IMF capacity development is an important benefit of IMF membership, and helps countries to strengthen public institutions, design more effective policies and better manage their financial affairs to promote stability and growth.

In FY2015, total spending on capacity development continued the trend observed in past years, growing by 2 per cent to reach US\$242 million. However, growth in donor-funded capacity development slowed this year to 1.7 per cent (down from 7.2 per cent in FY2014 and 17.4 per cent in FY2013), highlighting the volatility of externally financed capacity development. The Fund's own contribution has been relatively stable, and in FY2015 technical assistance and training accounted for approximately 26 per cent of the Fund's administrative expenditures. Canada is currently the third largest donor to IMF capacity development, having contributed US\$93.7 million between FY2010 and end-July 2015.<sup>14</sup>

Over the course of 2014–15, the Fund also continued to provide important technical assistance and advice to small states. With populations of less than 1.5 million, the small size of these economies often presents unique challenges, with frequent episodes of macroeconomic volatility and high debt levels. Small states are also among the most susceptible to natural disasters and external shocks. Many of these countries are located in the Caribbean and Pacific regions, and as such the Fund's regional departments and technical assistance centres have provided a valuable channel for the delivery of technical assistance and training. Work to assist small states has a direct impact on the small Caribbean members of Canada's constituency.<sup>15</sup>

During the reporting period, approximately half of the Fund's technical assistance was delivered to low-income countries. Countries in Africa, followed by those in the Western Hemisphere and Asia-Pacific region, accounted for the largest share of technical assistance delivered in FY2015. Additionally, the Fund continued to offer open online courses in the core competencies of the Fund, to increase the reach and accessibility of its training services. Since this initiative began in late 2013, 40 per cent of online graduates have been government officials, with nearly half of them in low-income and developing countries in FY2015.

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<sup>14</sup> See Objective #3 in the section entitled "Reporting on Canada's Objectives at the IMF in 2014–15" for further details.

<sup>15</sup> 9 of the 10 Caribbean countries represented by Canada are included in this category. Although Jamaica's population is greater than 1.5 million, it faces many of the same unique challenges as other small Caribbean states.





In September 2014, the Fund's Executive Board approved a new statement on IMF Policies and Practices on Capacity Development. This statement outlines principles for the provision of Fund capacity development activities in terms of objectives and prioritization, as well as donor partnerships and funding, monitoring and evaluation, and transparency. Notably, the principles call for the continued development and increased application of a results-based management framework, something that has been strongly advocated by Canada.

## **1.5 Modernizing Governance and Enhancing Accountability**

For the Fund to effectively fulfill its mandate, its governance structure must evolve and reflect the changing global economic landscape, in particular the rising importance of emerging market economies. In 2010, the membership undertook a major step in this direction, agreeing to a package of far-reaching quota and governance reforms ("the 2010 reforms" or "14<sup>th</sup> Review of Quotas").<sup>16</sup> These reforms have since been approved by 149 members, including Canada which ratified them in 2012. Although the 2010 reforms did not enter into force during the reporting period, the legislation necessary to provide United States Congressional consent was passed in late 2015 and the 2010 reforms came into force in January 2016.<sup>17</sup>

Now that the 2010 reforms have entered into force, work on the next regularly scheduled round of discussions that will determine the size and distribution of the IMF's quotas and resources (the 15<sup>th</sup> General Review of Quotas or "15<sup>th</sup> Review") can begin. Discussions on a new quota formula, which guides the allocation of individual quota shares, are also anticipated to resume within the context of the 15<sup>th</sup> Review in the coming year.

The Fund is held accountable to its membership through a number of internal governance policies, most notably its annual budget. In FY2015, the budget remained unchanged in volume (i.e., real) terms for the third year in a row as the institution continued to exercise financial discipline while responding to new needs by reallocating internal resources.

## **2. Reporting on Canada's Objectives at the IMF in 2014–15**

### **Assessment of Progress Made on Canada's Objectives in 2014–15**

Although the global economic landscape has changed significantly since the IMF's inception 70 years ago, the Fund continues to play a critical role in safeguarding global economic and financial stability. Canada has an interest and responsibility to ensure that the IMF is pursuing its mandate in an effective and accountable manner. In last year's report, Canada identified three objectives for 2014–15. These objectives are of core importance to Canada and focus on governance, surveillance and the tools employed by the IMF to support its membership. The report also highlighted areas where Canada could engage to help further these objectives.<sup>18</sup>

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<sup>16</sup> The 2010 quota and governance reforms are composed of two main elements—the quota increase and the Board reform amendment, each of which required a certain amount of consents to enter into force (additionally, the quota increase could not become effective until the Board reform amendment was in effect). During the reporting period, the only remaining threshold to be met and to put both elements into effect was members having 85 per cent of the Fund's total voting power ratifying the Board reform amendment. Ratification by the United States, which holds a 16.75 per cent voting share, was therefore necessary (and sufficient) to put the 2010 reforms into effect.

<sup>17</sup> Background on IMF governance and quotas can be found in the "Governance and Representation" section in Annex 1.

<sup>18</sup> See Annex 1 for more details on Canada's engagement.



Over the past year, Canada has worked to promote these objectives. Efforts were undertaken by the Minister of Finance, the Executive Director for Canada and senior Canadian officials using a number of channels, including positions taken at the Annual and Spring Meetings of the IMF and at the G-20, as well as statements and votes at the IMF Executive Board. A detailed discussion of these objectives and the actions taken by Canada are highlighted below.

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

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

To remain credible and influential, it is important that the Fund continue to evolve alongside changes in the global economy. Without a governance structure that is considered to be legitimate and representative of its broader membership, the Fund will be unable to fulfill its core responsibility of promoting global stability. Over the reporting period, Canada set out to achieve this objective by: (1) advocating for constructive and pragmatic options for advancing the objectives of the stalled 2010 reforms; and (2) encouraging the Fund to provide rigorous and transparent analyses when assessing its resource needs.

## **IMF Quotas, Governance**

Throughout the reporting period Canada continued to stress the importance of the 2010 reforms at the Executive Board, the International Monetary and Financial Committee (IMFC)<sup>19</sup> and the G-20. These reforms represent an important step towards better aligning the IMF's governance structure with members' weights in the global economy, and in late 2015 the United States passed the legislation necessary to issue their consent to the Fund. With ratification by the United States, the IMF's threshold for the 2010 reforms to enter into force was met and the reforms were implemented in January 2016.

## **IMF Resources**

Alongside important shifts in voice and representation, the 2010 reforms included an unprecedented increase (doubling) in the Fund's permanent lending resources (e.g., quotas). With the 2010 reforms now in force, the Fund will be able to reduce its reliance on non-permanent resources such as the New Arrangements to Borrow and bilateral borrowing agreements.<sup>20</sup>

Beyond the implementation of the 2010 reforms, ensuring that the Fund has adequate permanent resources to fulfill its mandate will remain an important priority for Canada. Canada holds the position that the Fund needs to credibly demonstrate its potential financing needs, supported by robust analysis, in order to justify any requests for additional permanent resources.

<sup>19</sup> The IMFC is the Ministerial-level advisory body of the IMF and is composed of 24 IMF Governors, each representing a sub-set of the membership (constituency). The IMFC generally meets twice a year at the IMF's Annual and Spring Meetings.

<sup>20</sup> For background see the "Financial Resources" section in Annex 1.



## Looking Ahead

Ensuring that the Fund has the appropriate tools and governance to fulfill its mandate remains of core importance, and Canada will continue to pursue this objective in the coming year. Canada will actively engage in the quota reform process and will remain open to all reasonable and pragmatic options for doing so. In the year ahead, Canada will work constructively toward further strengthening all aspects of the IMF's governance structure as a way to enhance the legitimacy and effectiveness of the institution within the changing global economic landscape.

The IMF has also stated its intention to review the adequacy of the global financial safety net (GFSN)<sup>21</sup> architecture, including with a view to leveraging the Fund's surveillance capabilities to better integrate bilateral, regional and multilateral safety nets. Canada will strongly encourage the Fund to undertake a sound and thorough analysis of the GFSN architecture and take stock of the lessons learned following the global financial crisis in order to inform this exercise.

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

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

Over the course of 2014–15, Canadian efforts were focused on: (1) encouraging the Fund to remain focused on exchange rate surveillance as a primary component of its analysis; (2) improving the effectiveness and traction of the IMF's surveillance through the Triennial Surveillance Review; and (3) underscoring the importance of all members participating in regular bilateral surveillance at the Fund.

## Exchange Rate Surveillance

Exchange rates connect our economies, can be a source of risk, and are a key element of external adjustment and stability. For these reasons, it is imperative that the robust analysis of exchange rates remains a core element of IMF surveillance. In recent years, the IMF has made efforts to further improve the way it assesses exchange rates through the integration of the External Balance Assessment (EBA) methodology into its surveillance activities. This methodology provides the Fund a way to detect and analyze imbalances through the examination of current accounts and exchange rates, in a way that is consistent across countries. EBA also takes into account a broader set of factors than previous methodologies applied by the Fund, including the roles of policies and policy distortions. Over the past year, the IMF has continued to extend this approach to a broader set of countries with the launch of “EBA-lite” (applicable to 147 countries, including the 50 EBA countries), and produced an accompanying paper describing its methodology in early 2016. IMF staff are also assessing the scope for developing a similar type of external sector assessment for application to low-income countries in the future.

<sup>21</sup> In addition to the IMF's resources and lending tools, the GFSN includes a variety of tools and buffers, including bilateral swap lines, regional financing arrangements (e.g., the European Stability Mechanism and Chiang Mai Initiative Multilateralization), multilateral development banks and the SDR.



This year, a discussion on the policy implications of exchange rate movements of major currencies has also been included in two of the Fund's key multilateral surveillance products—the *External Sector Report* and *Spillover Report*. This is a positive development, although it will be important for the Fund to continue improving its external sector and exchange rate analysis in its bilateral surveillance products as well. Notably, potential avenues for improvement in this area were put forward by the 2014 Triennial Surveillance Review. Canada will push for the implementation of these relevant recommendations, including: (1) incorporating discussions on the contribution of domestic policies to external imbalances in Article IV consultations where EBA/EBA-lite is applied; and (2) integrating relevant analysis from the *External Sector Report* and *Spillover Report* into Article IV consultations. Canada will also continue to advocate for the inclusion of clear and consistent exchange rate analysis in both multilateral and bilateral surveillance products beyond 2015.

## Strengthening IMF surveillance—Triennial Surveillance Review

At the beginning of the 2014 Triennial Surveillance Review (TSR), Canada emphasized the importance of the continued implementation of the framework developed after the 2011 review,<sup>22</sup> and called for improvements in the consistency and focus of IMF surveillance. The resulting 2014 TSR was appropriately focused on both implementation and finding practical ways to strengthen the quality, effectiveness and traction of surveillance without making major changes to the Fund's institutional architecture. The final assessment also incorporated external reviews of the IMF's policy advice and surveillance, which had been strongly encouraged by Canada early in the review's design process. Following the review, Canada has encouraged the Fund to focus on better embedding spillover, risk and external sector analyses in its surveillance activities. In addition, Canada has also highlighted mainstreaming macro-financial analysis as a priority going forward. Over the medium term, Canada will continue to advocate for implementation in these important areas, and will also push for the Fund to concentrate on its core competencies to provide focused and value-added policy advice.

Several of the reforms recommended by the 2014 TSR and outlined in the Managing Director's subsequent five-year Action Plan were well aligned with Canada's identified priority areas. As requested by the Executive Board, the Managing Director released an early update on the initial steps in implementing her Action Plan in April 2015. With the first phase focusing on making changes that are possible in the short term and laying the necessary groundwork to facilitate medium- to longer-term reforms, there has already been some good progress. This is particularly notable in the Fund's ongoing efforts to integrate bilateral and multilateral surveillance, mainstream macro-financial surveillance and balance sheet analysis, and generate more tailored, expert advice in the area of fiscal policy. However, there is still much work to be done, for example to deepen risk analysis and to promote knowledge sharing and the analysis of cross-country experiences through interdepartmental collaboration. With the next surveillance review not anticipated for five more years, Canada will closely monitor and engage the Fund to help ensure sustained progress throughout this implementation period.

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<sup>22</sup> Following the 2011 TSR, the Fund adopted the Integrated Surveillance Decision (ISD) in 2012. Among other things, the ISD is aimed at better integrating bilateral and multilateral surveillance and improving spillover analysis in surveillance activities. For more information, see the IMF's website at <https://www.imf.org/external/np/exr/facts/isd.htm>.



## Framework for Addressing Excessive Article IV Delays

Article IV of the IMF Articles of Agreement requires the Fund to undertake regular, usually annual, consultations with each member country on economic conditions and policies.<sup>23</sup> Delays in Article IV consultations limit the Fund's access to important information and could potentially impact its ability to identify regional vulnerabilities as well as current or potential spillover effects. Although the large majority of the IMF's membership fulfills their commitments under Article IV, a small number of members are either unable or unwilling to comply with these obligations (see Table 4). To address excessively delayed Article IV consultations, the IMF adopted a framework in 2012 based on persuasion, engagement and communications, with the hope of creating incentives for unwilling members to re-engage with the Fund. Notably, this framework includes publishing a list of members whose Article IV consultations are delayed beyond 18 months, and preparing an informal review of policies and economic developments in the member country for discussion at the Executive Board.

As the current framework has not been as effective as intended, Canada has favoured strengthening the Fund's mechanism to address excessive delays and any persistent lack of engagement when members have a capacity to fulfill their Article IV commitments. In this regard, there are a number of options available to the Fund, and Canada has been supportive of those that would allow for the application of remedial measures (e.g., censure, suspension of voting/borrowing rights) in a calibrated, flexible and cooperative manner. Canada has pushed strongly for improvements in the Fund's Article IV incentives framework to address cases where members are able, but unwilling, to engage in required surveillance. The IMF reviewed its framework for addressing excessive Article IV delays and put forward options for discussion in May 2015. Executive Directors are divided on the best way forward. Following an informal Board discussion, the IMF is considering the feedback and is taking the time to develop options.

Table 4

### IMF Member Countries With Delays of Over 18 Months in Completion of Article IV Consultations

Member	Completion Date of Last Consultation	Delay in Completion of Consultation (Months)
Somalia	November 13, 1989	293
Venezuela	September 13, 2004	115
Argentina	July 28, 2006	92
Eritrea	December 7, 2009	52
Syrian Arab Republic	February 26, 2010	49
Central African Republic	January 30, 2012	26

Note: Delays reported as of end-June 2015. In July 2015, Somalia completed its first Article IV review in more than 24 years

Source: IMF.

<sup>23</sup> These consultations, typically called Article IV consultations or reviews, generally involve a visit to the member country by IMF staff where the state of the economy as well as a full suite of economic and financial policies are discussed. The IMF subsequently discusses the findings and the staff report is typically published. For more details see the "Surveillance" section in Annex 1.



## IMF Policy Advice and the G-20

At the G-20, Canada has worked collaboratively with other members to encourage greater implementation of IMF-recommended best practices. In 2015, throughout the development of G-20 member adjusted growth strategies for the Antalya G-20 Leaders' Summit, the IMF, along with other international organizations, has provided invaluable advice on what policy reforms members should undertake to strengthen domestic growth, foster more inclusive economies, and reduce internal and external imbalances. The IMF also made important contributions to the monitoring of the implementation of the 2014 Brisbane growth strategy measures within the G-20 Framework Working Group (which Canada co-chairs along with India).

## Looking Ahead

In 2015–16, Canada will encourage the Fund to continue implementing the reforms identified in the 2014 TSR. In addition, the IMF will continue to play an important role in advancing the G-20's efforts to promote strong, sustainable and balanced growth, and as such encouraging the uptake of IMF advice will remain another important priority for Canada.

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

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

Over the course of the reporting period, Canada: (1) continued to push the IMF to undertake an objective review of its crisis lending and program design; (2) supported efforts to develop new approaches to sovereign debt restructuring within Fund programming; and (3) supported important technical assistance and capacity building projects in the Caribbean and Ukraine.

## Crisis Program Review

In response to the recent global financial and euro area crises, the IMF ramped up its adjustment lending to countries in financial distress. As past crisis lending programs wind down, it is apparent that the IMF's success through this period has been mixed. Canada repeatedly pressed the Fund to undertake a comprehensive and objective assessment of its recent crisis lending experiences to distill lessons and to help improve its ability to face future crises, and after repeated delays the Crisis Program Review was completed in December 2015. This exercise was important to advancing a culture of learning at the Fund, something Canada has emphasized in recent years, and the accompanying report did a good job in cataloguing the lessons from the crisis. However, there was limited discussion of how the Fund has endeavoured to incorporate some of these lessons into its work, or of a forward-looking plan to address outstanding gaps. Looking ahead, Canada looks forward to engaging with the Fund to ensure that the identified lessons learned are utilized to further improve the IMF's crisis support to its members.





In October 2014 the Independent Evaluation Organization (IEO) also completed a report on the IMF's response to the global financial crisis. Canada welcomed this report as a generally fair assessment of the Fund's response to the financial crisis. The final report had a strong historical narrative and served to highlight the critical role played by the IMF. However, the recommendations were narrowly focused and the overall report could have benefitted from a more in-depth level of analysis. Additionally, the scope of the report did not include a discussion of the IMF's response to the subsequent euro area crisis. The IEO is currently working on an evaluation to address this topic that will focus on the Fund's role in Greece, Ireland and Portugal. This review will also include an assessment of the IMF's surveillance and technical assistance as it pertains to crisis management in the region. Canada looks forward to the publication of this report in early 2016, and hopes that it can build on the outcomes of the 2015 Crisis Program Review.

## New Approaches to Sovereign Debt Restructuring

Following the difficult recent history of large lending programs to Greece and other heavily indebted euro area countries, there is a strong case for reassessing the IMF's current approach to designing adjustment programs in countries with debt sustainability concerns. Recognizing this, the IMF advanced the discussion over how best to improve its exceptional access framework for lending to members above normal limits (i.e., where cumulative three-year program access is greater than 600 per cent of a member's quota or greater than 200 per cent in a given year). The Fund staff presented for discussion a proposal with two complementary components:

- *Introducing the option to undertake a debt reprofiling* (i.e., extending maturities/debt repayments) where a borrowing member's debt sustainability is not certain with a high probability. With this option, the Fund would lend only if there are sufficient non-Fund resources committed (i.e., a reprofiling and/or new official sector financing), as well as safeguards to protect the Fund's resources. Where debt is clearly unsustainable, a restructuring would still be required, and debt to private creditors could then be restructured further. This would avoid a situation where public institutions and taxpayers bail out private investors who freely took on the risk in the first place.
- *Eliminating the systemic exemption waiver.* The systemic waiver allows the IMF to provide exceptional access to large or interconnected economies without addressing debt sustainability issues. The waiver was introduced during the recent financial crisis (first to facilitate lending to Greece and then to other euro area countries) because of an overriding concern about the potential destabilizing effects of international spillovers from a debt restructuring of a large or interconnected economy. The IMF staff proposed to eliminate the waiver due to concerns over its effectiveness and moral hazard. Further, the definition of which situations are deemed to be "systemic" is perceived by some members to be open to abuse and calls into question the even-handed treatment of members.

Overall, Canada supported the direction of the IMF's work in this area. A debt reprofiling or maturity extension operation could be a useful addition to the exceptional access framework. We also shared the IMF's assessment of the shortcomings of the systemic exemption waiver and agreed that it made sense to eliminate it. However, other IMF members had a number of concerns with the proposal, including that the waiver provides valuable flexibility in the event of a crisis, and that it was too soon after the sovereign debt crises in Europe to change the framework. Following a few months of reflection, the IMF Executive Board revisited the issue and decided in early January 2016 to reform the exceptional access lending framework as recommended by Fund staff and supported by Canada.



