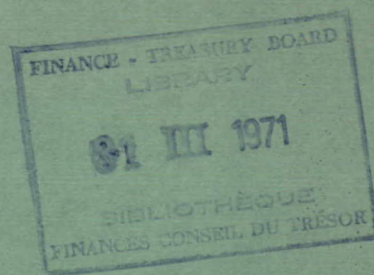




Department of Finance
Ministère des Finances



REPORT ON OPERATIONS

under

THE BRETTON WOODS AGREEMENTS ACT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

CALENDAR YEAR 1970

International Monetary Fund
World Bank
International Development Association
International Finance Corporation

Hon. E.J. BENSON
Minister of Finance



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INTRODUCTORY NOTE

This report reviews the operations during the year 1970 of the Bretton Woods' Institutions: the International Monetary Fund (IMF) and the World Bank Group, which consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC).

The IMF (the "Fund") and the IBRD (the "Bank") were established at the Bretton Woods' Conference in 1944 and Canadian participation in these Institutions was authorized under the Bretton Woods' Agreements Act of 1945. The IFC was founded in 1956 as an affiliate of the IBRD by means of separate articles of agreement to which Canada is a party, and Canadian participation in the International Development Association was authorized under the International Development Association Act, 1960.

These institutions are closely linked. Membership in the Fund is a pre-requisite for membership in the Bank and membership in the Bank a pre-requisite for membership in the IDA and the IFC. The IMF concerns itself with promoting international financial stability and cooperation and, thus, with exchange matters and the operation of the balance of payments system. The IBRD, on the other hand, focuses its attention on economic development, particularly development financing; the IDA and the IFC provide specialized financing services not offered by the IBRD. Cooperation between these organizations is facilitated by the fact that their headquarters are located in the same office complex in Washington, D.C.

As specialized agencies of the United Nations, the Fund and Bank report annually to the Economic and Social Council (ECOSOC), and the President of the Bank and the Managing Director of the Fund are members of the Inter-Agency Consultative Board of the UNDP and of the U.N. Administrative Committee on Coordination.

Both the Fund and the World Bank Group use the U.S. dollar as their basic unit of account. Dollar figures throughout the report are, therefore, expressed in terms of U.S. currency unless otherwise indicated.

INTERNATIONAL MONETARY FUND

1. General Background

The activities of the International Monetary Fund are directed towards facilitating the expansion and balanced growth of world trade as a means of raising standards of living and of fostering economic development. Its membership subscribes to a system of agreed exchange rates and to the eventual elimination of exchange restrictions. Its assets are available for short-to-medium term lending to member countries with temporary balance of payments difficulties. Finally, it constitutes a centre for international cooperation and a source of counsel and technical assistance to its members.

Fund members anticipating a requirement for financial assistance from the Fund have either one of two alternatives open to them. First of all, they can arrange for the purchase of other members' currencies from the Fund in exchange for their own currencies, with the transaction in its entirety becoming effective immediately. Alternately they may arrange for a "standby arrangement" with the Fund, which, in consideration of appropriate policies by the member country, guarantees it access, in case of need and for a specific period, to Fund resources up to a specified limit. In either case, currencies obtained by the Fund from member countries drawing other members' currencies must be repurchased by those member countries, using gold or convertible currencies, within a period not exceeding five years from the date of the drawing. In addition, since January 1, 1970, IMF members participating in the Special Drawing Account can use Special Drawing Rights (SDRs) in transactions with the IMF or with other participants as a means of making payments or of obtaining foreign currencies.

Total assets of the Fund on December 31, 1970 had almost reached the \$30 billion level. At the same time the Fund's indebtedness to member countries was \$735 million, most of it representing loans to the IMF under the General Arrangements to Borrow and in case of need more than \$5 billion remained available under this facility. Fund gold holdings amounted to \$4.5 billion and member currency holdings to more than \$24.5 billion, including in excess of \$550 million in Canadian dollars, equivalent to 51 per cent of the Canadian quota of \$1,100 million.

During the year 1970 a total of 42 members obtained support from the Fund. Total drawings by member countries during the year amounted to \$1,839 million and, at year end, \$172 million remained available but not yet drawn under existing standby arrangements.

2. 1970 Highlights

On January 1, 1970 the first allocation of SDRs to the 104 countries participating in the Special Drawing Account took place. The 3,414 million units of this new fiduciary reserve asset involved in this allocation represented the first instalment of a total of 9,500 million SDRs to be created during the first three-year basic period ending December 31, 1972. Considerable use was made of this new asset during 1970. Total transactions involving SDRs amounted to 672 million units, with the General Account of the IMF acquiring about SDR 290 million and participating countries the balance. Among the latter Canada accounted for almost SDR 58 million, raising our total SDR holdings to a level 46 per cent in excess of the SDR 124 million allocated to Canada on January 1, 1970. This was one of the highest percentage increases in SDR holdings during 1970 by any participating country.

The amendments to the IMF Articles of Agreement which became effective in mid-1969 provided for a statutory remuneration on creditor positions at a rate of 1 1/2 per cent per annum, and the resultant payments during 1970 by the IMF on account of creditor positions for the fiscal year 1970 amounted to \$27 million, with Canada receiving about \$2 million. In addition the IMF Board of Governors at their Annual Meeting in Copenhagen in September, 1970, agreed to a distribution of net income which would raise the total rate of return on creditor positions during the fiscal year ended April 30, 1970, to a uniform 2 per cent. This resulted in Canada receiving an additional \$1 million, out of a total distribution of \$17.5 million.

Also during 1970, the IMF Executive Board made public a report to the Board of Governors entitled, "The Role of the Exchange Rates in the Adjustment of International Payments". This report expressed the view that the Bretton Woods system had generally served the international community

well and that radical changes in the par value system were undesirable. It did delineate, however, that further study might be warranted, and undertook to continue its studies with respect to three specific proposals: marginally wider bands, prompter adjustment of par values and transitional floating rates.

On October 31, 1970, the general and special increases in members' quotas, negotiated following the Fifth Quinquennial Review of Quotas, began to take effect. As a result the level of aggregate member quotas by the end of 1970 had risen by about \$7 billion to the \$28 billion level.

3. IMF Relations with Canada

On May 31, 1970 the Government of Canada notified the IMF of its intention to cease purchasing sufficient U.S. dollars to keep the exchange rate of the Canadian dollar from exceeding the one per cent margin on either side of par provided for in Article IV, Section 3, of the Articles of Agreement. Furthermore, the Government indicated its intention to remain in close consultation with the IMF on this matter and to resume the fulfilment of its obligations under the Articles of Agreement as soon as circumstances would permit it to do so.

Subsequently, IMF officials, as part of these consultations, paid brief visits to Ottawa in June and October, 1970. During these visits views were exchanged with the Canadian authorities with regard to Canada's exchange rate policy and related economic developments and policies. In addition, in April, 1970, the regular Article VIII consultations between IMF officials and the Canadian authorities took place in Ottawa.

Following the May 31 announcement the question arose as to the valuation of the Canadian dollar in Fund transactions and computations. Holdings are normally valued, and transactions calculated, at the par value of the currency concerned, but when a currency does not have an effective par value, use of an antiquated value would obviously be inappropriate and might cause substantial discrepancies between the market and book values of the Fund's holdings. In addition, in transactions with the Fund, it might expose members using or receiving the currency concerned to possible losses or profits upon conversion.

Prior to 1962 a procedure had been developed to deal with this situation. Under this procedure, which is now being followed again, the rate used in the valuation of Canadian dollars in transactions is the midmarket rate on the day prior to the effective date of the transaction. The Fund's holdings of Canadian currency are revalued at this same rate on the occasion of each transaction and, in addition, at the end of each of the Fund's fiscal quarters. Quarterly valuation adjustment payments, however, need not be made, except at the end of each fiscal year if the market value has changed by less than 5 per cent from the rate for the last settlement. Under this procedure Canada received in 1970 a settlement of C \$17.8 million with respect to the three-month period ended July 31, 1970, and, by year end, the valuation adjustments account contained an amount of C \$1,291,059 in favour of Canada.

Fund holdings of Canadian dollars increased \$193 million in 1970. Allowing for the \$270 million payment by Canada in connection with the increase in Canada's quota and the loan by Canada to the IMF under the GAB of \$24.5 million, the net use of Canadian dollars in Fund drawings amounted to \$101 million during the year. The GAB loans was made in connection with a large drawing on the IMF by France and raised total IMF indebtedness to Canada under the GAB to the \$120 million level.

Effective December 29, 1970 the Canadian quota was increased from \$740 million to \$1,100 million, necessitating a gold payment to the IMF of \$90 million and Canadian currency payments of \$270 million, largely in the form of non-negotiable, non-interest bearing notes of the Government of Canada. Canada remains the country with the sixth largest quota; her quota is now exceeded only by those of the U.S., U.K., Germany, France and Japan.