## The IMF's Exceptional Access Policy

Under certain circumstances, the Fund is permitted to enter into lending arrangements with members for amounts above normal limits. These arrangements are approved on a case-by-case basis by the Executive Board, and are predicated on the requesting member country meeting four criteria:

1. The member is experiencing, or could potentially experience, exceptional financing needs at levels that cannot be met within the Fund's normal lending limits.
2. The member's public debt must be considered sustainable in the medium term with a high probability. However, this condition may be waived if there is a high risk of significant international systemic spillovers.
3. The member must also have good prospects of regaining access to private capital markets in the medium term.
4. The agreed program must have a reasonably strong likelihood of success (e.g., be based on credible forecasts and assumptions), and there must be sufficient institutional and political will to deliver the required reforms.

## IMF Capacity Development

In FY2014, new multi-year donor contributions reached US\$181 million, and donor-financed activities for the year totalled US\$147 million. Canada is currently the third largest donor to Fund capacity development. Since 2010, it has provided approximately \$100 million in technical assistance grants to the IMF, including: \$20 million to the current four-year phase of the Caribbean Regional Technical Assistance Centre; \$5 million to the Central America, Panama, and the Dominican Republic Regional Technical Assistance Centre (with \$10 million committed to the next phase); \$10 million to the African Regional Technical Assistance Centres; \$19 million to establish a technical assistance sub-account with the Fund (2012); and \$20 million to finance technical assistance in Ukraine.<sup>24</sup>

Results from implementation of these projects over the past year include:

- In Ukraine, funding provided by Canada to support technical assistance has been used to help stabilize and rebuild the Ukrainian economy in the context of its current Fund program. Notable outcomes over the past year in Ukraine include: the draft National Bank of Ukraine law; developing a foreign exchange market development plan; strengthening tax administration capacity; and completing a redesign of the government's new fiscal decentralization policies.
- In the Eastern Caribbean Currency Union, six parliaments passed bank legislation prepared with IMF technical support. A bank resolution framework was also developed and bank supervision was improved. Also, medium-term debt management strategies were implemented.
- In Haiti, the government's accounting system was redesigned and is in the process of being implemented. A strategy to consolidate government accounts has been updated and endorsed by both the Ministry of Economy and Finance and the central bank.
- In Suriname, the central bank approved the 2015–2017 Strategic Plan. The accuracy, consistency and timeliness of data from the central bank have improved. The payment system is adopting Real Time Gross Settlement and Automated Clearing House platforms.

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<sup>24</sup> See the "Capacity Development" section in Annex 1 for more information.





- In Tunisia, there has been a move to risk-based banking supervision, the capacity of bank supervisors has improved, and the regulatory framework has been enhanced.
- In Morocco, a team within the central bank (Bank Al-Maghrib) has been trained in economic modelling and forecasting techniques. Further, a macroeconomic database has been created, and aspects of the Moroccan economy have been analyzed and used in model development.

## Looking Ahead

In 2015–16 Canada will continue to promote effective tools and lending. Canada will encourage the Fund to continue applying the lessons learned from the recent financial crisis, and will continue to support the IMF's efforts to develop new approaches to sovereign debt restructuring. Canada will also remain highly supportive of technical assistance as a way to foster economic stability and inclusive growth.

## 3. Canada's Objectives at the IMF in 2015–16

Canada has long valued the Fund's important role in promoting economic stability and growth, and in the coming year we will work with other members to equip the IMF to respond to a changing and uncertain world. In this regard, we will focus our efforts on strengthening the Fund's governance, surveillance and tools. This year, we will also add a fourth core objective that reflects the IMF's important role in providing high quality technical assistance and capacity development to its members. Within each of the overarching objectives, the actions supporting the pursuit of these goals have been updated to account for developments over the past year and the IMF's forward work plan.

Canada's first objective is strengthening the IMF's governance structure to enhance the institution's effectiveness and credibility. To meet this objective, Canada will continue to focus on advancing quota and governance reforms, including advocating for rigorous and transparent analyses for assessing the IMF's resource needs. Canada will also advocate for other measures to bolster the Fund's effectiveness through improved internal governance and a thorough analysis of the Fund's role within the international financial architecture.

As a second objective, Canada will continue to focus on encouraging high quality, tailored and effective IMF advice as a way to increase its traction among members and support the economic recovery. Specifically, this will mean better utilizing IMF surveillance as a means to advance the G-20's efforts to boost global growth and advocating for continued improvements in the consistency, composition and presentation of IMF advice.

Canada will also continue to promote effective IMF tools and lending programs as a way to address the root causes of instability in the coming year. Here, efforts will focus on actively encouraging the Fund to implement the lessons identified by its recent Crisis Program Review, and supporting the development of new approaches to sovereign debt restructuring. In addition, Canada will encourage the Fund to exploit its core competencies in contributing to the 2030 Agenda for Sustainable Development, which was agreed in September 2015 and sets out the international community's development priorities for the next 15 years.

The delivery of high quality technical assistance as a way to foster stability and inclusive growth will also remain a priority for Canada in 2015–16. To achieve this objective, Canada will remain supportive of the Fund's capacity development efforts, and promote the application of a results-based management framework as a way to foster the delivery of concrete and durable outcomes.



### **1. Strengthen the IMF's governance structure to enhance the effectiveness and credibility of the institution.**

- Engage actively in efforts to advance IMF quota and governance reforms to align the institution with the evolving global economy and financial system, with commensurate resources, informed by rigorous and transparent analysis.
- Promote sound and thorough analysis of the Fund's role in strengthening the international monetary system, including through careful review of the risks to global financial stability and the components and adequacy of the global financial safety net.
- Advocate for the implementation of best practices and management tools to further strengthen the internal governance of the Fund, including in the upcoming FY2017–2019 Medium-Term Budget.

### **2. Improve IMF surveillance and increase uptake of Fund policy advice to support economic growth and stability.**

- Leverage the role of IMF surveillance in supporting the G-20's efforts to boost global growth and in promoting the implementation of macroeconomic and structural reform commitments.
- Advocate for continued efforts to integrate global, regional and bilateral surveillance, and to mainstream macro-financial surveillance, with a view to ensuring the completeness, consistency and cohesion of surveillance and policy advice.

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

- Actively encourage the Fund to apply the lessons learned through its response to the global financial and euro area crises to improve future IMF adjustment programs and to inform concurrently national authorities and other global institutions.
- Support an evolution of the IMF's lending framework that is responsive to sovereign debt vulnerabilities, including the development of new, transparent frameworks that will sustain the critical role of the Fund as lender of last resort while safeguarding Fund resources.
- Support Fund participation in the 2030 Agenda for Sustainable Development, consistent with its core mandate and expertise in the areas of surveillance, capacity development and lending, and focusing access to concessional facilities on the most vulnerable members of the Fund.

### **4. Promote high quality technical assistance as a way to foster economic stability and inclusive growth.**

- Promote effective capacity development and the application of a results-based management framework to ensure the Fund is effectively utilizing Canada's capacity building assistance to deliver concrete and durable outcomes in partner countries and regions.



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# The World Bank Group

## 1. Key Developments at the World Bank Group in 2014–15

### 1.1. Implementing the World Bank Group Strategy Through Global Solutions to Global Challenges

The World Bank Group's activities are aligned around two ambitious goals: (1) end extreme poverty by decreasing the percentage of people living on less than \$1.25 a day to no more than 3 per cent by 2030; and (2) promote shared prosperity by fostering the income growth of the bottom 40 per cent for every country.

Since establishing the twin goals and an accompanying institutional strategy in 2013, the World Bank Group has been making increased efforts to strengthen collaboration between the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Association (MIGA) in order to work as “One World Bank Group”.

2015 was a pivotal year for the international development community, including the World Bank Group. Since the last report to Parliament, the Bank engaged with a number of partners, including the United Nations, the G-20, the IMF and other multilateral development banks (MDBs) on the 2030 Agenda for Sustainable Development, which established the Sustainable Development Goals (SDGs).

The World Bank Group played an important convening role in 2014–15 in developing a joint vision of what MDBs and the IMF can do, within their respective institutional mandates, to support and finance the achievement of the SDGs. This commitment is articulated in *From Billions To Trillions: MDB Contributions to Financing for Development*, a joint paper which outlines how MDBs can collaborate with countries, government, civil society partners and the private sector in order to dramatically scale up the volume of development financing to implement the SDGs.<sup>25</sup>

Partnerships for development was a key theme throughout the World Bank Group's work in 2014–15. In September 2014, the World Bank Group, in partnership with Canada, Norway and the United States, announced the creation of the Global Financing Facility in Support of Every Woman Every Child. This facility is well aligned with Canada's \$3.5 billion investment in maternal, newborn and childhood health. The Global Financing Facility will mobilize support for developing countries to accelerate progress on health-related Millennium Development Goals and end preventable maternal and child deaths by 2030.

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<sup>25</sup> *From Billions to Trillions: MDB Contributions to Financing For Development*  
<http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/7/69291436554303071/dfi-idea-action-booklet.pdf>



Further, in April 2015, the Global Infrastructure Facility (GIF) became operational, with an initial capitalization of \$100 million. The GIF is a new type of partnership which will help mobilize private capital through public-private partnerships. The GIF will support the preparation of infrastructure projects in developing countries, with the goal of developing a pipeline of “shovel ready” projects for private sector partner investment. Infrastructure is critical to support growth in developing economies, and many countries face large infrastructure financing gaps. The GIF represents an innovative new solution to catalyzing private sector resources for development, and Canada, as a founding member, is supportive of this important initiative.

## **1.2. Optimizing World Bank Group Resources**

In its 2015 fiscal year (FY2015)—running from July 1, 2014 to June 30, 2015—the World Bank Group made significant progress in implementing its financial sustainability agenda, which is intended to increase the organization’s capacity to deliver development assistance, while making an efficient use of shareholder’s capital. Key developments over the last year include the following:

- The World Bank Group concluded a Bank-wide expenditure review by identifying savings totalling \$418 million over three years. Estimated savings account for 8 per cent of the World Bank Group’s total annual expenditures and will increase the efficiency of the World Bank Group’s real estate, front offices, country management units, and management and administrative support. Going forward, the Bank intends to undertake a regular benchmarking exercise and targeted periodic spending reviews. This will support the ongoing cost efficiency of the World Bank Group and provide shareholders with better information on how resources translate into development results in client countries.
- The World Bank Group successfully implemented a new budgeting process in FY2015, aimed at better aligning resources with strategic planning priorities. The Bank Group also confirmed its intent to bring IBRD’s administrative expenditures below its business revenues by FY2018, and to maintain this discipline in future years. Similarly, on the IDA side, administrative expenditures will be fully financed by business revenues by FY2018. This will be done by incorporating administrative costs into loan pricing. Through sustained budget discipline, these new “budget anchors” will contribute to ensuring the long-term financial sustainability of both IBRD and IDA.

Over the course of FY2015, IBRD has been collaborating with other MDBs to introduce an innovative approach to managing geographic concentration. Exposure swaps are a new risk management tool that could free up capacity to support additional development lending. The World Bank Group’s renewed approach to strengthening its financial sustainability, budgeting effectively and managing risk in its operations will allow the institution to improve its ability to respond to clients’ needs and ultimately meet its ambitious development goals.



### 1.3. Pursuing Key Strategic Reforms

Over the course of the reporting period, the World Bank Group developed a series of reforms to modernize and enhance the effectiveness of the institution:

- Since 2012, the World Bank Group has been reviewing, updating and strengthening its environmental and social safeguard policies. The Bank is committed to developing an environmental and social framework that is better for people, the environment and borrowers, and builds on the Bank's already high standards. Following two rounds of global consultations, including two visits to Canada to meet with civil society, the private sector and Government of Canada officials, the World Bank's Board of Directors authorized the launch of a third phase of consultations on a revised draft of the proposed Environmental and Social Framework. The next review phase will focus on implementing the safeguards framework in borrowing countries and on resolving outstanding issues.
- In July 2015, Executive Directors approved a new policy governing procurement in investment projects financed by the World Bank Group. The new Procurement Framework will allow the World Bank to better respond to the needs of client countries, while preserving robust procurement standards throughout Bank-supported projects. Improvements in the new framework directly address several concerns raised by Canada during consultations, which include establishing standardized bid preparation timelines to improve the quality of submissions, reducing delays in the bid assessment process, and providing technical support to borrowing countries to improve the transparency and quality of their bid assessments and help reform the overall procurement processes. Changes made by the World Bank Group also include a significantly enhanced approach to addressing complaints, in response to concerns from suppliers, consultants and contractors about their ability to reach the Bank when issues arise. This will result in a more rapid procurement process by reducing the number of prior reviews by Bank staff for low-risk and low-value contracts. In addition, there will be more direct support from Bank staff to low-income borrowers to meet the requirements of the new Procurement Framework. This will help ensure that commitments made at the time of bidding are delivered on the ground. The new framework became effective in January 2016.
- Recognizing the need to balance the partnership goals of trust funds with the financial sustainability goals of the institution, the World Bank's Board of Directors asked management to recover an additional \$100 million in trust fund operating costs, while also creating a simpler and more transparent system. To accomplish this, the World Bank introduced a revised trust fund cost recovery system effective in July 2015. Under the new system, the amount donors pay will more closely match the actual costs associated with managing the fund. Moreover, a simplified fee structure will allow staff to reduce transaction times and focus more on delivery. These changes ensure fair treatment for all development partners and are part of a broader effort to improve the management, transparency and results reporting of Bank trust funds. This effort will also ensure that trust funds are well aligned with the World Bank Group's strategic objectives.



- The World Bank Group completed an IBRD and IFC shareholding review in 2015. During the exercise, shareholders reviewed the weight of member states in the world economy, their contributions to the Bank's development mission, and progress towards achieving an equitable distribution of voting share. The review also discussed the capital subscription processes, the methodology that underpinned IBRD's 2010 Selective Capital Increase (SCI) and the principles that should guide subsequent shareholding reviews. At the 2015 Annual Meetings, Governors endorsed a roadmap for future work, including the development of a medium- to long-term vision for the World Bank Group and its role in the international financial architecture. The roadmap includes the development of a dynamic formula for shareholding allocation, consideration of a realignment of country shareholdings through a SCI in 2017, and consideration in 2017 of whether to increase the general capital of IBRD and IFC. Next year's report to Parliament will provide an update on progress achieved in moving forward with the various elements of the shareholder review and roadmap.

#### **1.4. World Bank Group Lending and Total Exposures in 2014–15**

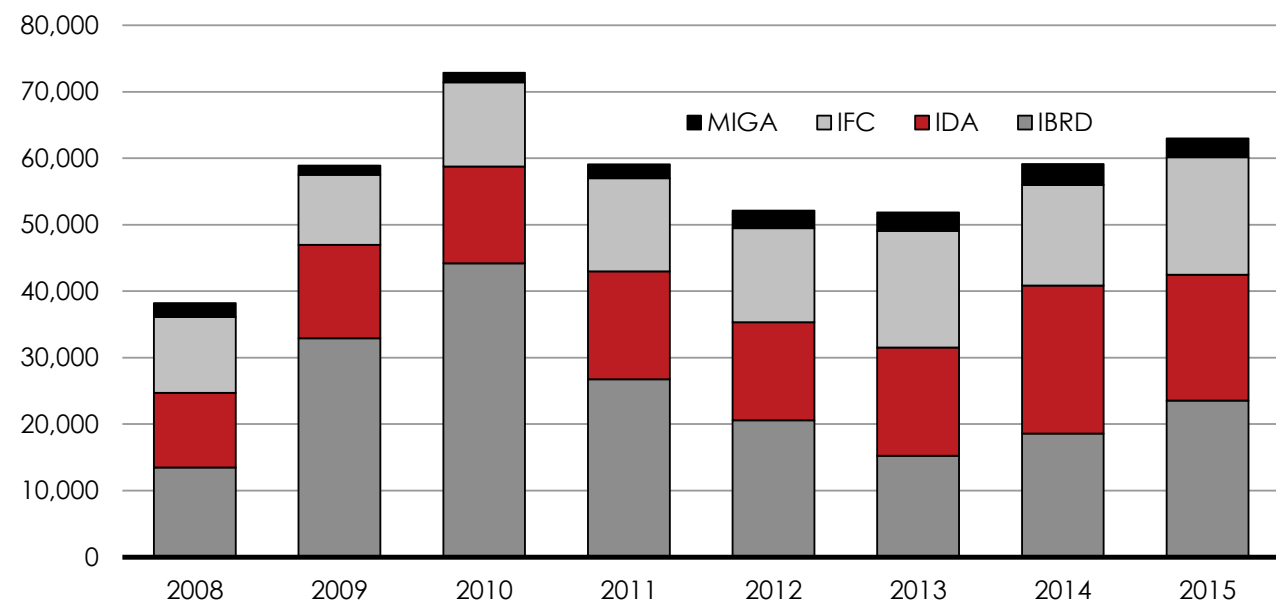
- In FY2015, the World Bank Group promoted poverty reduction and economic growth in its client countries by approving 748 financing arrangements representing a total volume of US\$63.0 billion. This represents a 6.6 per cent increase in new commitments relative to the previous fiscal year (US\$59.1 billion in new commitments in FY2014).
- In FY2015, IDA made new commitments amounting to US\$18.9 billion, including approximately US\$15.9 billion in loans and US\$2.4 billion in grants. Sub-Saharan Africa received the largest share of IDA resources in 2015 (US\$10.4 billion, or 54.6 per cent of total commitments), while South Asia received US\$5.8 billion (30.4 per cent of total commitments).
- The regional concentration of IBRD is significantly different from IDA, reflecting the diversity of clients served by the World Bank Group. In the case of IBRD, Europe and Central Asia received the largest portion of funding in FY2015 (US\$6.7 billion), closely followed by Latin America and the Caribbean (US\$5.7 billion). IBRD's five largest borrowers in FY2015 were India, China, Colombia, Egypt and Ukraine, which together received over 35 per cent of new IBRD funding. In the case of IDA, the largest share of funding went to Africa (US\$10.4 billion), followed by South Asia (US\$5.8 billion).
- IFC provided US\$17.7 billion in new commitments in FY2015 (including core mobilization), working with the private sector to encourage sustainable economic growth in developing countries. MIGA issued US\$2.8 billion in risk guarantees in FY2015, a slight decline from US\$3.2 billion compared to last year.





Chart 3

### World Bank Group Commitments Approved in FY 2008–2015



Source: World Bank Group.

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

## 1.5. Responding Effectively to Crises

Natural disasters, armed conflict and other crisis situations have significant impacts on poverty by creating economic uncertainty and stoking social and political fragility. In FY2015, the World Bank Group played a meaningful role in responding to a number of crisis situations, establishing a range of projects and programs to help the world's most vulnerable people mitigate and recover from the impacts of crises.

**Ebola**—In response to the Ebola epidemic, the World Bank Group rapidly provided approximately \$1.6 billion in financing for the three West African countries that were hardest hit by the virus. This includes \$1.2 billion from IDA for budget support and emergency response efforts and \$450 million from IFC to enable trade, investment and employment in Guinea, Liberia and Sierra Leone.

The World Bank Group has also been working to develop a global pandemic facility, which could rapidly disburse funds to countries, international organizations and non-governmental organizations, should the world face future health crises similar to the Ebola epidemic in Western Africa.

**Nepal**—Following the major earthquake in Nepal in April 2015, IDA rapidly mobilized its Crisis Response Window in order to commit \$300 million for two reconstruction projects. \$200 million will be used to reconstruct approximately 10 per cent of the housing that was destroyed in the earthquake. The second project is a development policy loan to assist the Nepalese financial sector's recovery from the earthquake and put in place effective crisis response and banking supervision mechanisms.