In September, 1970, Dr. Wm. C. Hood, Assistant Deputy Minister of Finance, was appointed Alternate Governor for Canada in the IMF, replacing Mr. Alan B. Hockin who had left the public service. Also, during the regular biannual election of Executive Directors, Mr. R. Johnstone, the Executive Director elected by Canada, Ireland and Jamaica in 1968, was re-elected.

Details as to the use of Canadian currency in Fund transactions and the operation of the Special Drawing Account are provided in Tables I and II respectively.

PUBLICATIONS OF THE INTERNATIONAL MONETARY FUND IN 1970

Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1970 (English, French, and Spanish editions; a condensed version in German)

Balance of Payments Yearbook, Vol. 21, 1964-68 (issued in monthly loose-leaf installments and a bound volume)
Vol. 22, 1964-69 (partially issued in monthly loose-leaf installments, to be completed in 1971)

By-Laws, Rules and Regulations, 29th Issue, November 30, 1970
(English, French, and Spanish editions)

Direction of Trade (published jointly by the International Monetary Fund and the International Bank for Reconstruction and Development - monthly and an annual summary)

Finance and Development (a quarterly publication of the International Monetary Fund and the International Bank for Reconstruction and Development issued in English, French, and Spanish, with an annual Portuguese language edition issued in Brazil and, from September 1970, a German edition printed in and distributed from Hamburg)

International Financial News Survey (weekly)

International Financial Statistics (monthly, issued in an English edition and in a trilingual edition, with text and titles in English, French and Spanish)

The International Monetary Fund and Africa (English and French editions)

The International Monetary Fund, 1945-1965: Twenty Years of International Monetary Cooperation (three-volume publication)

Pamphlets: No. 8 -- The Cuban Insurance Cases and the Articles of the Fund (French edition)

No. 12 - The Reform of the Fund (French and Spanish editions)

No. 13 - Special Drawing Rights (first edition in French and Spanish; second edition in English with subtitle Character and Use)

The Role of Exchange Rates in the Adjustment of International Payments: A Report by the Executive Directors; Part I Review and Analysis, Part II Implications for Policy (English, French, and Spanish editions)

Schedule of Par Values, 48th Issue, January 5, 1970; 49th Issue, August 17, 1970; 50th Issue, October 15, 1970

Selected Decisions of the Executive Directors and Selected Documents, Fourth Issue

Staff Papers, Vol. XVII, Nos. 1, 2, and 3

Staff Papers Index, Vols. I-XVI (1950-69)

The Stand-By Arrangements of the International Monetary Fund

Summary Proceedings of the Annual Meeting, 1970

Surveys of African Economies: Vol. 2: Kenya, Tanzania, Uganda, and Somalia (French edition)

Vol. 3: Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo, Upper Volta (English edition)

Twenty-First Annual Report on Exchange Restrictions, 1970

For further information about these publications, contact:

The Secretary,
International Monetary Fund,
19th & H Streets N.W.,
Washington, D.C., 20431,
U.S.A.

TABLE I
Purchases and Repurchases of Currencies
from the Fund

January 1 - December 31, 1970

(In Millions of US Dollars)