**Ukraine**—Ukraine has faced significant challenges since early 2014, as economic and financial fragility were exacerbated by serious geopolitical turmoil due to Russian military aggression. The World Bank Group has played a major role as part of a coordinated international effort to support Ukraine. As of September 1, 2015, the World Bank Group continues to implement a budget support and investment program of about US\$4.5 billion through 15 operations in Ukraine. World Bank Group programming in Ukraine focuses on accelerating structural reforms, supporting private sector investment, and improving citizens' access to basic services by improving water, energy and transport infrastructure. In 2015, IBRD approved two development policy loans which will support public administration reforms and strengthen Ukraine's financial sector.

**Syria and Iraq Crises**—Syria has been gripped by a devastating civil war since 2011. The World Bank Group has responded to this widespread humanitarian crisis by bolstering basic services and institutions that serve Syrian refugees in neighbouring Jordan and Lebanon. Building resilience and enhancing stability in host communities lie at the heart of the World Bank Group's engagement in the region. The two-pronged strategy—mitigating the impact of the Syrian crisis and addressing the longer-term development agenda—are being implemented through the Lebanon Syrian Crisis Trust Fund. This trust fund is made up of donor contributions and funds from the World Bank Group's State and Peace-Building Fund, totalling approximately \$74 million. The World Bank Group also provided Iraq with a \$350 million financial assistance package in July 2015, with funds being used to support the reconstruction of water, power and sanitation networks and provide access to improved health care services.

### World Bank Group Key Development Results

The World Bank Group's annual report highlights results across many investment areas such as: health, nutrition and population services; access to water and sanitation; community development, employment and financial management; and infrastructure and rural development. Some examples of Bank-supported development results include the following:

- 399.6 million people worldwide received essential health, nutrition and population services between 2012 and 2014.
- 36.7 million people were provided with access to an improved water source and 12.5 million people were provided with direct access to electricity between 2012 and 2014.
- 47.4 million people were covered by social safety net programs, and 64.7 million people and micro, small, and medium enterprises gained access to financial services between 2012 and 2014.
- Over 700 community groups in Ethiopia were formed and trained on group organization, institutional capacity, and savings mobilization and lending between 2006 and 2013.
- Nearly 375,000 people received critical health services in Jonglei and Upper Nile in South Sudan between 2012 and 2014 despite ongoing internal conflicts.
- Between 2011 and 2013, a program for community empowerment in Indonesia generated temporary employment for around 1.5 to 2 million persons annually, of which more than 80 per cent were classified as poor.
- In northern and central Vietnam, over 3,200 kilometres of rural roads were rehabilitated between 2006 and 2014, increasing the share of people living within 2 kilometres of an all-weather road from 76 to 87 per cent.

More details on results achieved in the past decade can be found on the World Bank Group's Results webpage.<sup>26</sup>

<sup>26</sup> World Bank Group Results webpage (<http://www.worldbank.org/en/results>).





## 2. Reporting on Canada's Objectives at the World Bank Group in 2014–15

### Assessment of Progress Made on Canada's Objectives in 2014–15

Canada is a significant shareholder in the World Bank Group, with a seat at the Executive Board. Canada has a responsibility to ensure that the World Bank Group is pursuing its mandate in an effective and accountable manner. In the 2013–14 report to Parliament, the Government of Canada identified three objectives for 2014–15 which focused on priority issues for Canada.

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

This section of the report provides a detailed discussion of Canada's objectives and actions taken in 2014–15, and outlines next steps for the 2015–16 period.

#### **Objective #1: Promote appropriate financial instruments and partnerships that strengthen the World Bank Group's capacity to deliver development assistance.**

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

Canada's actions over the year in this area were focused on: (1) advocating for improved capital efficiency, including encouraging increased lending activities using the Bank's existing capital resources; (2) supporting the World Bank Group in developing a Global Infrastructure Facility; and (3) working with the World Bank Group and other institutions to respond to Caribbean challenges.

### Deploying Existing Capital Resources Efficiently

Canada has been advocating for multilateral development banks (MDBs)—including the World Bank Group—to use their existing capital as efficiently as possible to provide additional financing for development priorities. Capital efficiency can be improved in several different ways, including by improving an MDB's ability to grow its retained earnings, or by leveraging its balance sheet with capital markets borrowing.



The World Bank Group's ability to generate resources internally is an important element of a sustainable business model. Over the past year, Canada has continued to support the World Bank Group in its efforts to internalize its administrative costs in loan pricing. This means that the costs of the Bank's operations are incorporated into the interest rate that borrowers pay. Canada has been a strong advocate for these "budget anchors" at the World Bank's Board of Directors as they allow the Bank to grow its retained earnings. Similarly, Canada has continued to support the Bank's rigorous expenditure review, which will result in estimated savings of approximately 8 per cent of total annual expenditures. These changes enhance the World Bank Group's ability to grow its retained earnings while ensuring that its scarce resources are available for development lending activities.

Last year, IBRD took the important step of lowering its minimum equity-to-loan ratio from 23 per cent to 20 per cent. This is equivalent to moving from a maximum 4.3 times leverage rate to 5 times leverage, and will allow IBRD to provide approximately \$5 billion in additional development lending per year. At the end of FY2015, IBRD's equity-to-loan ratio stood at 25.1 per cent, well above the 20 per cent limit. Over the next year, Canada will continue to encourage World Bank management to increase development lending, while maintaining prudent risk management practices and a diversified loan portfolio.

## Addressing Developing Countries' Infrastructure Needs

There is a significant gap in infrastructure investments in emerging markets and developing economies that inhibits sustained growth and poverty alleviation. To respond to this challenge, Canada played a key role in the establishment of the Global Infrastructure Facility (GIF) managed by the World Bank Group. The GIF is an innovative approach that will harness public and private capabilities and the capital required to launch complex, large-scale infrastructure projects in emerging markets and developing economies. Canada is a leading supporter of the GIF, serving as the first co-chair of the initiative. GAC's \$20 million contribution provides Canada with influence in shaping the GIF, including: refining its results framework; influencing pilot project selection; and ensuring program monitoring systems are established to effectively measure results and ensure accountability. Canada's seat on the Governing Council also helps to ensure that large Canadian institutional investors and infrastructure service providers will be aware of opportunities as they are developed through the GIF. Canada's investment in the GIF is fully aligned with the 2030 Agenda for Sustainable Development and the Redesigning Development Finance Initiative jointly organized by the World Economic Forum and the Organisation for Economic Co-operation and Development.

## Responding to Caribbean Challenges

In the aftermath of the global financial crisis, the Caribbean region continues to face critical development challenges, including unsustainable debt levels and poor fiscal management, high unemployment, vulnerability to climate change and environmental degradation. This has led to an uneven economic recovery, both within and between Caribbean member states. While Caribbean states constitute a "region of focus" for Canada's development programming in the Americas, these states also have a close relationship with Canada at the World Bank Group and IMF, where we represent a constituency that includes most Commonwealth Caribbean countries. Consequently, the well-being of the Caribbean region is very important to Canada.



Through GAC's Caribbean Regional Program, Canada supports a broad range of initiatives to strengthen the foundation for inclusive and sustainable economic growth, in order to address the region's key structural challenges. Canada's development programming in the Caribbean works to strengthen public institutions' financial management capacity, improve the ability of micro, small and medium enterprises to compete and trade, and enhance employment skills. The Caribbean Regional Program also aims to strengthen the region's capacity to mitigate the impacts of natural disasters and to advance the rule of law through justice reform.

In 2014–15, Canada continued to support two World Bank Group projects in the region: the Entrepreneurship Program for Innovation in the Caribbean (EPIC) and the Supporting Economic Management in the Caribbean (SEMCAR). The EPIC project aims to build an enabling environment to foster high-growth and sustainable enterprises throughout the Caribbean. Since its launch in 2010, EPIC has reached more than 2,000 entrepreneurs and business enablers in 14 Caribbean Community (CARICOM) countries. The SEMCAR project seeks to improve economic management in 12 Caribbean countries through improved revenue administration, public financial management in budget preparation and treasury operations, and related information and technology systems. To date, SEMCAR has provided training for more than 300 public officials. During Canada's 2014–15 fiscal year, 166 Caribbean policy makers and government officials received training. Canada also provided funding for IFC's Partnership for CARICOM Private Sector Development, which contributes to a strengthened enabling framework for environmentally sustainable growth and productivity of the region's private enterprises.

## Looking Ahead

In the coming year, the World Bank Group should continue to develop innovative new partnerships to achieve development results and address regional economic challenges. In 2015–16, Canada will continue to encourage the World Bank Group to use its existing capital resources as efficiently as possible. This is a priority issue for many MDB shareholders, and G-20 Leaders and Finance Ministers have committed to undertake further work in this area.

In May 2015, the Government of Canada announced its intention to create a development finance institution (DFI) with the goal of catalyzing additional funding for a vibrant private sector in developing countries. IFC is a global leader in providing private sector financing in developing countries, and Canada's new DFI will aim to partner with IFC to leverage this expertise.

Finally, Canada will continue to work with the World Bank Group and other partners to address economic development challenges affecting the Caribbean region. These challenges include high energy costs, an under-capitalized financial sector and unsustainable debt loads. These challenges will be best addressed collaboratively with borrowing member countries and other international financial institutions including the IMF, the Caribbean Development Bank and the Inter-American Development Bank.

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

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



Canada's second objective in 2014–15 was to work with the World Bank Group to improve the Bank's institutional effectiveness, including through reforms to its accountability mechanisms and governance structure. As a major shareholder, Canada aims for the World Bank Group to be as effective as possible in accomplishing its development and poverty reduction mandate.

In 2014–15, Canada was actively engaged in the World Bank Group's review of its safeguards and procurement policies. Canada also actively participated in IDA working groups to help define the long-term vision of the World Bank Group's concessional lending arm.

## Promoting Development Effectiveness

Over the course of the last year, Canada has been working closely with the World Bank Group to strengthen its development effectiveness by supporting the Bank's efforts in undertaking a series of reforms in its procurement, safeguards and gender equality policies. In late 2014, as part of the first comprehensive review of the Bank's procurement policy and guidelines, senior Bank officials held consultations in Montreal and Ottawa with Canadian government officials, stakeholders from the private sector and civil society representatives. The discussion focused on ways to improve the Bank's procurement framework, which governs how goods and services are purchased by clients in investment projects. In July 2015, Executive Directors discussed and approved the new policy governing procurement in investment projects financed by the World Bank. The new Procurement Framework will allow the Bank to better respond to the needs of client countries, while preserving robust procurement standards throughout Bank-supported projects.

Since 2012, the World Bank has also been undertaking a broad and inclusive consultation process to renew and strengthen its environmental and social safeguard policies. The current safeguard policies have helped to protect the environment and the world's poor and vulnerable by guiding the design and implementation of World Bank investment projects. However, in order to better respond to the changing global development landscape and the new challenges that development actors face, the Bank is striving to adopt a more robust environmental and social framework with a stronger emphasis on risk management and achieving sustainable development outcomes.

The first round of consultations on the new proposed environmental and social safeguards framework concluded in March 2014, and during the second phase Bank officials held a number of meetings with key stakeholders in Canada. In January 2015, the Canadian Council for International Co-operation hosted a consultation for the World Bank with representatives of civil society organizations, and Export Development Canada held another meeting with Canadian private sector representatives. A meeting between Bank officials and Canadian senior officials also took place. The Canadian stakeholders' feedback and recommendations helped to enrich the discussion and aimed to strengthen the overall framework by focusing on a number of key priority areas, including human rights, indigenous peoples, risk assessment and risk management, labour standards, land acquisition and resettlement, and biodiversity. A third round of consultations is currently ongoing to gather feedback from borrowing countries and other stakeholders on the resources required to implement the new framework.



Canada's approach aims to improve the quality and implementation of the Bank's environmental and social policies as well as their effectiveness in raising the standards of World Bank Group-financed projects. The third phase of consultations includes plans to discuss issues that remain important to Canada, including the specific inclusion of human rights in the vision statement and a commitment to allocate greater internal resources to improve the quality of the World Bank's own implementation of these policies. Canada and other like-minded donors are also advocating for the World Bank Group to adopt a more structured approach to the use of borrowers' frameworks. This would include the provision of technical assistance to strengthen their quality and standards so that they could eventually complement the Bank's environmental and social policies. More information can be found on the World Bank Group's safeguards consultation website.<sup>27</sup>

Finally, as part of its broader reform efforts earlier this year, the World Bank Group also rolled out a comprehensive consultation plan for renewing its operational strategy for gender equality. A series of multi-stakeholder face-to-face meetings were held around the world and an online platform has allowed for an open and transparent consultation process, which concluded with the adoption of the new gender equality strategy in December 2015. In line with Canada's own policies on gender equality and the priority attributed to considering gender equality as an integral part of the delivery of our international and humanitarian assistance, Canada has encouraged the Bank to adopt a new gender equality strategy that will support countries to close the gender gap as one fundamental way towards achieving lasting poverty reduction, safety and prosperity.

## Shaping the Long-Term Future of IDA

During the IDA17 replenishment process, donors called for the creation of three informal working groups to focus respectively on IDA's long-term vision and financial sustainability, development results, and the governance and reform of the IDA replenishment process. Each working group meets on the margins of the World Bank Group's Spring and Annual Meetings, and includes participants from IDA contributing partners and recipient governments, as well as World Bank Group staff. Canada has been an active participant in each working group.

Over the course of the last year, Canada has voiced support for the appointment of an independent co-chair for the IDA18 replenishment process. Canada has also encouraged the World Bank Group to explore options to increase IDA's financial capacity, including leveraging IDA's capital to finance additional lending, while keeping in mind the need to ensure that concessional resources flow to the poorest and most vulnerable countries. The three working groups presented their final recommendations at the IDA mid-term review in November 2015.

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<sup>27</sup> World Bank Group website, Review and Update of the World Bank Safeguard Policies (<https://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>).





## Looking Ahead

The institutional effectiveness of the World Bank Group will continue to be an important priority for Canada in 2015–16. As a significant contributor to the World Bank Group's capital increases and IDA replenishments, an ongoing Canadian priority is ensuring that these investments translate into development results for the world's poorest and most vulnerable.

At the 2015 Annual Meetings, World Bank Group Governors agreed on a roadmap for the reform of countries' relative shareholding in the World Bank Group. A significant part of this work will occur in 2015–16, as shareholders negotiate a dynamic formula which will then provide guidance for future adjustments in shareholding. Through this process, Canada will play a constructive role to ensure that the World Bank Group continues to have the mandate and legitimacy to play its important poverty reduction role.

### **Objective #3: Promote Canadian priorities in World Bank Group programming.**

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

Over the course of this year, Canada has worked with the World Bank Group to advance its international development priorities to ensure that they are appropriately considered in the Group's operations. Canada's support for joint efforts has helped the World Bank Group to implement its twin goals of eradicating extreme poverty and promoting shared prosperity, by focusing on the poorest and most vulnerable, working in fragile and conflict-affected states, and integrating gender into its policies and programs, including through the Group's delivery of Canada's bilateral programming (see Annex 5). In line with Canada's top priorities, the World Bank Group has promoted and advanced work in the areas of innovative financing mechanisms, private sector development and infrastructure.

Canada is committed to working with a wide range of stakeholders, including the private sector and multilateral organizations such as the World Bank Group, to find innovative solutions to pressing development challenges and to deliver concrete results for those most in need. In partnership with the Bank, Canada played a leadership role at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, where world leaders agreed on measures to finance the Sustainable Development Goals (SDGs). In support of the resulting Addis Ababa Action Agenda, Canada supported the formal launch of the Global Financing Facility in Support of Every Woman Every Child, along with the World Bank Group, Norway, the United States and the UN. Canada also committed to an initial \$40 million investment in a new venture by IBRD to raise funds from capital markets for gaps in reproductive, maternal, newborn, child and adolescent health financing.



In Addis Ababa, Canada also promoted innovative approaches to financing international development and harnessing private investment, including through blended finance. Canada also launched Convergence, a new platform for advancing blended finance, and will continue to work with IFC, which is championing this approach. In the lead-up to the Third International Conference on Financing for Development, working closely with other MDBs and the IMF, the World Bank Group was a key player in shaping the financing for development narrative through discussion of a paper<sup>28</sup> by Governors at the Development Committee in April 2015. The World Bank Group, together with the other MDBs and the IMF, also announced over US\$400 billion in financing for development over the next three years. The World Bank Group was also instrumental in brainstorming with private sector and other stakeholders at the Rotterdam Development Finance Forum in May 2015, and in advancing the dialogue on specific financing for development issues in New York. Following international agreement on the SDGs at the UN General Assembly in September 2015, the World Bank Group is spearheading discussions on how to best operationalize the SDGs—through financing, solutions and lessons learned.

Canada has encouraged the World Bank Group to continue to foster a sound enabling environment for private sector-led sustainable economic growth and to pursue new and innovative solutions that leverage the resources, innovation and know-how of the private sector. To increase Canadian private sector awareness of opportunities at the World Bank Group, Canada led two private sector missions at the beginning of 2015. GAC, in collaboration with the Canada Africa Power Alliance, brought a delegation of nine companies and a representative of the Government of Alberta to the World Bank Group in Washington D.C., to discuss opportunities for further collaboration in the energy sector in Africa. This mission helped to inform Bank officials of Canadian capabilities in this sector; improve upstream project intelligence; provide networking opportunities with key Bank officials; and increase the awareness of Canadian firms competing for World Bank Group energy project financing and service contracts. Additionally, in February 2015, the Minister of International Development headed another delegation of Canadian business leaders to identify opportunities and to strengthen the relationship between the World Bank Group and key firms in the Canadian private sector that can make an effective contribution to the Group's development efforts.

Canada's support has also helped the World Bank Group to advance its cutting-edge research in the area of international development. In March 2015, the University of Calgary hosted the Canadian launch of the 2015 *World Development Report: Mind, Society, and Behavior*. The *World Development Report* is the annual flagship publication of the World Bank Group and is supported in part by GAC through a three-year funding arrangement. This year's report highlighted how recent findings on human behaviour and decision making can be applied to design more effective development policies and programming. The event brought together representatives from the federal and provincial governments, the World Bank Group, and the not-for-profit and private sectors, academics from the University of Calgary, and over 200 participants from the student body and the general public. Participants, including the Parliamentary Secretary to the Minister of Foreign Affairs, the Alberta Minister of Innovation and Advanced Education, Canada's Executive Director at the World Bank and several leading experts from the University of Calgary, had the opportunity to engage in a free exchange of ideas and enrich the debate on how behavioural economics can be used to improve policy making and achieve better development results.

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<sup>28</sup> From Billions to Trillions: MDB Contributions to Financing For Development  
<http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/7/69291436554303071/dfi-idea-action-booklet.pdf>





## Delivering Results Through Trust Funds

Canada's relations with the World Bank Group and commitment to development results have been strengthened through the management of several multi-donor and bilateral trust funds, which have delivered concrete and lasting development results for the world's poor. Canada has been supportive of the Bank's recent efforts to streamline its trust fund cost recovery structure to enable a more transparent, standardized and effective delivery of development assistance worldwide. As part of Canada's annual portfolio review, in June 2015, GAC hosted a group of senior officials from the World Bank Group for a full day's discussion with the Government of Canada on how to further strengthen our partnership to advance Canada's international development priorities. The Bank shared details on its support for financing for development, noting Canada's leadership with the Bank on key initiatives such as the Global Financing Facility, the Global Infrastructure Facility and AgResults. The World Bank Group continues to catalyze private sector resources through blended finance in the areas of agriculture, climate finance and small and medium enterprise funding. The World Bank team also described its Trade and Competitiveness Global Practice, one of 14 within its new structure. Canada has provided significant financing to trust funds within the Trade and Competitiveness Global Practice over the past five years, which represents strong alignment with GAC's Sustainable Economic Growth thematic priority.

### **Canada Is Delivering Development Results Through the World Bank Group**

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

#### **Global Partnership for Education**

With Canada's support, the Global Partnership for Education (GPE) has achieved significant results in its partner countries, particularly in fragile and conflict-affected states, in primary school enrolment, literacy and girls' education. Since 2002, about 64 million more children were enrolled in primary school; 69 per cent of girls now finish primary school, compared with 56 per cent in 2002; and 31 countries are close to achieving, or have achieved, gender parity in primary education. The number of children completing primary school in fragile and conflict-affected countries has also increased by 19 per cent over this period. In FY2014-15, Canada provided \$30 million to the GPE and on April 16, 2015, the Minister of International Development announced that Canada would contribute a total of \$120 million over four years.

#### **Skills and Training Enhancement Project in Bangladesh**

Canada's support for the Skills and Training Enhancement Project (\$19.8 million over five years) significantly increased skill levels and employment readiness of poor men, women and youth in Bangladesh. In 2014-15, stipends for technical and vocational education and training programs were made available to 32,000 additional students from disadvantaged socio-economic backgrounds, bringing the cumulative two-year total to 96,329 students, including 14,082 women, and surpassing the target of 82,000. Canada also collaborated with the Bangladesh Garment Manufacturers and Exporters Association to provide training to 10,000 low-skilled or unskilled garment workers, including women and people with disabilities. In addition, training in garment manufacturing was provided to 840 students (92 women and 748 men), of which 84 per cent were employed within three months.

#### **Emergency Services and Social Resilience Project in Jordan**

Canada's support to the Emergency Services and Social Resilience Project in Jordan (\$17 million over two years) helps Jordanian municipalities and host communities address the immediate service delivery impacts of Syrian refugee inflows. The project also strengthens municipal capacity to elaborate plans through meaningful multi-stakeholder consultations and increases their resilience to crises. Key achievements of this project to December 2014 include: the successful bidding process and allocation of US\$20 million in grants to nine participating municipalities for the procurement and delivery of critical equipment (e.g., solid waste containers, machinery and trucks); technical assistance to municipalities to consult with the public and plan, implement and manage activities funded by the grants; and training of key government agencies, municipalities and vulnerable communities in emergency preparedness, risk planning, management and financing.



## Looking Ahead

Canada will work with the World Bank Group to catalyze additional resources to support the achievement of the SDGs. Canada will continue to develop opportunities to cooperate with the Bank and align our programming with its shared prosperity agenda, including through initiatives in which Canada is heavily invested, such as the Global Financing Facility in support of Every Woman Every Child and the Global Infrastructure Facility.

## 3. Canada's Objectives at the World Bank Group in 2015–16

Most of Canada's core objectives from the past year remain relevant and important in 2015–16, although new actions have been added to support the pursuit of these goals.

### **1. Promote appropriate financial instruments and partnerships that strengthen the World Bank Group's capacity to deliver development results.**

- Support the efficient use of capital to enhance the World Bank Group's capacity to deliver development results, while monitoring risks to the Bank's balance sheet.
- Engage with the World Bank Group to promote and catalyze private investment and partnerships in developing countries, including with Canadian firms and Canada's new development finance initiative. Work with the World Bank Group, in collaboration with other governments, the IMF, the Inter-American Development Bank and the Caribbean Development Bank, to address development challenges facing the Caribbean region, with a focus on renewed growth and economic governance reform.

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

- Serve as a constructive force in promoting transparent reform of voice and shareholding at the World Bank Group, while ensuring that Canadian interests are reflected in those discussions.
- Encourage the World Bank Group to strengthen its governance and accountability mechanisms, while also advocating for continued improvement in the value for money of Canadian contributions with a particular focus on the management and strategic vision of the International Development Association.

### **3. Promote Canadian priorities in World Bank Group policies and programming.**

- Ensure that Canada's foreign policy, trade and development priorities are reflected in World Bank Group operations, including in the areas of private sector development and maternal, newborn and child health.

To meet the first objective of promoting appropriate financial instruments and partnerships that strengthen program delivery, Canada will work with the World Bank Group to ensure the continued implementation of the financial reforms launched in 2013–14. Canada will continue to support the World Bank Group in better leveraging its balance sheets, so it can do more development lending. Increased leverage can unlock billions of dollars in new development lending for the world's poorest and most vulnerable countries. Canada is pursuing other initiatives to catalyze new development financing, and recently announced its intention to establish a development finance institution (DFI) which would support private sector initiatives in developing countries. As Canada's new DFI begins to operate, it will work to develop partnerships with established institutions like IFC in order to learn from its extensive expertise. Finally, Canada will continue to advocate for the World Bank Group and other international financial institutions to collectively address the economic and financial challenges faced by Caribbean countries.



To meet the second objective of helping improve the institutional effectiveness of the World Bank Group, Canada will support the undertaking of the various elements laid out in the shareholding review roadmap. Canada will closely engage with other IDA members through the IDA18 replenishment process, scheduled to begin in the spring of 2016. Canada will also contribute to the ongoing review of the Bank's social and environmental safeguards policies.

In order to meet the third objective of promoting Canadian priorities at the World Bank Group, Canada will work toward creating synergies between Group programming and Canadian foreign policy, trade and development priorities. We will encourage the World Bank Group to continue to focus on Canadian development priorities including sustainable economic growth, private sector development, food security, maternal, newborn and child health, and gender equality. We will also support new approaches which leverage the resources, knowledge and entrepreneurial drive of the private sector in order to achieve development impacts.



# Annex 1

## Background on IMF Operations and Canada's Engagement

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

## Governance and Representation

### Canada at the Board of Governors

The IMF is accountable to the 188 governments of its member countries through a number of mechanisms, first and foremost the Board of Governors, which is tasked with taking the most important institutional decisions. Canada's Governor to the IMF is the Minister of Finance, the Honourable William Francis Morneau, and the Alternate IMF Governor is Bank of Canada Governor Stephen Poloz. The Board of Governors meets once a year and can be called upon to formally vote without meeting on resolutions required by the Articles of Agreement (e.g., SDR allocations, quota increases, admitting new members), and on resolutions that amend the Articles or By-Laws of the Fund. Below are the positions taken by the Minister in his capacity as IMF Governor during the 2014–15 reporting period.

#### Voting Record of Minister of Finance in 2014–15

In July 2014, the Minister of Finance voted against a proposed salary increase for Executive Directors and their Alternates, given the view that Executive Director remuneration remained adequate. The proposed increases received the required support to pass.

In August 2014, the Minister of Finance voted to approve the rules for the 2014 election of IMF Executive Directors.

In September 2014 and March 2015, the Minister of Finance approved the activation of the New Arrangements to Borrow for a period of six months.

In October 2014, the Minister of Finance voted to elect Mr. Serge Dupont as Executive Director of Canada's constituency at the IMF.

In January 2015, the Minister of Finance consented to the proposed amendments to the borrowing agreement between Canada and the IMF for the Poverty Reduction and Growth Trust.

In February 2015, the Minister of Finance voted in favour of the proposed resolution extending the deadline for reaching an agreement on the 15th General Review of Quotas to December 2015. The resolution also called on the IMF Executive Board to explore interim steps to replicate some of the elements of the stalled 14th Review.

In March 2015, the Minister of Finance consented to the transfer of Canada's remaining balance in Canada's Multilateral Debt Relief Initiative-II Trust Account to support the newly created Catastrophe Containment and Relief Trust.



## Canada's Voting Share

As a result of the relatively large size of the Canadian economy and its openness to international trade, Canada's Governor holds a sizeable voting share at the IMF of 2.56 per cent, making Canada the 9<sup>th</sup> largest member during the reporting period. The 2010 quota and governance reforms continued the process of increasing the voting shares of dynamic emerging market and developing countries, bringing them more in line with changing global economic realities. When these reforms entered into force in January 2016, Canada's voting share declined slightly to 2.21 per cent (11<sup>th</sup> overall), as demonstrated in Table 5.

Table 5

### Voting Shares of the Largest Members of the IMF

Country	Pre-2010 Reforms % of Total Voting Shares	Current % of Total Voting Shares
United States	16.74	16.47
Japan	6.23	6.14
Germany	5.81	5.31
United Kingdom	4.29	4.02
France	4.29	4.02
China	3.81	6.07
Italy	3.16	3.02
Saudi Arabia	2.80	2.01
Canada	<b>2.56</b>	<b>2.21</b>
Russia	2.39	2.59
India	2.34	2.63
Netherlands	2.08	1.76
Belgium	1.86	1.30
Brazil	1.72	2.22
Spain	1.63	1.92

<sup>1</sup> Reflects the percentage of total voting shares now that the 2010 quota and governance reforms have been implemented.

Source: IMF.

## Canada at the International Monetary and Financial Committee (IMFC)

Although Canada's voting share has declined against the rising importance of emerging market economies, most of the decisions at the IMF are taken by consensus, allowing Canada to sustain its influence.

Canada's standing within the Fund also ensures the participation on behalf of our constituency of the Minister of Finance in the IMFC, an important advisory body to the IMF. The IMFC is composed of 24 member countries and reports to the Board of Governors. The IMFC usually meets twice a year, during the IMF-World Bank Annual and Spring Meetings, and produces communiqués providing direction and guidance to the IMF Managing Director and Executive Board.

The Minister of Finance also tables written statements during the Annual and Spring Meetings that outline Canada's and our constituency's views on the specific governance, surveillance and lending activities of the Fund. In 2015, the Honourable Joe Oliver, Canada's previous Minister of Finance for Canada, tabled an IMFC statement on behalf of Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines on April 18, 2015 in Washington, D.C.

[<https://www.imf.org/External/spring/2015/imfc/statement/eng/can.pdf>]. The Minister of Finance also tabled an IMFC statement on behalf of the same constituency on October 11, 2014 in Washington, D.C.

[<http://www.imf.org/External/AM/2014/imfc/statement/eng/can.pdf>].



## Canada at the Executive Board

The Board of Governors has delegated many of its powers to the 24-member Executive Board, chaired by the Managing Director of the IMF. Canada currently holds one of the 24 seats on the Executive Board and represents a constituency of 12 countries. The constituency system allows for all 188 member countries to be represented at a smaller table that is more conducive to overseeing the day-to-day business of the Fund. Canada represents a constituency that includes Ireland and most Commonwealth Caribbean countries. The Executive Director for Canada therefore holds a voting power, with all constituency members combined, of 3.60 per cent (following the entry into force of the 2010 reforms in January 2016, our constituency's combined voting share decreased to 3.38 per cent). During the reporting period, our constituency ranked 12<sup>th</sup> largest out of 24 (currently 13<sup>th</sup> largest, following implementation of the 2010 reforms).

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

The Executive Board usually operates on the basis of consensus, so formal votes are rare. Canada attempts to contribute to the development of policy proposals before they are brought to the Board through informal discussions with staff and management, or through consultation with other members of the Executive Board before formal Board deliberations. The Executive Director representing Canada, Ireland and the Caribbean recorded one abstention vote in 2014–15.

### **Voting Record of the Executive Director Representing Canada in 2014–15**

(Only Oppositions or Abstentions Listed)

In April 2015, the Executive Director abstained from voting on a resolution to increase the salary scales of IMF staff and promoted an agreement between the IMF Board and IMF management for an independent review of the process for annual adjustments to staff compensation.

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





# What the IMF Does

## History of the IMF

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

Headquartered in Washington, D.C., the IMF came into formal existence in 1945 when its Articles of Agreement were signed, and it began formal operations on March 1, 1947. The countries that joined the IMF between 1945 and 1971 agreed to enter a system of fixed exchange rates which kept the value of their currencies pegged to the US dollar, and in the case of the US dollar, to the value of gold. This monetary system, known as the Bretton Woods system, collapsed in 1971 when the US government decided it would no longer buy and sell gold to settle international transactions at a fixed rate of US\$35 per ounce. Since the collapse of the Bretton Woods system, members have been free to choose any form of exchange system they wish. Since that time, the IMF has assisted its members through the oil shocks of the 1970s, the debt crises of the 1980s, the integration of the former Soviet bloc countries and the response to the Asian financial crisis in the 1990s, and more recently the challenges posed by the global financial crisis.

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

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

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

## Surveillance

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

## Bilateral Surveillance

Article IV of the IMF Articles of Agreements requires the Fund to undertake regular consultations with each member country on economic conditions and policies. Over time, Article IV consultations have evolved to provide the Executive Board and the public<sup>29</sup> with: an overview of the state of the economy, financial sector and public finances; an assessment of the appropriateness of the exchange rate regime; an assessment of the economy's strengths and weaknesses and possible negative spillover effects of the country's policies on others; and advice on appropriate corrective measures. [link to Article IV info: <http://www.imf.org/External/Pubs/FT/AA/index.htm#art4>]

<sup>29</sup> Not all countries make their Article IV reports public. The publication of Article IV documents requires approval of country authorities.



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

The Executive Board discusses and assesses each Article IV consultation. Canada's Executive Director and his staff take part in each discussion, offering verbal and written statements highlighting our constituency's view on the state of the country's economy and posing additional questions to ensure the review is thorough and addresses important risks to the country's outlook. The Department of Finance and Bank of Canada are consulted on Article IV consultations for systemically important economies. Global Affairs Canada is also consulted when Canadian foreign policy or development priorities arise. Canada's most recent Article IV consultation was published in January 2015.

## Multilateral Surveillance

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

For more information on IMF surveillance, please visit its website.<sup>30</sup>

## Capacity Development

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

The IMF offers technical assistance and training to members in areas such as tax policy and revenue administration, public expenditure management, debt management, monetary policy, exchange rate systems, financial sector sustainability, and statistics. IMF spending on technical assistance and training has grown in the years following the global financial crisis, expanding by approximately 63 per cent between FY2009 and FY2014 to approximately US\$235 million in FY2014. Much of the IMF's capacity development services are utilized by developing countries, including several members of Canada's constituency in the Caribbean. Canada is an increasingly important donor in this area. Typical activities supported by Canada in developing countries include diagnostic studies, training courses, workshops, online advice and support, and the placement of technical assistance experts and advisors.

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<sup>30</sup> <http://www.imf.org/external/about/econsurv.htm>.



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## Regional Technical Assistance

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

Canada is a major contributor to the RTACs. It is the largest donor to the Caribbean Regional Technical Assistance Centre (CARTAC), having provided \$20 million for CARTAC Phase IV (2011–2016) and \$63 million in total to all phases of CARTAC. Since 2011, the current phase of CARTAC has trained 4,500 Caribbean policy makers and government officials.

Canada also contributes to the five RTACs in Africa (AFRITAC East, Central, South, West and West II). Each centre works at both the country and regional level to improve the capacity of member countries to design and implement policies that promote growth and reduce poverty. For example, in 2014–15, AFRITAC East played a key role in developing financial sector regulatory and supervisory frameworks in the region. Strong partnerships and results have been achieved in enhancing risk-based banking supervision frameworks, consolidated supervision, and anti-money laundering and combating the financing of terrorism supervisory frameworks.

Canada also contributes to the Central America, Panama, and the Dominican Republic Regional Technical Assistance Centre (CAPTAC-DR), established in 2009. Canada recently approved a \$10 million contribution to Phase II of CAPTAC-DR, doubling its \$5 million contribution to Phase I (2009–2014).

## Canada-IMF Technical Assistance Sub-Account

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

## Enhancing Public Financial Management in the Caribbean

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



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## Canadian Technical Assistance in Ukraine

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

### Strengthening the National Bank of Ukraine

Canada continues to support the IMF in its delivery of technical assistance to strengthen the capacities of the NBU. During the reporting period, technical assistance focused on crisis management, design and initial implementation of the 2014 Stand-By Arrangement program and the 2015 Extended Fund Facility (EFF) program, and institutional reform of the NBU itself. In particular, Canada-funded technical assistance helped stabilize financial markets, reform the monetary and exchange rate framework (ongoing), undertake a fundamental restructuring in the banking system, introduce a modern functions-based structure at the NBU, and draft amendments to the NBU Law and Budget Laws to enhance the independence and governance of the NBU (these amendments were adopted by Parliament on June 18, 2015). In total, Canada supported 24 expert missions during the reporting period.

## Lending

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

The IMF's lending facilities are divided into two broad groups: non-concessional (includes precautionary lending) and concessional. Table 6 provides an overview of each lending facility.



Table 6

## IMF Lending Facilities

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

Source: IMF.



## Financial Resources

The IMF's total financial resources are composed of both permanent (quotas) and temporary (multilateral borrowing agreements, bilateral lending agreements) resources. Table 7 provides an overview of each of these sources, whereas Table 8 summarizes Canada's commitments and financial position at the Fund as of April 30, 2015. Table 9 provides a summary of Canada's commitments following the entry into force of the 2010 quota and governance reforms.

Table 7

### IMF Financial Resources

Source	Purpose	Status as of end-FY2015	Amount Prior to Implementation of 2010 Quota Reforms (SDR Billions)	Current Amount with Implementation of 2010 Quota Reforms (SDR Billions)
Quotas	Each member contributes quotas, which serve as the base component of the IMF's financial resources.	Quotas are permanently active. Quota levels and their distribution are reviewed every five years. The 2010 reforms doubled aggregate quotas.	238.4	476.8
New Arrangements to Borrow (NAB)	Rules-based set of multilateral borrowing arrangements with 40 IMF members to augment IMF resources in times of global or regional economic instability. <sup>1</sup>	The NAB was enlarged in March 2011 and activated for 6-month periods in April 2011, October 2011, April 2012, October 2012, April 2013, October 2013, April 2014, October 2014 and April 2015.	370	182.4
General Arrangements to Borrow (GAB)	Older, smaller set of multilateral borrowing arrangements with 11 countries, which can only be activated when a proposal to activate the NAB is not accepted.	The GAB was renewed in December 2013 for a period of 5 years. It has not been activated since 1998. It cannot be used at the same time as the NAB.	17	17
Bilateral borrowing	Temporary supplement to IMF resources when necessary.	In 2012, 38 IMF members pledged US\$461 billion in bilateral loans to supplement Fund resources. As of March 12, 2015, US\$369.3 billion in borrowing agreements were effective, but not active. They can only be activated if the IMF's useable quota and NAB resources fall below SDR 100 billion.	266.4	N/A

<sup>1</sup> NAB agreements listed by the Fund include 40 member participants. However, Greece and Ireland have yet to adhere to the expanded NAB.  
Source: IMF.

## Quotas

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





In 2010, IMF members approved major reforms of quotas and IMF governance. Now that these reforms have entered into force, aggregate quotas have doubled to approximately SDR 477 billion (see Table 7). Quota levels and shares are traditionally reviewed every five years. The 15<sup>th</sup> General Review of Quotas was originally set to begin in 2013; however, as a result of delays in implementing the 2010 reforms, the deadline for completing the 15<sup>th</sup> Review has been repeatedly extended. Discussions on the 15<sup>th</sup> Review will now begin in 2016.

At end-FY2015, Canada's contribution to the IMF's overall quota was SDR 6.37 billion, representing 2.67 per cent of the total. As of April 30, 2015, SDR 1.22 billion (about \$2.09 billion) in drawings by the IMF against Canada's quota was outstanding.<sup>31</sup> Canada's quota increased from SDR 6.37 billion to SDR 11 billion following the entry into force of the 2010 quota and governance reforms.

## Multilateral Borrowing Agreements

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

The IMF has GAB agreements with 11 countries totalling SDR 17 billion and NAB agreements with 40 countries totalling SDR 370 billion (following the entry into force of the 2010 reforms, the Fund's total NAB agreements were rolled back to SDR 182.4 billion).<sup>32</sup> The GAB was recently renewed for a period of five years in December 2013; however, it has not been activated since 1998 and cannot be used at the same time as the NAB. The NAB can be activated with the consent of participants for six-month intervals. In April 2011, due to heightened global uncertainty, the NAB was activated. It has been reactivated for consecutive six-month periods nine additional times, most recently in September 2015, for a total amount of SDR 183 billion. At end-FY2015, Canada's share of the GAB was SDR 893 million, while its share of the NAB was SDR 7.62 billion. As of April 30, 2015, the IMF had drawn SDR 761.16 million or about \$1.3 billion from Canada's NAB contribution to fund lending arrangements. Canada's NAB arrangement was rolled back from SDR 7.62 billion to SDR 3.87 billion following the entry into force of the 2010 quota and governance reforms.