Members	Purchases		Repurchases	
	Total Amount	Canadian Currency Component	Total Amount	Canadian Currency Component
Afghanistan	4.00	-	4.60	-
Brazil	-	-	75.20	(0.09)
Burma	12.00	-	-	-
Burundi	2.50	-	0.20	-
Ceylon	9.50	-	27.00	-
Chad	3.80	-	-	-
Chile	-	-	47.20	(6.61)
Colombia	29.20	(5.00)	72.60	-
Costa Rica	1.80	-	4.00	-
Denmark	25.00	-	25.80	(0.02)
Dominican Rep.	-	-	5.30	-
Ecuador	10.00	-	6.50	-
El Salvador	-	-	5.00	-
France	485.00	(38.80)	246.20	-
Ghana	2.00	-	24.90	-
Guatemala	-	-	8.40	-
Guinea	4.20	-	-	-
Haiti	-	-	2.80	-
Honduras	6.30	(4.75)	-	-
Iceland	-	-	7.50	-
India	-	-	197.00	(15.50)
Indonesia	38.00	-	3.00	-
Iran	16.80	-	-	-
Iraq	27.20	-	-	-
Ireland	40.00	-	-	-
Italy	463.00	(75.00)	-	-
Jamaica	3.80	-	-	-
Korea	-	-	12.50	(0.01)
Laos	0.50	-	-	-
Lesotho	0.60	-	-	-
Liberia	2.00	-	5.20	-
Malawi	1.00	-	-	-
Mali	1.50	-	4.00	-
Mauritius	-	-	4.00	-
Morocco	10.00	-	14.20	-
New Zealand	-	-	39.20	-
Nicaragua	10.00	-	13.20	-
Nigeria	8.80	-	-	-
Pakistan	-	-	28.40	-
Panama	-	-	1.70	-
Peru	18.00	(8.00)	26.90	-
Philippines	27.50	(4.50)	2.50	-
Rwanda	-	-	1.00	-
Sierra Leone	-	-	5.40	-
Somalia	-	-	1.90	-
South Africa	125.00	(20.00)	-	-
Spain	-	-	3.60	-
Sudan	-	-	8.10	(1.60)
Swaziland	1.20	-	-	-
Syrian Arab Rep.	3.00	-	-	-
Trinidad & Tobago	4.80	-	3.80	-
Yunisia	7.50	-	7.40	-
Turkey	75.00	-	27.00	(5.40)
United Arab Rep.	17.50	-	9.00	(1.00)
United Kingdom	150.00	-	338.20	(10.20)
United States	150.00	-	-	-
Upper Volta	0.80	-	-	-
Uruguay	40.30	-	28.10	-
Yemen Arab Rep.	0.50	-	-	-
Yugoslavia	-	-	45.30	-
Zambia	-	-	-	(0.02)

TABLE 11

Transactions in SDRs January 1 - December 31, 1970

Participants	Allocations	Net Acquisition	Holdings as of Dec. 31, 1970	
	Jan. 1, 1970	or Net Use (-)	Amount	Percentage
	of Allocations			
----- (millions of SDRs) -----				
Afghanistan	4.9	-3.0	1.9	39
Algeria	12.6	1.5	14.1	112
Argentina	58.8	.5	59.3	101
Australia	84.0	6.5	90.5	108
Austria	29.4	8.8	38.2	130
Belgium	70.9	134.0	204.9	289
Bolivia	4.9	-2.2	2.7	56
Botswana	.5	-	.5	100
Brazil	58.8	3.5	62.3	106
Burma	8.1	-8.1	-	-
Burundi	2.5	-2.3	2.2	86
Cambodia	3.2	-1.6	1.6	50
Cameroon	3.1	-	3.1	100
Canada	124.3	57.8	182.1	146
Central African Rep.	1.6	-1.6	-	-
Ceylon	13.1	-13.1	-	-
Chad	1.7	-1.6	-	2
Chile	21.0	.8	21.8	104
Colombia	21.0	-20.9	.1	-
Congo, Democratic Rep.	15.1	.5	15.6	103
Congo, People's Rep.	1.7	-1.6	-	2
Costa Rica	4.2	-4.0	.2	5
Cyprus	3.4	.5	3.9	115
Dahomey	1.7	-	1.7	100
Denmark	27.4	-10.0	17.4	64
Dominican Rep.	5.4	-5.4	-	-
Ecuador	4.2	-4.1	.1	3
El Salvador	4.2	-4.2	-	-
Equatorial Guinea	1.0	-	1.0	100
Finland	21.0	2.9	23.9	111
France	165.5	6.0	171.4	104
Gabon	1.6	-	1.6	100
Gambia	.8	-	.8	100
Germany	201.6	56.0	257.6	128
Ghana	11.6	-11.6	-	-
Greece	16.8	-16.8	-	-
Guatemala	4.2	-2.2	2.0	49
Guinea	3.2	-3.0	.2	5
Guyana	2.5	-2.5	-	-
Haiti	2.5	-2.5	-	-
Honduras	3.2	-3.0	.2	6
Iceland	2.5	-2.0	.5	21
India	126.0	-81.8	44.2	35
Indonesia	34.8	-34.8	-	-
Iran	21.0	-20.0	1.0	5
Ireland	13.4	-	13.4	100
Israel	15.1	-15.1	-	-
Italy	105.0	-28.3	76.7	73
Ivory Coast	3.2	-	3.2	100
Jamaica	6.4	-	6.4	100
Japan	121.8	24.5	146.3	120
Jordan	2.7	-	2.7	100
Kenya	5.4	.4	5.8	108
Korea	8.4	1.9	10.3	123
Laos	1.7	-1.2	.5	30
Lesotho	.5	-.5	-	-
Liberia	3.4	-2.3	1.0	31
Luxembourg	3.2	-	3.2	100
Malagasy Rep.	3.2	-	3.2	100
Malawi	1.9	-	1.9	100
Malaysia	21.0	2.4	23.4	111
Mali	2.9	-2.9	-	-
Malta	1.7	-	1.7	100