## Bilateral Lending Agreements

The IMF's resources are being further augmented on a temporary basis as a result of new bilateral credit line pledges of US\$461 billion made by 38 countries in 2012 in the face of the sovereign debt crisis in the euro area. As of March 12, 2015, 33 agreements are now effective for \$369.3 billion of these loans, which can only be activated as a last line of defence once quota and NAB resources have been significantly depleted and the IMF's Forward Commitment Capacity (see below) has fallen to SDR 100 billion. Canada did not participate in these bilateral borrowing arrangements.

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<sup>31</sup> On April 30, 2015, 1 SDR equalled 1.704 Canadian dollars.

<sup>32</sup> Of the 40 NAB participants, neither Greece nor Ireland has adhered to the expanded NAB.



Table 8

**Summary of Canada's Financial Position at the IMF**  
**IMF-Related Finances, as of April 30, 2015**

SDR billions

	Allocated Contribution	Amount Drawn
Current quota	6.4	1.2
NAB commitment	7.6	0.8
GAB commitment	0.9	0
Total	14.9	2.0

Source: IMF

Table 9

**Summary of Canada's Allocated Contribution at the IMF**

SDR billions

	Allocated Contribution as of April 30, 2015 (prior to implementation of 2010 reforms)	Allocated Contribution as of January 30, 2016 (following implementation of 2010 reforms)
Quota commitment	6.4	11
NAB commitment	7.6	3.9
GAB commitment	0.9	0.9
Total	14.9	15.8

Source: IMF.

## General Resource Safeguards

Not all of the IMF's resources are available for lending. This is because the IMF does not draw from the quota of members in programs, or from members who are not considered to have a strong balance of payments position. Only a subset of the membership provides loanable resources to the Fund. These financially strong members participate in the institution's Financial Transactions Plan, which sets out at regular intervals the Fund's anticipated drawings on members' quotas and NAB commitments. Further, the Fund sets aside a prudential balance of 20 per cent of useable quota and NAB resources. The prudential balance is an important safeguard to the liquidity of members' claims. The IMF therefore uses a measure known as the Forward Commitment Capacity (FCC) as a measure of resources available for new financial commitments in the coming year. It is equal to: uncommitted useable resources, *plus* repayments one year forward, *less* amounts that have already been committed under existing lending arrangements, *less* the prudential balance. The FCC does not include unactivated bilateral loans or the GAB. As April 30, 2015, the FCC totalled SDR 301 billion or about US\$424 billion.

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



For more information on the IMF's balance sheet, see Annex 2. The IMF's 2014 Annual Report also contains an in-depth examination of the IMF's finances. For up-to-date information on the state of IMF finances, the IMF prepares a weekly summary of its financial assistance to member countries, available IMF resources, arrears and key IMF rates, as well as a monthly summary of its total resources, useable resources and FCC.

## Concessional Lending and Debt Relief Resources

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

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

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

Following the onset of the global financial crisis, the IMF successfully mobilized a major PRGT financing package composed of internal funds and new donor resources to scale up assistance to the most vulnerable IMF members. The aim of the exercise was to boost the PRGT's capacity so that it could lend concessional resources of up to SDR 11.3 billion over the 2009–2014 period. Canada played a leadership role throughout this process, including contributing \$40 million of subsidy resources and SDR 500 million (about \$850 million) in loan resources. These contributions were announced in Budget 2010.

In order to boost the Fund's concessional lending capacity, the IMF Executive Board agreed in September 2012 to transfer to the PRGT windfall profits of over SDR 1.75 billion from a 2009–10 sale of IMF gold. This transfer formed part of the strategy adopted by the Executive Board to make the PRGT self-sustaining over the longer term. In April 2014, the Executive Board approved amendments required to implement the self-sustaining PRGT. Specifically, these included authorizing the eventual use of investment income earned on PRGT reserves to subsidize loans, and allowing the Fund to make PRGT loan commitments during the 2016–2020 period. The Minister of Finance consented to these amendments in June 2014 and they became effective in November. In early 2015 Canada, alongside other PRGT lenders, also consented to the extension of its borrowing agreement with the Fund. Together these amendments have put the PRGT in a stronger position to support the most vulnerable IMF members.



## Annex 2

# Operational Highlights and Key Financial Indicators for the IMF for Fiscal Year 2015

IMF disbursements (i.e., outflows of IMF resources to borrowing members) from the General Resources Account increased slightly to SDR 12 billion in FY2015 from SDR 11.7 billion in FY2014, while repayments (i.e., inflows of IMF resources) rose to SDR 38 billion in FY2015 from SDR 20.6 billion the year before. As a result, resource repayments were in excess of disbursements (by SDR 26 billion) for the second consecutive year. Both disbursements and repayments from the Poverty Reduction and Growth Trust increased modestly, with disbursements rising to SDR 0.7 billion in FY2015 from SDR 0.6 billion in FY2014, and repayments increasing to SDR 0.5 billion in FY2015 from SDR 0.4 billion in FY2014.

### IMF Disbursements and Repayments

SDR billions

	FY2014	FY2015
General Resources Account (GRA)		
Disbursements	(11.7)	(12.0)
Repayments	20.6	38.0
	8.9	26.0
Poverty Reduction and Growth Trust (PRGT) <sup>1</sup>		
Disbursements	(0.6)	(0.7)
Repayments	0.4	0.5
	(0.2)	0.2
GRA and PRGT		
Total disbursements	(12.3)	(12.7)
Total repayments	21.0	38.5
	8.8	25.8

<sup>1</sup> Includes loans under the Structural Adjustment Facility and Trust Fund.  
Source: IMF.

Outstanding credit from the GRA decreased to SDR 55.2 billion in FY2015 from SDR 81.2 billion in FY2014. Outstanding credit from the PRGT edged up slightly to SDR 6.3 billion in FY2015. As a result, total credit outstanding was SDR 61.5 billion, down from SDR 87.3 billion the prior year.

### IMF Outstanding Credit

SDR billions

	FY2014	FY2015
General Resources Account	81.2	55.2
Poverty Reduction and Growth Trust <sup>1</sup>	6.1	6.3
Total	87.3	61.5

<sup>1</sup> Includes loans under the Structural Adjustment Facility and Trust Fund.  
Source: IMF.



## Annex 3

# Active IMF Lending Arrangements as of April 30, 2015

### IMF Lending Arrangements as of April 30, 2015

SDR millions

	Date of Arrangement	Date of Expiration	Amount Agreed	Amount Drawn
<b>General Resources Account (GRA)</b>				
<b>Stand-By Arrangement</b>				
Bosnia and Herzegovina	September 26, 2012	June 30, 2015	558	423
Georgia	July 30, 2014	July 29, 2017	100	80
Honduras	December 3, 2014	December 2, 2017	78	0
Jordan	August 3, 2012	August 2, 2015	1,364	1,364
Kenya	February 2, 2015	February 1, 2016	353	353
Romania	September 27, 2013	September 26, 2015	1,751	0
Serbia, Republic of	February 23, 2015	February 22, 2018	935	0
Tunisia	June 7, 2013	June 6, 2015	1,146	788
<b>Total</b>			<b>6,285</b>	<b>2,370</b>
<b>Extended Fund Facility</b>				
Albania	February 28, 2014	February 27, 2017	295	94
Armenia, Republic of	March 7, 2014	May 6, 2017	82	23
Cyprus	May 15, 2013	May 14, 2016	891	371
Greece	March 15, 2012	March 14, 2016	23,785	10,225
Jamaica	May 1, 2013	April 30, 2017	615	389
Pakistan	September 4, 2013	September 3, 2016	4,393	2,520
Seychelles	June 4, 2014	June 3, 2017	11	11
Ukraine	March 11, 2015	March 10, 2019	12,348	3,546
<b>Total</b>			<b>42,422</b>	<b>17,180</b>
<b>Flexible Credit Line</b>				
Colombia	June 24, 2013	June 23, 2015	3,870	0
Mexico	November 26, 2014	November 25, 2016	47,292	0
Poland, Republic of	January 14, 2015	January 13, 2017	15,500	0
<b>Total</b>			<b>66,662</b>	<b>0</b>
<b>Precautionary and Liquidity Line</b>				
Morocco	July 24, 2014	July 27, 2015	3,235	0
<b>Total</b>			<b>3,235</b>	<b>0</b>
<b>GRA Total</b>			<b>118,604</b>	<b>19,542</b>

Note: Totals may not add due to rounding.

**IMF Lending Arrangements as of April 30, 2015 (cont'd)**

SDR millions

	Date of Arrangement	Date of Expiration	Amount Agreed	Amount Drawn
<b>Poverty Reduction and Growth Trust (PRGT)</b>				
<b>Extended Credit Facility</b>				
Bangladesh	April 11, 2012	July 31, 2015	640	457
Burkina Faso	December 27, 2013	December 26, 2016	27	5
Burundi	January 27, 2012	March 31, 2016	40	30
Chad	August 1, 2014	July 31, 2017	107	13
Côte d'Ivoire	November 4, 2011	December 31, 2015	520	423
Ghana	April 3, 2015	April 2, 2018	664	83
Grenada	June 26, 2014	June 25, 2017	14	4
Guinea	February 24, 2012	December 31, 2015	174	137
Kyrgyz Republic	April 8, 2015	April 7, 2018	67	10
Liberia	November 19, 2012	November 18, 2015	84	62
Malawi	July 23, 2012	May 22, 2016	104	65
Mali	December 18, 2013	December 17, 2016	30	14
Niger	March 16, 2012	December 31, 2015	79	56
São Tomé and Príncipe	July 20, 2012	July 19, 2015	3	1
Sierra Leone	October 21, 2013	October 20, 2016	140	104
Solomon Islands	December 7, 2012	December 6, 2015	1	1
Yemen, Republic of	September 2, 2014	September 1, 2017	365	49
<b>Total</b>			<b>3,058</b>	<b>1,514</b>
<b>Standby Credit Facility</b>				
Honduras	December 3, 2014	December 2, 2016	52	0
Kenya	February 2, 2015	February 1, 2016	136	0
<b>Total</b>			<b>188</b>	<b>0</b>
<b>PRGT Total</b>			<b>3,246</b>	<b>1,514</b>
<b>Grand Total</b>			<b>121,850</b>	<b>21,056</b>

Note: Totals may not add due to rounding.

Source: IMF.





## Annex 4

# Background on World Bank Group Operations and Canada's Engagement

The overarching mission of the World Bank Group is to end extreme poverty by 2030 and boost shared prosperity by fostering the income growth of the bottom 40 per cent for every country. The World Bank Group concentrates on fostering a climate conducive to investment, job creation and sustainable growth. It also seeks to empower the less fortunate, through the provision of health services, education and other social services, to enable them to participate in development. The World Bank Group is a vital source of financial and technical assistance to developing countries around the world.

## The Role and Mandate of the World Bank Group

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

All figures in this section reflect the World Bank Group's 2015 financial year (July 1, 2014 to June 30, 2015) unless otherwise indicated. Further information on the World Bank Group's financial performance can be found on its Results webpage.<sup>33</sup>

Chart 4  
**World Bank Group**



<sup>33</sup> World Bank Group Results webpage (<http://www.worldbank.org/en/results>).



## IBRD—International Bank for Reconstruction and Development

### IBRD at a Glance

- Established: 1944
- Members: 188
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, risk management products, and analytical and advisory services
- Size: US\$23.5 billion in new commitments in 2015

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

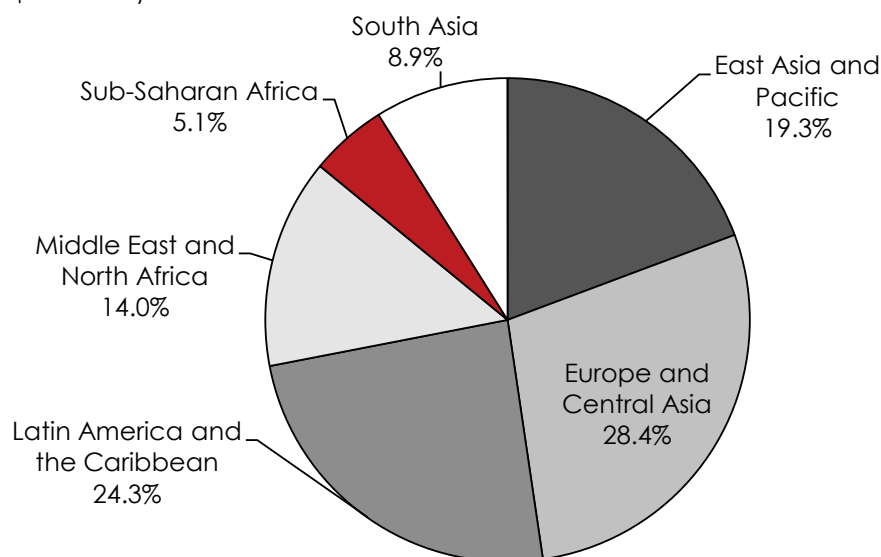
IBRD raises most of its funds in the world's financial markets by selling AAA-rated World Bank bonds. It lends these funds to its client countries at a rate of interest that is much lower than the rate they could secure on their own. IBRD can borrow at attractive rates due to its financial strength and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

IBRD does not seek to maximize profit; rather, it aims to earn enough to ensure its financial strength and to sustain its development activities. In FY2015, IBRD's loan portfolio included commitments of US\$23.5 billion to 112 projects in 45 countries, an increase from US\$18.6 billion in FY2014.

Europe and Central Asia received the largest portion of IBRD funding (28.4 per cent) in FY2015, followed by Latin America and the Caribbean (24.3 per cent). More information about the IBRD can be found on its website.<sup>34</sup>

Chart 5  
**Total IBRD Lending by Region, 2015**

(% share of US\$23.5 billion)



Source: World Bank Group.

<sup>34</sup> International Bank for Reconstruction and Development (<http://www.worldbank.org/en/about/what-we-do/brief/ibrd>).



## IDA—International Development Association

### IDA at a Glance

- Established: 1960
- Members: 173
- Clients: Poorest countries
- Tools: Interest-free loans, grants, and analytical and advisory services
- Size: US\$19.0 billion in new commitments in 2015

In the 1950s, it became clear that the poorest developing countries could not afford to borrow capital at the interest terms offered by IBRD. In response, IDA was set up to reduce poverty by providing interest-free credits and grants. IDA offers 25- and 40-year interest-free loans and grants to countries at risk of debt distress and represents the largest source of development financing for many of these countries. IDA is focused on countries with lower creditworthiness and an annual per capita income of less than US\$1,215. 78 countries are currently eligible to receive IDA resources. Countries that are eligible for IDA lending but also have an active IBRD lending program pay some interest on loans from IDA compared to the interest-free loans offered to IDA-only borrowers.

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

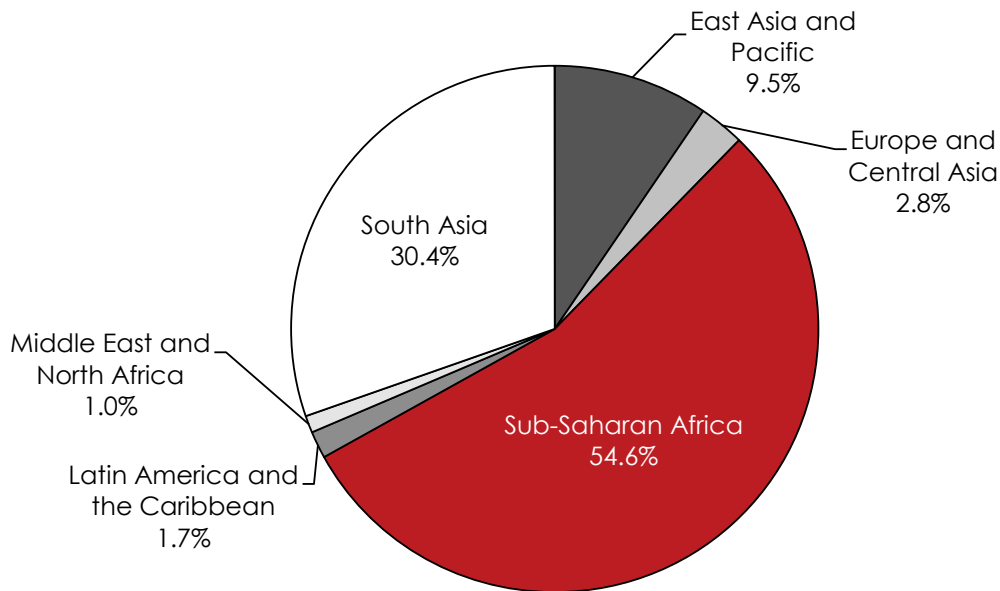
Sub-Saharan Africa received the largest share of IDA resources in FY2015—US\$10.4 billion, or 54.6 per cent of total commitments. South Asia received 30.4 per cent of new commitments, totalling US\$5.8 billion. More information about IDA can be found on its website.<sup>35</sup>

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<sup>35</sup> International Development Association (<http://www.worldbank.org/ida/>).



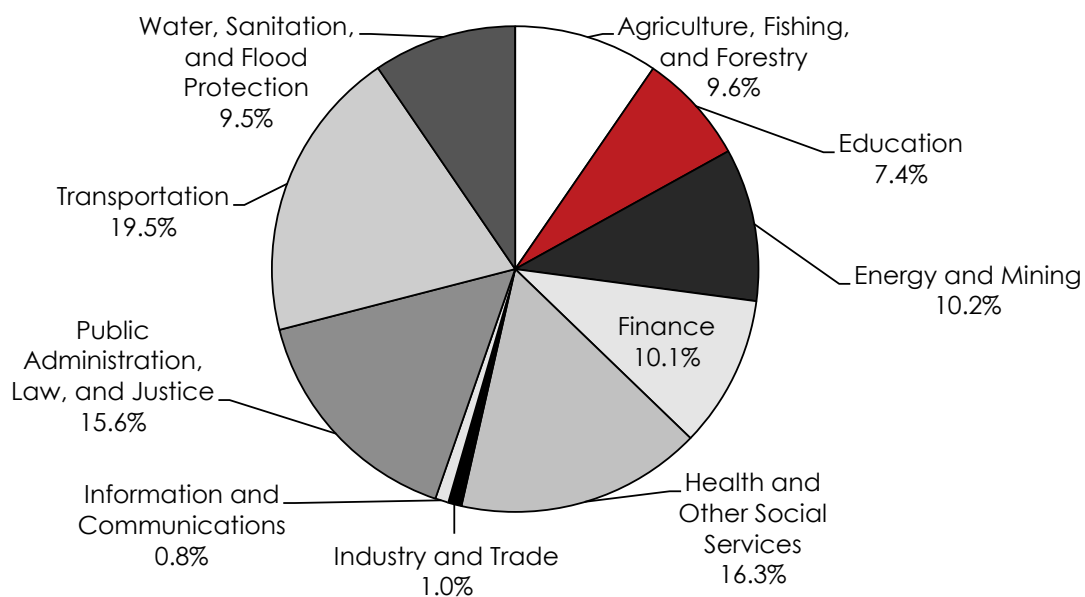
Chart 6  
**Total IDA Commitments by Region, 2015**  
(% share of US\$19.0 billion)



Source: World Bank Group.

IBRD and IDA lending for infrastructure (Transportation; Energy and Mining; Water, Sanitation, and Flood Protection) combined for approximately 39 per cent of total lending in FY2015. Other sectors that were a major focus for lending included Public Administration, Law and Justice (16 per cent), Health and Other Social Services (16 per cent) and Education (7 per cent).

Chart 7  
**Total IBRD and IDA Lending by Sector, 2015**  
(% share of US\$42.5 billion)



Source: World Bank Group.



## IFC—International Finance Corporation

### IFC at a Glance

- Established: 1956
- Members: 184
- Clients: Businesses in developing countries where there is limited access to capital
- Tools: Commercial-rate loans, equity investments, resource mobilization and advisory services
- Size: US\$17.7 billion in new investment commitments in 2015

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

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

In FY2015, IFC committed US\$17.7 billion in new investments (US\$10.54 billion on IFC's own account and US\$7.13 billion in core mobilization). New commitments on IFC's own account included US\$2.38 billion in Latin America and the Caribbean, US\$2.29 billion in East Asia and the Pacific, US\$1.83 billion in Sub-Saharan Africa, US\$1.53 billion in Europe and Central Asia, US\$1.40 billion in South Asia, and US\$0.89 billion in Middle East and North Africa.

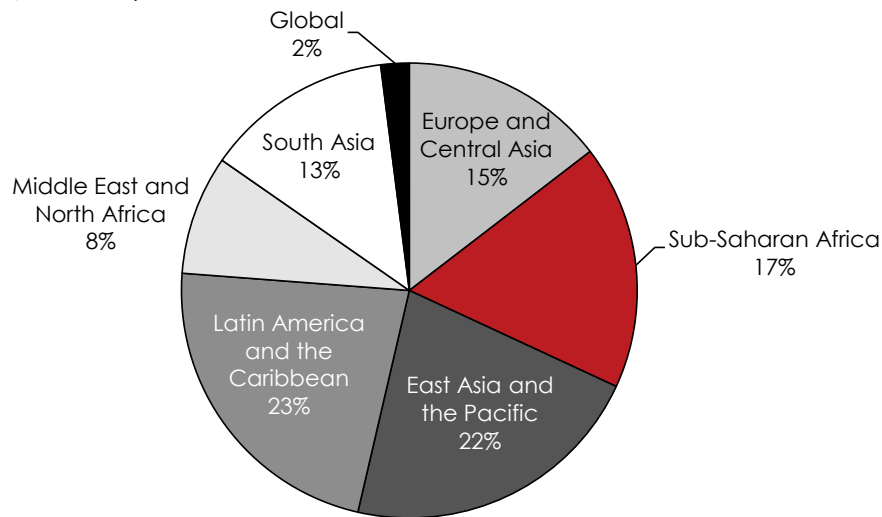
For more information about IFC, visit its website.<sup>36</sup>

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<sup>36</sup> International Finance Corporation ([http://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/home](http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home)).

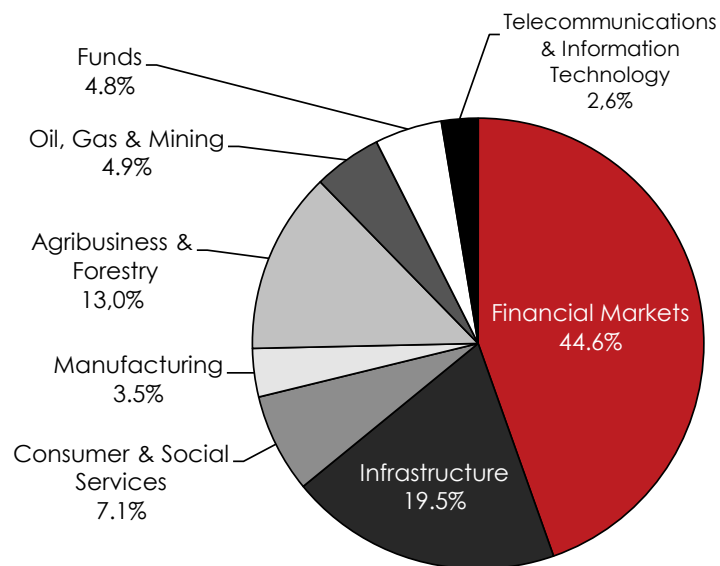


Chart 8  
**New IFC Investments by Region, 2015**  
(% share of US\$10.5 billion)



Source: World Bank Group.

Chart 9  
**New IFC Investments by Sector, 2015**  
(% share of US\$10.5 billion)



Source: World Bank Group.





## MIGA—Multilateral Investment Guarantee Agency

### MIGA at a Glance

- Established: 1988
- Members: 181
- Clients: Investors and lenders
- Tools: Political risk insurance, credit enhancement products, and advisory and legal services
- Size: US\$2.8 billion issued in risk guarantees in 2015

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

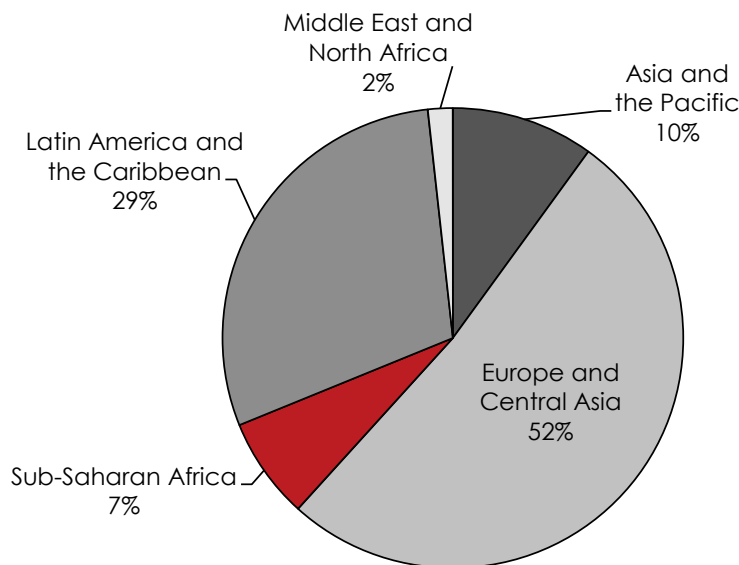
In FY2015, the total amount of guarantees issued for projects in MIGA's developing member countries was US\$2.8 billion, down slightly from US\$3.2 billion in FY2014.

For more information about MIGA, visit its website.<sup>37</sup>

Chart 10

### New MIGA Risk Guarantees Issued by Region, 2015

% share of US\$2.8 billion



Source: World Bank Group.

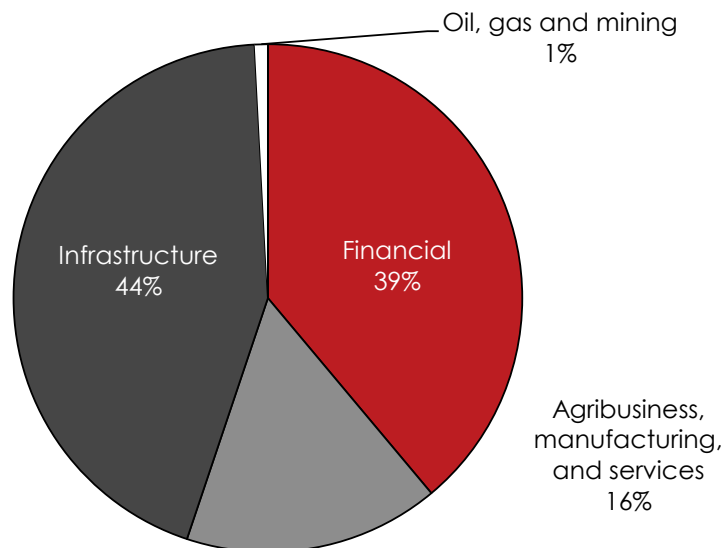
<sup>37</sup> Multilateral Investment Guarantee Agency (<http://www.miga.org/>).



Chart 11

### New MIGA Risk Guarantees Issued by Sector, 2015

% share of US\$2.8 billion



Source: World Bank Group.

## ICSID—International Centre for Settlement of Investment Disputes

### ICSID at a Glance

- Established: 1966
- Members: 151 full members; 159 signatories
- Mission: Facility to resolve international investment disputes

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



## Compliance With the Official Development Assistance Accountability Act

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

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

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

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

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

- IDA is the single largest source of donor funds for basic social services in the world's 77 poorest countries. IDA loans ("credits") and grants are allocated based on Country Assistance Strategies, which take into account the perspectives of civil society and potential beneficiaries of IDA funds. IDA is a recognized leader in supporting development programs aimed at reducing poverty by boosting economic growth, reducing inequalities and improving people's living conditions. IDA also provides significant debt relief—crucial for poverty reduction—through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative.
- IBRD is owned by and operated for the benefit of its 188 member countries, with a development focus on poverty reduction in middle-income countries and in low-income countries that are creditworthy. The cooperative structure, which treats middle-income countries simultaneously as clients and shareholders, ensures that those who benefit from its low-cost financing, development and technical expertise, and strategic advice also have a voice in the institution.
- IFC is the largest global development institution focused on the private sector in developing countries. As some of the funds invested through IFC are provided on market terms, not all Canadian funding to IFC is reported as official development assistance. Nonetheless, IFC's poverty reduction mission and environmental and social safeguards respect the spirit of the ODAAA. Additionally, IFC is owned by 184 member countries that are represented on the Board of Governors and Board of Directors.

## The World Bank Group's Internal Checks and Balances

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

### The Independent Evaluation Group (IEG)

IEG is an independent unit within the World Bank Group reporting directly to the Bank's Executive Board. It assesses the development impact of IBRD, IDA, IFC and MIGA programs, aiming to provide an objective assessment of their work, create accountability in the achievement of the Bank's objectives and ensure that the Bank learns from its experiences. Its reports are available on the World Bank website.



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## Internal Audit Department

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

## The Inspection Panel

The primary purpose of the Inspection Panel is to address the concerns of people who may be affected by IBRD and IDA projects and to ensure that the Bank adheres to its operational policies and procedures during the design, preparation and implementation phases of projects. The Panel is appointed by and reports directly to the Executive Board. More information on the Panel is available on the World Bank website.

## Compliance Advisor Ombudsman (CAO)

The Office of the CAO is committed to enhancing the development impact and sustainability of IFC and MIGA projects by responding quickly and effectively to complaints from affected communities. It also supports IFC and MIGA in improving the social and environmental outcomes of their work and fostering a high level of accountability. The CAO's annual report can be accessed on its website.

## Department of Institutional Integrity (INT)

INT investigates allegations of fraud and corruption in World Bank Group operations as well as allegations of staff misconduct, and reports its findings directly to the President. INT also assists in preventative efforts to protect World Bank Group funds and ensure they are used for intended purposes. In FY2014, the World Bank Group disbarred 118 entities. More information on INT can be found on the World Bank website.<sup>38</sup>

## Canada's Capital Subscriptions and Shareholding

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

Canada is among the 10 largest shareholders at the World Bank Group, having contributed a total of US\$7.2 billion in capital subscriptions to IBRD, IFC and MIGA and US\$11.2 billion in contributions to IDA.

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<sup>38</sup> World Bank Group website, Integrity Vice Presidency webpage (<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/ORGUNITS/EXTDOI/0,,menuPK:588927~pagePK:64168427~piPK:64168435~theSitePK:588921,00.html>).



Table 10

**Canada's Capital Subscriptions, 2015**

US\$ millions, unless otherwise indicated

	IBRD	IDA	IFC	MIGA
Capital subscriptions and contributions	7,039.5	11,190.1 <sup>1</sup>	81.3	56.5
Amount paid in	433.1	10,700 <sup>2</sup>	81.3	10.7
Amount not paid in but contingent on future capital requirements	6,606.4	–	–	45.8
Subscription or contributions share (%)	2.78	4.57	3.17	2.95
Voting power (%)	2.66	2.63	3.02	2.50

Note: Figures are from the 2015 financial statements and annual reports for the World Bank, IFC and MIGA.

<sup>1</sup> Represents Canada's cumulative contributions to IDA and commitments made until January 2017 as part of our commitment to the seventeenth replenishment of IDA.

<sup>2</sup> Represents Canada's cumulative contributions to IDA and the first actual payment of a series made as part of the eighteenth replenishment of IDA.

Canada's voting power ranges from 2.5 per cent to 3.0 per cent within the Bank's different institutions. Voting power at the Bank is mainly a function of the shareholdings held by a country, which in effect means that voting power reflects the relative economic strength of individual members. A small share of a member's voting power is also determined by basic votes, which are distributed equally among all members. At the end of 2010, new shareholding and voting reforms were agreed for IBRD, which will result in a shift in voting shares in favour of developing countries and emerging economies as member states subscribe to the general and special capital increases. As these voice reforms are implemented, Canada is expected to fall from the 7th largest to the 11th largest shareholder, allowing greater voice for and recognition of certain major emerging market countries.

## Canada's Governor at the World Bank Group

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

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

The Board of Governors is asked to vote on a number of resolutions throughout the year. Canada's positions on resolutions taken in the period July 1, 2014 to June 30, 2015 are shown below.

### Voting Record of the Canadian Governor in 2014–15

In August 2014, Canada voted against a proposed salary increase for Executive Directors and their Alternates.

In November 2014, Canada nominated Alister Smith as Canada's candidate for the 2014 election of Executive Directors.

In June 2015, Canada supported transferring US\$55 million from IBRD's surplus to replenish the Trust Fund for Gaza and West Bank.



By virtue of its significant shareholding, Canada's Governor is also accorded a seat at the Development Committee of the Boards of Governors of the World Bank and IMF, which meets twice a year, at the Spring Meetings and the Annual (Fall) Meetings. The Development Committee is a ministerial-level forum of the World Bank Group and the IMF for intergovernmental consensus-building on development issues and the financial resources required to promote economic development in developing countries.

In 2014–15, the Governor tabled two Development Committee statements on behalf of Canada's constituency, comprising Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, on October 11, 2014 and on April 18, 2015 in Washington, D.C.

## The Canadian Executive Director at the World Bank Group

Governors delegate responsibility for the day-to-day running of the organization to 25 full-time Executive Directors, located at the Bank's headquarters in Washington, D.C. Executive Directors are appointed for two years. They each represent a constituency, which can include more than one country. The Canadian Executive Director, Alister Smith, also represents Ireland and 11 Caribbean countries. Representatives of the governments within the constituency provide advice to the Executive Director on issues discussed at the Executive Board. The Executive Director considers this advice in formulating his positions and applies his own judgment as an officer of the World Bank Group.

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

Shareholders typically raise serious questions or concerns about specific Bank operations before they get to the Executive Board. In addition, Executive Directors may abstain or vote against projects or policies in consultation with their constituencies. In 2014–15, the Executive Director representing Canada supported all policies and projects approved by the Board, with four exceptions (see following box).

### **Voting Record of the Executive Director Representing Canada in 2014–15**

(Due to the volume of business at the World Bank Board of Directors, only oppositions or abstentions are listed)

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

In June 2015, the Canadian Executive Director abstained on a proposed IFC investment in Postal Savings Bank of China Equity on the basis of concerns over IFC's investments in state-owned enterprises and the lack of financial additionality.

In June 2015, the Canadian Executive Director abstained on the proposed administrative budget for IFC's 2016 fiscal year on the basis of the limited information provided by IFC on its strategic priorities and the specific allocation of resources to these priorities.

In June 2015, the Canadian Executive Director opposed the proposal to increase World Bank Group staff compensation on the basis that salary is only one component of total compensation, and that a comprehensive assessment of total compensation was needed and had not been provided ahead of the proposed increase in salaries.





## Canada's Financial Contributions to the World Bank Group in 2014–15

Canada is an important provider of funding for the World Bank Group. In 2014–15, Canada made the following contributions:

### **IDA Contribution: \$883,220,000**

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

During the reporting period of July 1, 2014 to June 30, 2015, Canada provided two payments of \$441.61 million to IDA, for a total contribution during the reporting period of \$883.22 million, as agreed under the IDA17 replenishment.<sup>39</sup> This contribution supports IDA's efforts to enhance aid effectiveness, finance large regional projects such as infrastructure projects, and provide special assistance for fragile states such as Afghanistan and Haiti, while ensuring countries do not take on unsustainable levels of debt.

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

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

During the reporting period of July 1, 2014 to June 30, 2015, Canada provided \$51.2 million to the World Bank Group for the MDRI.

### **World Bank Group Trust Funds \$519,740,000**

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

Annex 5 provides a list of all trust funds to which Global Affairs Canada contributed in 2014–15, unless otherwise indicated.

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<sup>39</sup> The increase in Canada's contribution to IDA reflects an administrative change in the timing of our annual payments from April to January each year. Once the 2014–15 transition year is over, Canada's contribution to IDA will return to \$441.6 million per year for the rest of the IDA17 replenishment period.



# Annex 5

## Canadian Contributions to World Bank Group Trust Funds

The disbursements listed below are through Global Affairs Canada, unless otherwise indicated.

Trust Funds	Disbursements Between July 1, 2014 and June 30, 2015 (\$ Millions)
<b>Americas</b>	
Entrepreneurship Program for Innovation in the Caribbean (Caribbean Region)	3.0
Enhancing Public Financial Management in the Caribbean (Caribbean Region)	4.0
Financial Sector Strengthening (Eastern Caribbean Currency Union)	3.0
Canada-Americas Business Environment Reform (Inter-American Region)	1.7
Enhancing the Development Impact of Extractive Industries (Peru)	2.6
Catastrophe Risk Insurance Facility for Central America (Honduras and Nicaragua)	3.0
<b>Asia</b>	
Skills Training & Enhancement Project (Bangladesh)	4.8
Indonesia Agribusiness Development (Indonesia)	2.5
Public Private Infrastructure (Accelerating Sustainable Private Investments in Renewable Energy )	2.2
Agribusiness Development (Philippines)	2.0
Development & Knowledge (Sri Lanka)	0.1
Private Sector Engagement for Agricultural Development (Vietnam)	1.5
Economic Management Competitiveness Credit (Vietnam)	6.0
<b>Europe, Middle East, Maghreb, Afghanistan and Pakistan</b>	
Afghanistan Reconstruction Trust Fund—Operational Budget	37.0
Afghanistan Reconstruction Trust Fund—Health (System Enhancement for Health Action in Transition)	19.2
Afghanistan Reconstruction Trust Fund—Education (Education Quality Improvement Program)	25.7
Special Support for Afghanistan Government Operations	10.0
Emergency Services and Social Resilience for Municipalities Affected by Syrian Refugees (Jordan)	7.0
Micro, Small and Medium Enterprise Technical Assistance Facility (Middle East and Maghreb Region)	1.7
Strengthening the National Bank (Ukraine)	0.9
Engaging the Private Sector for Agriculture Development (Ukraine)	2.5
<b>Sub-Saharan Africa</b>	
Agricultural Growth Program (Ethiopia)	0.6
Investment Climate Improvements Program (Ethiopia)	0.5
Productive Safety Net Program 2012-13 – 2016-17	1.9
Women Entrepreneurship Development Program (Ethiopia)	0.5
Productive Safety Net Program Cash (World Bank-Ethiopia)	0.2
Effective Governance of Mining and Gas Impacts (Mozambique)	0.5
Technical Assistance, Monitoring and Evaluation <sup>1</sup>	0.2
Enhancing Farmers' Access to Markets in East and West Africa (Pan-Africa)	2.0
Mining Sector Reform (Nigeria)	0.2
Energy Sector Capacity Building Project Grant (Tanzania)	3.8



Trust Funds	Disbursements Between July 1, 2014 and June 30, 2015 (\$ Millions)	
<b>Global Initiatives and Strategic Policy</b>		
Support to World Bank World Development Report		0.2
Global Infrastructure Facility		20.0
Global Partnership for Education 2015–2018 Institutional Report		30.0
Advance Market Commitment—Vaccines		10.9
Global Fund to Fight AIDS, Tuberculosis and Malaria 2014–2016		176.0
Global Fund to Fight AIDS, Tuberculosis and Malaria (Muskoka)		66.7
Global Civil Registration and Vital Statistics Investment Plan		0.1
Global Environment Facility Sixth Replenishment		54.7
Consultative Group on International Agricultural Research Institutional Support 2015		10.0
Total <sup>2</sup>		<b>519.74</b>

<sup>1</sup> This disbursement was made through the Department of Finance.