Participants	Allocations Jan. 1, 1970	Net Acquisition or Net Use (-)	Holdings as of Dec. 31, 1970	
			Amount	Percentage of Allocations
Mauritania	1.7	-	1.7	100
Mauritius	2.7	.1	2.6	98
Mexico	45.4	2.5	47.8	105
Morocco	15.1	-14.8	.3	2
Netherlands	87.4	56.7	144.1	165
New Zealand	26.4	-26.0	.4	1
Nicaragua	3.2	-2.2	1.0	30
Niger	1.7	-	1.7	100
Nigeria	16.8	-	16.8	100
Norway	25.2	2.0	27.2	108
Pakistan	31.6	-21.4	10.2	32
Panama	4.7	-1.5	3.2	69
Paraguay	2.5	-	2.5	100
Peru	14.3	-	14.3	100
Philippines	18.5	-18.5	-	-
Rwanda	2.5	-2.0	.5	20
Senegal	4.2	-3.0	1.2	28
Sierra Leone	2.5	-2.0	.5	19
Somalia	2.5	-1.9	.6	24
South Africa	33.6	5.5	39.1	116
Southern Yemen	3.7	-2.0	1.7	46
Spain	42.0	1.5	43.5	104
Sudan	9.6	-9.4	.1	2
Swaziland	1.0	-1.0	-	1
Sweden	37.8	-	37.8	100
Syrian Arab Rep.	6.4	-6.4	-	-
Tangania	5.4	-3.5	1.9	35
Togo	1.9	-	1.9	100
Trinidad & Tobago	7.4	-6.9	.5	7
Tunisia	5.9	-5.9	-	-
Turkey	18.1	-18.0	.1	1
Uganda	5.4	-	5.4	100
United Arab Rep.	25.2	-25.1	.1	-
United Kingdom	409.9	-144.2	265.7	65
United States	866.9	-16.2	850.7	98
Upper Volta	1.7	-	1.7	100
Uruguay	9.2	-9.1	.1	1
Venezuela	42.0	5.5	47.5	113
Viet-Nam	6.6	-	6.6	100
Yugoslavia	25.2	-19.1	6.1	24
Zambia	8.4	.5	8.9	106
Country Total	3,414.0	-290.2	3,123.9	
Total used by participating countries			672.3	
of which acquired by other countries			382.1	
by IMF General Account			290.2	

THE WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

(a) Purpose and Functions

The primary function of the World Bank and IDA is to extend loans and credits to member countries, mainly the developing countries, for projects which the Bank's studies have indicated will make an important contribution to the borrower's economic development. The two organizations differ essentially in the sources of their funds and the terms of their loans. The World Bank obtains most of its funds by borrowing in private capital markets and accordingly it must lend on similar terms. IDA relies on interest-free advances from Governments for the bulk of its resources and thus can make loans on much softer terms. Otherwise the IBRD & IDA have similar policies. The two organizations are served by the same staff.

To provide the general guidelines within which its financing activities are conducted, the Bank seeks to acquire a comprehensive picture of the position and prospects of borrowing countries' economies and their development requirements. This makes it possible to identify economic sectors and projects which should be given high priority, and to form judgements on questions relevant to a borrowing country's economic growth, economic policies and its eligibility for Bank or IDA financing.

By giving continuous attention to the economic situation of developing member countries the Bank also seeks to help such countries make more effective use of all resources at their disposal, both domestic and foreign. It does so by providing assistance in formulating development policies, establishing development organizations, drawing up investment programmes for specific sectors and regions, identifying and preparing projects for financing, and encouraging the coordination of development assistance from bilateral and multilateral agencies.

In respect of coordination, the Bank has taken the lead in establishing "consortia" and "consultative groups" for 14 recipient countries and by participating in

four additional aid groups and consortia. Twenty-two aid-giving nations have been associated with one or more of these aid-coordinating activities. (Canada's participation in Bank Consortia and consultative groups, as well as other aspects of World Bank Group activity, is described in a separate section of this report entitled "Canada and the World Bank Group".)

The Bank also maintains close working relationship with other international organizations concerned with development assistance, particularly the United Nations, the United Nations Development Programme (UNDP), the UN's specialized agencies, the regional development banks and the Organization for Economic Cooperation and Development. For example, the Bank and the United Nations exchange information and coordinate technical assistance and other development activities through a high level liaison committee while the Bank Group has acted as executing agency for a number of pre-investment studies financed by the UNDP.