<sup>2</sup> Total may not add due to rounding.

Sources: Global Affairs Canada; CFO - Statistics.



## Annex 6

# Operational Highlights and Key Financial Indicators for the World Bank Group for Fiscal Year 2015

### International Bank for Reconstruction and Development

US\$ millions, unless otherwise indicated

	FY2013	FY2014	FY2015
Administrative expenses	1,480	1,568	1,701
Net income	218	-978	-786
Total assets	325,601	358,883	343,225
Loans outstanding	143,776	154,021	157,012
Fiscal-year commitments	15,249	18,604	23,528
Gross disbursements	16,030	18,761	19,012
Undisbursed loans	61,306	58,449	60,211
Principal repayments including prepayments	9,470	9,805	9,005
Net disbursements	6,361	8,956	10,007
Equity-to-loans ratio (%)	26.8	25.7	25.1

### International Development Association

US\$ millions

	FY2013	FY2014	FY2015
Administrative expenses	1,936	2,004	1,868
Net income	-1,752	-1,612	-731
Development credits outstanding	125,135	136,011	130,878
Fiscal-year commitments	16,298	22,239	18,966
Gross disbursements	11,228	13,432	12,905
Principal repayments	3,845	3,636	4,085
Net disbursements	7,371	9,878	8,820



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**International Finance Corporation**

US\$ millions

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Administrative expenses	845	888	901
Income before grants to IDA	1,350	1,739	749
Total assets	77,525	84,130	87,548
Committed portfolio	49,617	51,735	50,402
Fiscal-year commitments	17,512	15,109	17,672
Number of projects (own account)	388	364	406
Net loan and equity investments	34,677	38,176	37,578

**Multilateral Investment Guarantee Agency**

US\$ millions, unless otherwise indicated

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Administrative expenses	47	46	45
Operating income	19	27	34
Total assets	1,849	2,008	2,067
Statutory underwriting capacity	13,897	15,145	14,853
Fiscal-year guarantees issued	2,781	3,155	2,828
Number of guarantee contract issued	47	33	40
Net exposure	6,410	7,113	7,708
Return on operating capital, before provisions (%)	4.5	6.6	3.0



## Annex 7

# IBRD Loans and IDA Credits

### Summary Statistics for Fiscal Year 2015

US\$ millions

	IBRD Amount	IDA Amount	Total Amount
<b>By Region</b>			
Africa	1,209	10,360	11,569
East Asia and Pacific	4,539	1,803	6,342
Europe and Central Asia	6,679	527	7,206
Latin America and the Caribbean	5,709	315	6,024
Middle East and North Africa	3,294	198	3,492
South Asia	2,098	5,762	7,860
<b>Total</b>	<b>23,528</b>	<b>18,966</b>	<b>42,494</b>
<b>By Sector</b>			
Agriculture, Fishing, and Forestry			4,072
Education			3,128
Energy and Mining			4,319
Finance			4,297
Health and Other Social Services			6,925
Industry and Trade			405
Information and Communications			353
Public Administration, Law, and Justice			6,646
Transportation			8,292
Water, Sanitation, and Flood Protection			4,045
<b>Total</b>			<b>42,495</b>
<b>Of which IBRD</b>			<b>23,528</b>
<b>Of which IDA</b>			<b>18,966</b>

Note: Numbers may not add due to rounding.



# Annex 8

## Operations Approved for IBRD and IDA Assistance

**Fiscal Year 2015, by Region and Country**

US\$ millions

Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
<b>Africa</b>						
Africa (regional)			12	1,936	12	1,936
Angola	1	650				
Benin			2	60	2	60
Burkina Faso			3	230	3	230
Burundi			3	72	3	72
Cabo Verde			1	10	1	10
Cameroon			1	100	1	100
Central African			2	22	2	22
Chad			1	18	1	18
Comoros			2	9	2	9
Congo, Dem. Rep.			4	487	4	487
Congo, Republic	1	45		15	1	60
Côte d'Ivoire			4	240	4	240
Eastern Africa			6	354	6	354
Ethiopia			3	1,320	3	1,320
Gambia, The			1	5	1	5
Ghana			3	680	3	680
Guinea			4	100	4	100
Guinea-Bissau			1	5	1	5
Kenya			5	795	5	795
Liberia			2	90	2	90
Madagascar			2	95	2	95
Malawi			2	155	2	155
Mali			2	96	2	96
Mauritania			1	15	1	15
Mozambique			6	394	6	394
Niger			2	117	2	117
Nigeria	1	500	3	975	4	1,475
Rwanda			3	270	3	270
Senegal			3	170	3	170
Seychelles	2	14			2	14
Sierra Leone			1	30	1	30
South Sudan			1	9	1	9
Tanzania			6	842	6	842
Uganda			4	515	4	515
Zambia			2	130	2	130
<b>Total</b>	<b>5</b>	<b>1,209</b>	<b>98</b>	<b>10,360</b>	<b>103</b>	<b>11,569</b>





Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
<b>East Asia and Pacific</b>						
China	14	1,822			14	1,822
Fiji	1	50			1	50
Indonesia	2	1,000			2	1,000
Kiribati			1	9	1	9
Lao PDR			4	83	4	83
Marshall Islands			2	8	2	8
Micronesia, Fed. Sts.			2	53	2	53
Myanmar			4	700	4	700
Pacific Islands			4	13	4	13
Philippines	3	917			3	917
Samoa			3	37	3	37
Solomon Islands			3	24	3	24
Timor-Leste						
Tonga			2	16	2	16
Tuvalu			3	16	3	16
Vanuatu			2	61	2	61
Vietnam	2	750	5	784	7	1,534
<b>Total</b>	<b>22</b>	<b>4,539</b>	<b>35</b>	<b>1,803</b>	<b>57</b>	<b>6,342</b>
<b>Europe and Central Asia</b>						
Albania	5	507			5	507
Armenia	4	247			4	247
Azerbaijan	2	300			2	300
Belarus	2	291			2	291
Bosnia and Herzegovina	1	50			1	50
Central Asia (regional)			1	45	1	45
Croatia	2	279			2	279
Georgia	4	225			4	225
Kazakhstan	3	228			3	228
Kyrgyz Republic			4	76	4	76
Macedonia, FYR	1	71			1	71
Moldova	2	71	1	29	3	100
Montenegro	1	69			1	69
Poland	1	966			1	966
Romania	1	243			1	243
Serbia	3	444			3	444
Tajikistan			7	72	7	72
Turkey	2	1,150			2	1,150
Ukraine	4	1,345			4	1,345
Uzbekistan	1	195	2	305	3	500
<b>Total</b>	<b>39</b>	<b>6,679</b>	<b>15</b>	<b>527</b>	<b>54</b>	<b>7,207</b>



Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
<b>Latin America and the Caribbean</b>						
Argentina	6	1,337			6	1,337
Belize	1	30			1	30
Bolivia	1	100		100	1	200
Brazil	2	550			2	550
Colombia	2	1,400			2	1,400
Dominican Republic	2	105			2	105
Ecuador	1	103			1	103
Grenada	1				1	
Haiti			1	50	1	50
Honduras			2	80	2	80
Jamaica	4	180			4	180
Mexico	3	850			3	850
Nicaragua			2	85	2	85
Panama	1	300			1	300
Paraguay	1	100			1	100
Peru	2	455			2	455
Uruguay	1	200			1	200
<b>Total</b>	<b>28</b>	<b>5,709</b>	<b>5</b>	<b>315</b>	<b>33</b>	<b>6,024</b>
<b>Middle East and North Africa</b>						
Djibouti			1	5	1	5
Egypt, Arab Rep.	3	1,400			3	1,400
Jordan	1	50			1	50
Lebanon	2	489			2	489
Morocco	6	1,055			6	1,055
Tunisia	1	300			1	300
Yemen, Rep.			3	193	3	193
<b>Total</b>	<b>13</b>	<b>3,294</b>	<b>4</b>	<b>198</b>	<b>17</b>	<b>3,492</b>
<b>South Asia</b>						
Afghanistan			1	22	1	22
Bangladesh			7	1,924	7	1,924
Bhutan			1	20	1	20
India	5	2,098	8	1,687	13	3,785
Maldives				3		3
Nepal			5	541	5	541
Pakistan			9	1,351	9	1,351
Sri Lanka			2	215	2	215
<b>Total</b>	<b>5</b>	<b>2,098</b>	<b>33</b>	<b>5,762</b>	<b>38</b>	<b>7,860</b>
<b>Overall Total</b>	<b>112</b>	<b>23,528</b>	<b>190</b>	<b>18,966</b>	<b>302</b>	<b>42,495</b>

Notes: Data includes guarantees. Supplemental and additional financing operations (except for projects scaled up through additional financing) are not counted as separate lending operations, although they are included in the amount. Joint IBRD-IDA operations are counted only once, as IBRD operations. A blank space indicates zero.  
Data as of July 21, 2015.



# Annex 9

## World Bank Procurement From Canada

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

US\$ millions

By World Bank Fiscal Year (July 1 – June 30)	Amount
2006–07	52.2
2007–08	61.4
2008–09	51.6
2009–10	80.0
2010–11	49.8
2011–12	31.2
2012–13	177.6
2013–14	105.5
2014–15	47.1

Notes: Based on World Bank Group figures as of September 21, 2015.

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

\$US

Supplier	Sector	Category	Amount
William David Humphrey	Agriculture	Consultant Services	147,225
Polytechnique de Montréal	Education	Consultant Services	38,244
Sciencetech	Education	Goods	82,200
Antoine Moreau	Energy & Mining	Consultant Services	88,100
Econoler International Inc.	Energy & Mining	Consultant Services	160,627
Fabri Forget	Energy & Mining	Consultant Services	22,154
GENINOV	Energy & Mining	Goods	239,810
Goeran Lifvenborg	Energy & Mining	Consultant Services	145,960
Groupement Dev2E International-Fasken	Energy & Mining	Consultant Services	10,537,134
Jean-Marc Evenat	Energy & Mining	Consultant Services	529,924
Manitoba Hydro International	Energy & Mining	Consultant Services	469,000
Paterson, Grant & Watson Limited	Energy & Mining	Consultant Services	293,000
Spatial Dimension Canada Inc.	Energy & Mining	Consultant Services	833,200
WSP Canada Inc.	Energy & Mining	Consultant Services	71,486
WSP Canada Inc.	Energy & Mining	Consultant Services	796,956
Canadian Society for International Health	Health & Social Serv.	Consultant Services	100,000
Dr. Hlatchewayo	Health & Social Serv.	Consultant Services	2,978
Jane Jensen	Health & Social Serv.	Consultant Services	409,846
AVESTIN, Inc.	Industry & Trade	Goods	341,807
Roche Ltée Groupe Conseil	Industry & Trade	Consultant Services	99,000
David Townsend	Info. & Communication	Consultant Services	31,058
Bernice Una Gookhan-Khan	Public Admin., Law	Consultant Services	991,550
Caseware IDEA	Public Admin., Law	Goods	58,980
Cowater International	Public Admin., Law	Consultant Services	99,000
CRC Sogema Inc.	Public Admin., Law	Consultant Services	100,000
Géoimage Solutions Inc.	Public Admin., Law	Consultant Services	1,019,997
Gordon Evans	Public Admin., Law	Consultant Services	61,515
IBI Group	Public Admin., Law	Consultant Services	100,000
IDEA International	Public Admin., Law	Consultant Services	999,950



Supplier	Sector	Category	Amount
IDEA International	Public Admin., Law	Consultant Services	196,229
Le Groupement SGG Group/RMDA	Public Admin., Law	Consultant Services	196,250
SETYM International	Public Admin., Law	Consultant Services	385,894
CPCS Transcom	Transportation	Consultant Services	139,500
Greg Wood	Transportation	Consultant Services	12,408
Greg Wood	Transportation	Consultant Services	9,776
Greg Wood	Transportation	Consultant Services	5,264
Greg Wood	Transportation	Consultant Services	10,152
LEA International	Transportation	Consultant Services	39,035
LEA International Limited	Transportation	Consultant Services	98,550
M/S LEA International Ltd. Canada	Transportation	Consultant Services	15,000
MMM Group Limited	Transportation	Consultant Services	2,730,016
Tatyana Nychyperovych	Transportation	Consultant Services	92,980
Allan Rotman	Water/Sanit/Flood Prot.	Consultant Services	210,677
ECU Inc.	Water/Sanit/Flood Prot.	Consultant Services	386,613
Exp International Services	Water/Sanit/Flood Prot.	Consultant Services	356,676
Exp International Services	Water/Sanit/Flood Prot.	Consultant Services	378,429
Russell Boals	Water/Sanit/Flood Prot.	Consultant Services	2,290,006
Russell Boals	Water/Sanit/Flood Prot.	Consultant Services	13,000,000
Timothy A. Blak S.P.	Water/Sanit/Flood Prot.	Consultant Services	225,000
William David Humphrey	Agriculture	Consultant Services	147,225
Polytechnique de Montréal	Education	Consultant Services	38,244
Sciencetech	Education	Goods	82,200
Antoine Moreau	Energy & Mining	Consultant Services	88,100
Econoler International Inc.	Energy & Mining	Consultant Services	160,627
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Goeran Lifvenborg	Energy & Mining	Consultant Services	145,960
Groupement Dev2E International-Fasken	Energy & Mining	Consultant Services	10,537,134
Jean-Marc Evenat	Energy & Mining	Consultant Services	529,924



## Annex 10

# Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2014–15

Washington, DC  
October 11, 2014

### Communiqué of the Thirtieth Meeting of the IMFC

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

*The global recovery continues, but is uneven and weaker-than-expected, and downside risks have increased. We are committed to lifting potential growth and to creating a more robust, sustainable, balanced, and job-rich global economy. We will pursue bold and ambitious measures to: invigorate demand and remove supply constraints through appropriate macroeconomic policies and critical structural reforms; place government debt on a sustainable track; safeguard financial stability; reinforce cooperation to manage spillovers; and continue to rebalance global demand. We are deeply concerned about the human and socioeconomic impact of Ebola. We welcome the Managing Director's Global Policy Agenda.*

**Global economy.** An uneven recovery continues, despite setbacks. A number of countries face the prospect of low or slowing growth, with unemployment remaining unacceptably high. A revival in economic activity is underway in some advanced economies, notably in the United States and United Kingdom. The recovery is modest in Japan, and tentative in the euro area. Growth remains firm and should increase moderately across many emerging market economies, and will generally remain buoyant in low-income developing countries. Downside risks arise from the challenges associated with monetary normalization in some advanced economies, protracted below-target inflation in others, increased risk-taking amidst low volatility in financial markets, and heightened geopolitical tensions.

**Ensuring robust, durable and inclusive growth.** Bolstering today's actual growth and tomorrow's potential growth, while ensuring resilience and sustainability, must be our utmost priority. Accommodative macroeconomic policies should continue in economies with economic slack, accompanied by decisive implementation of critical structural reforms in all countries. Particular emphasis must be placed on measures to: boost labor demand and supply, including through reducing youth unemployment and increasing opportunities for women and older workers in the economy; improve credit flows to productive sectors; and enhance the business environment to support private investment. Additional public and private infrastructure investment is also important for supporting the recovery and lifting growth potential, particularly in countries with clearly identified needs, economic slack and fiscal space. Raising the efficiency of investment will benefit all countries.



**Fiscal policy.** Fiscal strategies should continue to be implemented flexibly so as to support growth and job creation, while placing debt as a share of GDP on a sustainable path. To enhance the contribution of fiscal strategies to growth, countries should consider changes in the composition and quality of government expenditures and revenues. Formulation and implementation of concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. Emerging market and low-income developing economies should rebuild fiscal buffers where needed, including through revenue mobilization. Countries should strengthen institutional frameworks to manage fiscal risks, while reorienting expenditure toward essential public services and better targeting subsidies.

**Monetary policy.** Monetary policy in advanced economies continues to support the recovery and should address protracted below-target inflation in a timely manner, being mindful of financial stability risks and consistent with central bank mandates. Eventual normalization of monetary policy in the context of strengthened growth and price stability will be needed. Carefully calibrated and well-communicated normalization would minimize adverse spillovers and spillbacks and be beneficial to the global economy. Emerging market economies should rebuild policy buffers where limited. Macroeconomic policies need to be sound, and in that regard, exchange rates should be allowed to respond to changing fundamentals and to facilitate external adjustment. When dealing with macroeconomic and financial stability risks arising from large and volatile capital flows, the necessary macroeconomic policy adjustment could be supported by prudential measures and, as appropriate, capital flow management measures.

Increasing the resilience of the financial system remains a priority in all countries, including through well-designed micro- and macro-prudential measures in the context of prolonged monetary accommodation and excessive risk-taking in some asset markets.

**Policy cooperation and coherence.** Global imbalances have narrowed for both structural and cyclical reasons, but rebalancing remains a key priority, calling for continued action by both deficit and surplus countries. Global financial regulatory reforms should be implemented promptly and consistently, including addressing too-big-to-fail problems through capital requirements and effective resolution regimes, aligning cross-border application of over-the-counter derivative rules, and mitigating potential financial stability risks emanating from shadow banking. We support the IMF's ongoing work on international taxation and revenue mobilization, including to address tax evasion and tax avoidance and enhance fiscal transparency, in close cooperation with relevant international bodies. Further progress is needed to improve the transparency of beneficial ownership of companies and other legal arrangements, including trusts. We stress the importance of strengthening the global trading system to support growth.

**IMF lending and surveillance.** We welcome the Fund's scaled-up assistance to Guinea, Liberia, and Sierra Leone, affected by Ebola, and call for its continued support. We also support the Fund's stepped-up engagement with states in a fragile situation. We call on the Fund to sustain its engagement with small states. We support the Fund's continued engagement with Arab Countries in Transition and call on the international community to step up its support for these countries, including by implementing the Deauville Partnership. We call on the Fund to work closely with the World Bank and other international institutions to support the countries affected by the humanitarian crisis in the Middle East, in order to mitigate the adverse effects on the economies of the region and spillovers to the global economy.



The temporary waiver of interest rates on Poverty Reduction and Growth Trust (PRGT) loans from 2009 through 2014 has benefitted low-income countries. We call on the Fund as trustee to consider a further temporary extension of interest relief, while safeguarding the self-sustaining capacity of the PRGT.

We stress the importance of an adequate global financial safety net. The Fund should continue to provide support, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks.

We welcome the Triennial Surveillance Review, the review of the Financial Sector Assessment Program (FSAP), and the ongoing work on developing macro-prudential policy advice. We call for deeper analysis of risks, spillovers, and the external sector; enhanced and better integrated financial and macroeconomic surveillance; integration of bilateral and multilateral surveillance; and the provision of evenhanded, tailored and well-communicated policy advice. We underscore the importance of regular consultations between the Fund and all its members. We welcome the work on modified *pari passu* clauses and strengthened collective action clauses, and call on the IMF, its member countries, and the private sector to actively promote their use in new international sovereign bond issuances. We look forward to continued work on sovereign debt restructuring issues, to the crisis program review, and to the finalization of the review of the debt limits policy, combining flexibility and preservation of debt sustainability in the approach to debt limits for low-income countries.

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

**Next IMFC meeting.** Our next meeting will be held in Washington, D.C. on April 17-18, 2015.





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Washington, DC  
April 18, 2015

## **Communiqué of the Thirty-First Meeting of the IMFC**

Chaired by Mr. Agustín Carstens, Governor of the Bank of Mexico

The Committee expresses its deep appreciation to Deputy Prime Minister Tharman for his service and guidance as IMFC Chairman during challenging times. It welcomes Governor Agustín Carstens as the new Chairman.