(b) Resources - The Bank's funds have come primarily from three sources:

(i) Paid-in capital

The Bank's subscribed capital is \$23 billion, of which \$2.3 billion or 10% has been paid-in. The remaining 90% constitutes a guarantee of the Bank's obligations.

The Board of Governors approved, just before the year's end, an increase in subscribed capital of \$2.2 billion for 75 members, corresponding to the selective element of the increases in their IMF quotas. The paid-in portion of this amount will be \$222 million. Accordingly, when these additional subscriptions have been taken up, subscribed capital and paid-in capital will be about \$25.2 billion and \$2.5 billion respectively.

(ii) Borrowing

As of December 31, 1970, the Bank had borrowed a total of \$9.1 billion since the commencement of operations, of which \$4.9 billion was outstanding.

(iii) Net Income from Operations

As of December 31, 1970, retained earnings available for operations amounted to approximately \$1.4 billion. Net income in 1970 was \$227 million, compared to \$189 million in 1969.

IDA's loanable resources have been derived largely from budgetary allocations from its member governments, principally the developed country or Part I members. Total usable resources made available or committed to IDA from the beginning of its operations to the end of 1970 were approximately \$3.3 billion. Of this amount \$2.75 billion had been provided by Part I countries. The balance was derived from transfers by the World Bank of a portion of its net earnings to IDA, (\$485 million) subscriptions by developing country members (\$45 million), IDA's own net income (\$41 million) and a loan from Switzerland (\$12 million).

During the year negotiations for a Third Replenishment of IDA's resources were completed. Details of this matter are given below in the section on World Bank Group activities during 1970.

(c) Loans and Credits

By December 31, 1970, the Bank had lent a total of \$15 billion to 88 of its 115 members. The Bank's loans are long term (15 to 30 years) and carry conventional rates of interest. The rate was increased in August, 1970, from 7% to 7½%.

By December 31, 1970, IDA had extended total credits of \$2.9 billion to 55 of its 107 member countries. IDA's loans are interest free (though there is a service charge of 3/4 of 1%) and for a 50-year term with 10 years' grace. In the main they are confined to countries where per capita incomes are exceptionally low and which cannot meet all of their external capital requirements on conventional terms.

INTERNATIONAL FINANCE CORPORATION

The IFC supplements the activities of the Bank and IDA by making and encouraging investments on commercial terms in productive private enterprises in developing member countries. With the addition of three countries during 1970, it now has 95 members. Its resources have been derived largely from paid-in capital subscribed by member governments, which rose to \$107 million in 1970, and from borrowings from the World Bank of \$200 million.

IFC made additional commitments during 1970 of \$118.6 million, bringing the total of gross commitments since inception of operations to \$496 million in 43 countries. (Net commitments, after deduction of cancellations and terminations, were \$467.4 million). Of gross commitments, approximately \$199.8 million have been in Latin America (40%), \$147.3 million in Asia and the Middle East (30%), \$84.8 million in Africa (17%) and \$64.1 million in Europe and Australasia (13%).

WORLD BANK GROUP IN 1970 - GENERAL REVIEW

Commission on International Development

The Bank-sponsored Commission on International Development, which was headed by the Rt. Hon. Lester Pearson, presented its report "Partners in Development" to the Bank's President in October, 1969. The Report surveyed in detail past performance and future prospects of the world development effort and contained a large number of specific recommendations for action by both donors and recipients of assistance. Among the recommendations were 33 relating to activities of the World Bank Group. A detailed analytical memorandum on each of these recommendations was prepared by the President and served as a basis for discussion and review by the Executive Board. The Board completed its examination of the recommendations early in 1971. In the great majority of cases, the Commission's recommendations were endorsed by the President and the Board and many of them have been acted upon.

Loans, Credits and Investments

Total loans, credits and investments made by the World Bank Group in 1970 and in the three preceding years are as follows:

(in millions of U.S. dollars)

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
World Bank	592	1,094	1,225	(a) 1,615
IDA	68	131	463	605
IFC	<u>38</u>	<u>48</u>	<u>88</u>	<u>119</u>
	698	1,273	1,776	2,339

Table I annexed to this Report lists World Bank and IDA loans and credits in 1970 according to geographical area and purpose, while Table II is a historical summary of loans and credits by year, geographical area, and purpose. IFC investments and commitments by year and by purpose since the commencement of operations are listed in Table III.

(a) Exclusive of \$100 million loan to IFC.

Bank Borrowing

The World Bank sold \$1,040.4 million of its obligations in the international investment market during 1970. This included the first borrowings in Japan equivalent to \$200 million, a public offering of \$200 million in the United States, borrowing in Germany equivalent to \$245.4 million, and in Switzerland equivalent to \$17.5 million. Other borrowings, all outside the United States, amounted to \$377.5 million. The net increase in the Bank's funded debt was about \$620 million, raising the total to about \$4,921 million.

IDA Replenishment

Negotiations for a Third Replenishment of IDA's resources were successfully completed during the year. Subject to necessary legislative authorization, 21 member countries (the Part I members plus Ireland, Spain, and Yugoslavia), together with Switzerland, will make available approximately \$813 million a year over a three-year period,

or a total of over \$2.4 billion. (Contributions under the First and Second Replenishments were about \$750 million and \$1.2 billion respectively.) Canada's share of the Third Replenishment will be \$50 million a year, or a total of \$150 million.

CANADA AND THE WORLD BANK GROUP

Board of Governors

There were no changes in Canada's representation on the Board of Governors during the year. However, in January, 1971, Mr. Paul Gérin-Lajoie, the new President of the Canadian International Development Agency, replaced the Agency's previous President, Mr. Maurice F. Strong, as Alternate Governor. The Honourable Edgar J. Benson, Minister of Finance, continues as Canada's Governor.

Funds Subscribed or Contributed

World Bank

Canada's share of the Bank's subscribed capital is \$792 million (3.43%), of which \$79.2 million or 10% has been paid in. As a result of the selective increases recently approved, Canada is entitled to subscribe to an additional \$149.8 million, of which the paid-in portion will be about \$15 million. This additional subscription will raise the amounts of Canada's subscribed and paid-in capital to \$941.8 million and \$94 million respectively, representing approximately 3.7% of the total for all members.

IDA

As a part I member of IDA Canada has contributed \$154.5 million to the Association. In addition, it has agreed to contribute a further \$150 million under the Third Replenishment, subject to Parliamentary approval.

IFC

Canada's subscription to the IFC is \$3.6 million.

World Bank Borrowings in Canada

Over the years, the Bank has offered seven bond issues in the Canadian market totalling \$125 million, of which approximately \$73 million is still outstanding. The Bank has also placed in Canada some of the two-year dollar bond issues which it has been offering for a number of years to central banks and other governmental agencies. Two such issues were offered in 1970 (at interest rates of 8 1/8% and 7 7/8% respectively) and Canada purchased \$12.5 million of each.

Canadian Goods and Services for Projects Financed by the Bank and IDA

Total identifiable expenditures in Canada by World Bank and IDA borrowers to December 31, 1970, were \$256.2 million. Details of the expenditures made, by year and by industrial sector, are provided in Table IV.

Canadian Personnel

There were 122 Canadian nationals on the staff of the World Bank Group at the end of 1970; 48 were in professional positions, including two of the Bank's senior officers.

Canada's Contribution as a Member of Consortia and Consultative Groups Organized by the Bank

Canada has been a member of the Consortia for Aid to India and Pakistan since their establishment in 1958 and 1960 respectively. Canada has also been a member of Consultative Groups organized by the Bank to coordinate development assistance to Ceylon, Colombia, East Africa, Korea, Malaysia, Morocco, Nigeria, Peru, the Sudan, Thailand and Tunisia and has participated in World Bank-sponsored joint financing of projects in Mexico and Colombia by extending long-term export credits. During the year Canada joined the Inter-Governmental Group for Indonesia, for which the Bank provides staff support.

TABLE I

IBRD LOANS AND IDA CREDITS - 1970
(Millions of U.S. dollars)

<u>BY AREA</u>	<u>BANK</u>		<u>IDA</u>		<u>TOTAL</u>		<u>No.</u> <u>Countries</u>
	<u>Amount</u>	<u>No.</u> <u>Loans</u>	<u>Amount</u>	<u>No.</u> <u>Credits</u>	<u>Amount</u>	<u>No.</u>	
Africa	243.4	16	158.3	26	401.7	42	28
Asia	553.7	22	423.3	27	977.0	49	14
Europe	208.4	9	-	-	208.4	9	6
Latin America and Caribbean	609.6	21	23.2	6	632.8	27	14
	<u>1,615.1</u>	<u>68</u>	<u>604.8</u>	<u>59</u>	<u>2,219.9</u>	<u>127</u>	<u>62</u>