**Global economy.** The global recovery continues, although growth remains moderate with uneven prospects. Growth is projected to strengthen in advanced economies, reflecting a solid recovery in some and improved prospects in others. In emerging market countries, which still account for the bulk of global growth, economic activity is softening in some cases, reflecting lower commodity prices and exports, and country-specific factors. In many cases, adjustment and consolidation processes are taking place. Growth in low-income developing countries is expected to slow but remains solid. Lower oil prices are having a net positive global impact, although effects vary across countries. Risks still persist. Large shifts in exchange rates and asset prices, protracted below-target inflation in some economies, financial stability concerns, high public debt, and geopolitical tensions call for vigilance. The possibility of lower potential growth is becoming a more relevant challenge over the medium term. Global imbalances are reduced from previous years but a further rebalancing of demand is still needed.

**Policies to promote strong, balanced, and sustainable growth.** We are committed to take further measures to lift actual and potential growth, and support our goal of a more robust, balanced, and job-rich global economy. For this we must bolster confidence and strengthen demand effectively, by pursuing a mix of macroeconomic policies that seek to achieve the urgent need to promote growth, while preserving fiscal sustainability and financial stability, and accelerating the design and implementation of structural reforms. Productive and efficiently executed public and private investment, particularly in infrastructure, is important for supporting the recovery and lifting potential growth.

**Fiscal policy.** We will continue to implement our fiscal policies flexibly, as appropriate, to support growth and job creation, while placing debt as a share of GDP on a sustainable path. Formulation and implementation of concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. We will consider ways to improve the composition of public expenditures and revenues to enhance their growth impact and strengthen fiscal frameworks to reduce risks. Lower oil prices provide an opportunity to reform inefficient energy subsidies and energy taxes, as needed, while strengthening targeted social safety nets.



**Monetary policy.** Monetary accommodation should be maintained where appropriate, consistent with central bank mandates. We are mindful of financial stability risks. In many advanced economies, enhancing policy transmission requires continuing to address debt overhangs and impaired balance sheets. Careful calibration and effective communication of policy normalization is needed to attenuate adverse spillovers and spillbacks in the context of asynchronous monetary policies in major advanced economies. In emerging market economies, adequate policy buffers can help address volatility in financial markets. Macroeconomic policies need to be sound, and in that regard, exchange rates should be allowed to respond to changing fundamentals and to facilitate external adjustment. When dealing with risks from large and volatile capital flows, necessary macroeconomic policy adjustment could be supported by macro-prudential and, as appropriate, capital flow management measures.

**Financial sector policies.** Safeguarding financial stability through well-designed micro- and macro-prudential policy measures remains a priority to contain excesses, prevent financial crises, and thereby support sustainable growth. It remains essential that financial institutions resolve legacy problems from the global financial crisis and, together with asset managers, are robust to market liquidity risks. Global financial regulatory reforms should be completed and implemented promptly and consistently, and further developed as necessary. We strongly support the Financial Stability Board's work program and the role of the IMF.

**Structural reforms.** Structural reforms are critical to boost business confidence, investment, and job creation, particularly for the youth, and achieve sustainable and more inclusive growth, mostly by enhancing total factor productivity, through a stronger role of women in the economy, and better education and training. Priorities include product and labor market reforms, deepening financial markets, boosting the quality of labor supply and employment, improving governance, combating corruption, and tackling inequality. Trade reforms could also complement and reinforce other reforms.

**A new multilateralism for a sustainable future.** Collective efforts to strengthen the international monetary system (IMS) and facilitate further integration of dynamic emerging market economies should be renewed. We look forward to the IMF's work on the challenges facing the IMS, and on the upcoming SDR basket review. The international community is seeking to build a new global framework for sustainable development through 2030 and beyond. We look forward to active IMF contributions to this process in the areas of its mandate, including identifying steps to boost macro-financial resilience, increase revenue mobilization, help tackle infrastructure gaps, enhance capacity building, and promote inclusive growth. Furthermore, we ask the IMF to assist in addressing the diverse challenges faced by the poorest, fragile, and conflict-affected states, and we look forward to the upcoming review of IMF engagement with fragile and conflict-affected members. The IMF should make more effective use of its existing lending framework and consider adjustments to its lending policies while maintaining the self-sustainability of the PRGT. We ask the IMF, in close cooperation with the World Bank, to contribute actively for positive outcomes of the Addis Ababa Conference on Financing for Development, the New York Summit on Post-2015 Sustainable Development Goals, and the Conference of Parties 21 (COP 21) in Paris.



**IMF lending, surveillance, and capacity building.** We ask the IMF to continue to stand ready to provide financial support, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks, and to ensure the adequacy of its lending instruments. We welcome continued work by the IMF in the areas of its mandate, ensuring international financial stability and monetary cooperation, assessing cross-border spillovers and the impact of asynchronous monetary policies, examining the link between monetary policy and financial stability, strengthening fiscal frameworks, deepening macro-financial analysis, and analyzing issues concerning international taxation. We welcome the IMF's recent work on macroeconomic issues in small developing states and encourage its use to strengthen engagement with these members. We look forward to the implementation of the recommendations of the Triennial Surveillance Review, completion of the follow-up crisis program review, work on macro-critical structural reforms, continued work on sovereign debt issues so as to enhance the orderliness and predictability of the debt restructuring process, and implementation of the new debt limits policy. We recognize the valuable role that the IMF plays in providing capacity building to its members.

**Catastrophe Containment and Relief Trust.** We strongly welcome the IMF's rapid creation of the Catastrophe Containment and Relief (CCR) Trust, the assistance provided to Ebola-affected countries, and the generous commitments to the Trust by a number of countries, including through transfers of bilateral contributions from the MDRI-II Trust. We look forward to additional contributions to enable the CCR Trust to provide similar support in the future to our poorest and most vulnerable members.

**Governance.** We remain deeply disappointed with the continued delay in progressing the 2010 IMF Quota and Governance Reforms. Recognizing the importance of these reforms for the credibility, legitimacy, and effectiveness of the IMF, we reaffirm that their earliest implementation remains our highest priority. We continue to urge the United States to ratify the 2010 reforms as soon as possible. Mindful of the aims of the 2010 reforms, we call on the IMF Executive Board to pursue an interim solution that will meaningfully converge quota shares as soon as and to the extent possible to the levels agreed under the 14<sup>th</sup> Review. We will use the 14<sup>th</sup> Review as a basis for work on the 15<sup>th</sup> Review of Quotas, including a new quota formula. We reaffirm our commitment to maintaining a strong, well-resourced, and quota-based IMF.

**Next IMFC meeting.** Our next meeting will be held in Lima, Peru on October 9-10, 2015.



## Annex 11

# Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2014–15

**Washington, DC**  
**October 11, 2014**

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

1. The Development Committee met today, October 11, 2014, in Washington, D.C.
2. The global economy remains on a cautious watch and is subject to considerable downside risks. Shared prosperity will require inclusive economic growth, job creation, and a sustained multilateral effort to empower the poorest and most vulnerable. We encourage the World Bank Group (WBG) and the International Monetary Fund (IMF) to work together with member countries to implement bold policies to boost growth and to build resilience.
3. We are pleased that this year's Global Monitoring Report (GMR) tracks, for the first time, the progress made in pursuit of the WBG's goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, while continuing to report on the status of the Millennium Development Goals (MDGs). The GMR's coverage of inequality between the bottom 40 percent and the rest of the population, including high-income countries, provided a strong basis for our discussion of shared prosperity.
4. We welcome the discussion on promoting shared prosperity and the WBG's role in supporting investment in human capital, improved access to markets, structural reforms, financial inclusion, infrastructure, improved tax and transfer systems, including social safety nets, and addressing climate change. We underline the importance of policies and institutions to promote an enabling environment for the development of the private sector, which is critical for investment, job creation, and inclusive and sustained economic growth. We call on the WBG to support countries to prioritize and implement tailored policies in these areas, to track results and impacts, and to build statistical capacity. We welcome the IMF's commitment to provide support in its areas of special expertise, including the design of tax policies and fiscal reforms.
5. Inclusiveness is at the core of shared prosperity. We stress the importance of continuing the WBG's focus on gender. We encourage the WBG to deepen gender integration across its operations and to focus more clearly on implementation and impact. We look forward to the WBG's updated Gender Equality and Development Strategy, as well as future updates.
6. IDA countries have recorded strong growth since 2000 and have shown impressive resilience during the global economic crisis. However, a fifth of IDA countries have not recorded per capita output growth since then and are vulnerable to adverse shocks, including to natural disasters, epidemics, and economic and financial sector vulnerabilities that can quickly reverse the progress achieved. We ask that the IMF and the WBG continue to monitor economic risks and vulnerabilities.



7. We commend the WBG for its leadership and quick response to the Ebola crisis. We welcome the WBG and IMF's rapid mobilization of emergency funding to support treatment and containment. We are encouraged by the joint effort of the international community in West Africa and underscore the importance of providing additional and ongoing coordinated support on the ground for the World Health Organization's Ebola response Road Map. Beyond the human tragedy, economic losses in these countries are devastating. Swift and coordinated action and financial support are critical to contain and mitigate both direct and long-term economic impacts of the crisis, and build capacity to effectively deal with epidemics.
8. We call for targeted actions and support for countries in turmoil and transition in the Middle East and North Africa and in other regions. We emphasize the importance of the WBG and IMF providing adequate support to these countries. We encourage both institutions to continue to focus on immediate needs and help set the groundwork for expanded engagement when more stable circumstances allow for it.
9. Fragile and Conflict Situations need a distinctive focus and assistance adapted to their specific challenges. We call for stronger commitment to achieve concrete, measurable impact, while working to better understand the drivers of conflict. Small island states remain vulnerable to economic shocks and natural disaster risks, necessitating support adapted to their unique needs. We encourage the WBG to further promote and support increased private investment opportunities in these countries.
10. We commend the WBG for integrating climate change and disaster risk management into country planning, strategies, and financing. We ask the WBG to continue working on climate change, consistent with the United Nations Framework Convention on Climate Change, and to contribute to the success of the November Conference of the Parties in Lima, Peru.
11. Investment in infrastructure, including energy, is crucial to sustaining economic growth and ensuring shared prosperity. We encourage the WBG to continue its operational and advisory support to improve infrastructure. Funding for the Global Infrastructure Facility (GIF) is a welcome step to launch a platform that will facilitate the mobilization of private capital for infrastructure projects. We are hopeful that the GIF will soon acquire the required scale and ambition. We look forward to increased cooperation to build a pipeline of commercially, ready-to-finance viable projects. We call on the WBG and IMF to support countries to deliver efficient, reliable, affordable, and sustainable energy, including through the Sustainable Energy for All Initiative.
12. We congratulate the WBG for delivering increased lending, investment, mobilization of resources, including private sector investment, and advice this past fiscal year, while undergoing a fundamental internal change process. We expect an important shift in the way the WBG operates to deliver more efficient support to client countries, drawing on partnerships, integrated regional approaches, and knowledge sharing, including South-South cooperation, responding to client needs and reacting quickly to unexpected shocks. We will monitor the implementation of the change process and expect better lending quality with increased development impact. We welcome the WBG's reiterated commitment to diversity and inclusion, which is crucial to its institutional goals. We encourage the WBG to make progress in achieving the agreed diversity targets as quickly as possible.



13. The UN-led post-2015 Development Agenda provides an opportunity to build a model of development that is more inclusive and sustainable. We urge the WBG and the IMF to support the international efforts to reach agreement on the post-2015 development goals. We note the particular significance of the Third International Conference on Financing for Development in Addis Ababa in July 2015. We expect IDA-17 to be critical for accelerating progress on the MDGs, and the WBG, in general, for successful implementation of the new development agenda.

14. We remain committed to the completion of the 2010 WBG shareholding realignment and urge all members who are yet to subscribe to their allocated IBRD and IFC shares to do so. We remain fully committed to concluding the next shareholding review in 2015.

15. The next meeting of the Development Committee is scheduled to take place on April 18, 2015, in Washington, DC.





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**Washington, DC**  
**April 18, 2015**

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

1. The Development Committee met today, April 18, in Washington, D.C.
2. The global economy is growing slightly faster than in 2014, although growth rates vary widely among countries. We remain vigilant to the risks from potential financial market volatility, movements in exchange rates and oil and other commodity prices, and sluggish global trade. While some middle-income countries (MICs) are experiencing easing of growth, low-income countries, as a group, continue to record good growth rates. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to support countries' efforts to spur inclusive growth and job creation and build resilience to adverse shocks, in order to reduce poverty, and enhance shared prosperity in a sustainable manner, and protect hard-won gains in these areas.
3. In aggregate, cheaper oil and commodities will result in a significant real income shift from oil exporters to oil importers, with a net positive effect on growth in developing countries. This creates challenges for policy makers in oil exporting countries, but also provides a favorable environment for subsidy and tax reforms for more inclusive and sustainable growth. We urge the WBG and the IMF to help countries hit hard by falling export receipts, tax revenues, or remittances, and to advise on energy pricing and the use of clean energy.
4. In this critical year, the international community will set the development vision and agenda for the next 15 years. We look forward to the Third Conference on Financing for Development in Addis Ababa in July, as one of the key steps in determining the framework for financing the Post-2015 development agenda, including the Sustainable Development Goals (SDGs). We commend the WBG, the IMF and the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank and Inter-American Development Bank for their close cooperation on this agenda. We also welcome the special participation of the Secretary-General and high level officials of the United Nations, and the Heads of the Multilateral Development Banks at this Development Committee meeting. We encourage the WBG to ensure the technical robustness of the goals and targets and to strengthen countries' data capacity, to enable development and to monitor progress towards the WBG's goals and the SDGs.
5. The WBG's goals of ending extreme poverty and boosting shared prosperity, set in the broader context of social, economic and environmental sustainability, are fully in line with the SDGs. Achieving the SDGs requires a transformational vision that builds on lessons from the MDGs and combines all potential sources of financing, including more effective and catalytic use of ODA, particularly for the poorest; strengthening domestic resource mobilization, sound public financial management, and addressing the challenge of illicit finance; promoting private finance and investment; and coordinating action on global issues. We expect the WBG and the IMF to continue to work in partnership with governments, the UN, multilateral institutions, bilateral agencies, civil society and the private sector, as well as with the new development institutions, within their respective mandates.





6. We welcome efforts to deepen local financial markets and improve the policy and regulatory environments to address risk, and catalyze investment from traditional and non-traditional, institutional and other public and private investment sources and the development of innovative solutions to global challenges. IFC and MIGA have a distinct and critical role in engaging the private sector to implement this ambitious agenda.
7. We urge the WBG to enhance its support for sustainable infrastructure development and financing, an enabling environment to mobilize private long-term finance for commercially-viable projects, and strengthening public and private partnerships, including through the recently approved Global Infrastructure Facility (GIF).
8. IDA and IFC's rapid response, in coordination with other partners, was critical to contain and mitigate the Ebola outbreak and we encourage the WBG to continue to support the affected countries in the recovery. Looking ahead, we encourage the WBG to explore, in coordination with other international actors, the potential of a Pandemic Financing Facility to mobilize and leverage public and private resources, including insurance mechanisms, to help countries receive rapid funding in the face of an outbreak based on strong preparedness plans. We commend the IMF for its support to Ebola-affected countries and for creating the Catastrophe Containment and Relief Trust. We welcome the approach of the Global Financing Facility in Support of Every Woman Every Child to be launched in Addis Ababa. We also note the importance of addressing hunger and malnutrition.
9. Enhancing and accelerating gender equality is central to a comprehensive vision of sustainable development. We look forward to the renewed gender strategy later this year and its implementation in the context of the one WBG approach.
10. Achieving the SDGs will also require countries to deal with the challenges and consequences of climate change and natural disasters. We commend the WBG commitment to mainstream low-carbon development and Disaster Risk Management while maintaining focus on its poverty eradication mandate. We encourage the WBG to further enhance its efforts and financing to contribute to the success of the 21<sup>st</sup> Conference of the Parties of the UNFCCC in Paris. We take note of the WBG and IMF work on appropriate market-based solutions and energy policy reforms.
11. We encourage the WBG to continue to implement its new strategy and complete the associated reforms, including the Expenditure Review, in order to effectively deliver knowledge and financing to its clients. We also welcome the ongoing consultations on the proposed World Bank Environmental and Social Framework and the new Procurement Framework. We emphasize the importance of effectively implementing the new frameworks with sufficient resources, building country capacity, and protecting communities and the environment.
12. We ask the WBG to continue to monitor carefully the quality of its portfolio, to strengthen collaboration across the Group focusing on development results, to promote South-South cooperation and to provide effective support to fragile situations, small states, and regional cooperation. We emphasize the importance of the WBG and IMF in providing significant support, where feasible, for countries in turmoil in the Middle East and North Africa and in other regions. We also urge the WBG to enhance its engagement with MICs to help them end extreme poverty and boost shared prosperity in a sustainable manner. We look forward to the exploration of different options to generate additional IDA financing capacity, while focusing on the poorest countries.



13. We take note of the progress made by the Board so far on the 2015 Shareholding Review. We attach great importance to these regular reviews,<sup>40</sup> in line with agreed principles. We look forward to further work by the Board on the 2015 Review and commit to its completion by the time of the Annual Meetings in October.

14. The next meeting of the Development Committee is scheduled for October 10, 2015 in Lima, Peru.

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<sup>40</sup> In 2010 Governors agreed to conduct periodic IBRD and IFC Shareholding Reviews, every five years, beginning in 2015, noting that: "In each review, the Board of Governors would review the weight of all members in the world economy; review contributions to the WBG development mission; and assess progress towards equitable voting power between developed and developing members. While reviews would take place regularly, shareholding realignment would not necessarily be required with each review, but only when shareholders, through the Board of Governors, decided that the results warranted adjustment." (DC2010-0006, April 19, 2010)



## Annex 12

### Acronyms Used in This Report

AFRITAC	African Regional Technical Assistance Centre
CAO	Compliance Advisor Ombudsman
CAPTAC-DR	Central America, Panama, and the Dominican Republic Regional Technical Assistance Centre
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CCR Trust	Catastrophe Containment and Relief Trust
COP 21	Conference of Parties 21
DFI	development finance institution
EBA	External Balance Assessment
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EPIC	Entrepreneurship Program for Innovation in the Caribbean
ESM	European Stability Mechanism
FCC	Forward Commitment Capacity
FCL	Flexible Credit Line
FSAP	Financial Sector Assessment Program
FY	fiscal year
G-8	Group of Eight
G-20	Group of Twenty
GAB	General Arrangements to Borrow
GAC	Global Affairs Canada
GDP	gross domestic product
GFSN	global financial safety net
GIF	Global Infrastructure Facility
GMR	<i>Global Monitoring Report</i>
GPE	Global Partnership for Education
GRA	General Resources Account
GRQ	General Review of Quotas
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDA17	seventeenth replenishment of IDA
IDA18	eighteenth replenishment of IDA
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IFC	International Finance Corporation



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IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IMS	international monetary system
INT	Department of Institutional Integrity
ISD	Integrated Surveillance Decision
MDB	multilateral development bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MIC	middle-income country
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow
NBU	National Bank of Ukraine
ODA	official development assistance
ODAAA	Official Development Assistance Accountability Act
PLL	Precautionary and Liquidity Line
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
RTAC	Regional Technical Assistance Centre
SBA	Stand-By Arrangement
SCF	Standby Credit Facility
SCI	Selective Capital Increase
SDG	Sustainable Development Goal
SDR	Special Drawing Right
SEMCAR	Supporting Economic Management in the Caribbean
TSR	Triennial Surveillance Review
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group