BY PURPOSE

Electric Power	572.1	13	43.1	4	615.2	17
Transportation	466.9	19	85.2	14	552.1	33
Agriculture	84.6	9	273.2	24	357.8	33
Development Finance Companies	278.0	12	25.0	2	303.0	14
Telecommunications	86.4	3	27.8	2	114.2	5
Education	79.8	8	21.7	4	101.5	12
Industrial Imports	-	-	75.0	1	75.0	1
Industry	18.5	1	33.0	2	51.5	3
Water Supply	26.8	2	10.5	1	37.3	3
Project Preparation	-	-	6.3	4	6.3	4
Technical Assistance	-	-	4.0	1	4.0	1
Family Planning	2.0	1	-	-	2.0	1
	<u>1,615.1</u>	<u>68</u>	<u>604.8</u>	<u>59</u>	<u>2,219.9</u>	<u>127</u>

TABLE II
IBRD LOANS AND IDA CREDITS - 1946/47 TO 1970
(Millions of U.S. dollars)

<u>BY FISCAL</u> <u>YEAR</u> ^{1/}	<u>IBRD LOANS</u>		<u>IDA CREDITS</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
Cumulative to 1959-60	265	5,180.7		
1960/61	27	609.9	4	101.0
1961/62	29	882.3	18	134.1
1962/63	28	448.7	17	260.0
1963/64	37	809.8	18	283.2
1964/65	38	1,023.3	20	309.1
1965/66	37	839.2	12	284.1
1966/67	46	876.8	20	353.5
1967/68	44	846.9	18	106.6
1968/69	84	1,399.2	38	385.0
1969/70	70	1,680.3	56	605.6
1970/to Dec. 31	20	449.1	16	120.9
	725	15,046.2	237	2,943.1
 <u>BY AREA</u> ^{2/}				
Africa	133	2,100.9	99	588.5
Europe	113	2,643.0	8	92.3
Asia	218	4,798.6	104	2,050.0
Australasia	11	514.7	-	-
Western Hemisphere	249	4,389.5	26	155.3
International Finance Corporation	1	200.0	-	-
	725	14,646.7	237	2,886.1
 <u>BY PURPOSE</u> ^{2/}				
Reconstruction		496.8		-
Electric Power		4,792.9		185.7
Transportation		4,441.8		867.6
Communication		279.9		148.6
Agriculture		1,306.4		676.5
Industry		1,089.4		39.4
Development Finance Companies		1,176.3		64.6
General Development and Industrial Imports		552.3		655.0
Water Supply		130.8		48.0
Education		177.2		180.5
Project Preparation		0.9		14.2
Technical Assistance		-		6.0
Family Planning		2.0		-
International Finance Corporation		200.0		-
		14,646.7		2,886.1

^{1/} Fiscal years are those of the World Bank Group (July 1 to June 30).

^{2/} The figures are rounded and are net of cancellations, refundings and terminations.

TABLE III

SUMMARY OF IFC OPERATIONS
(Millions U.S. \$)

<u>BY FISCAL YEAR</u>	<u>Operational Investments</u>	<u>Stand By and Underwriting Commitments</u>	<u>Total Commitments</u>	<u>No. Commitments</u>	<u>Disbursements</u>
1956-60 cumulative	45.0	-	45.0	37	22.7
1960-61	6.2	-	6.2	10	10.4
1961-62	18.4	2.9	21.3	10	11.9
1962-63	13.0	5.1	18.1	12	15.9
1963-64	18.2	2.6	20.8	18	15.6
1964-65	19.7	6.0	25.7	16	16.3
1965-66	26.8	8.5	35.3	21	21.8
1966-67	49.0	-	49.0	14	25.4
1967-68	41.4	9.0	50.4	16	33.1
1968-69	87.8	5.1	92.9	27	33.4
1969-70	107.9	3.9	111.8	29	85.3
1970 to December 31	14.5	5.0	19.5	5	37.7
Gross Commitments, net of exchange adjustments	447.9	48.1	496.0	215	329.5
Cancellations and terminations	28.4	0.3	28.6		
Net Commitments	<u>419.5</u>	<u>47.8</u>	<u>467.4</u>		
<u>BY PURPOSE</u>					
<u>Development Finance Companies</u>					
<u>Industry</u>					
<u>Manufacturing</u>					
Iron and Steel			54.6		
Fertilizer			56.6		
Cement and Other Construction Materials			49.7		
Paper and Paper Products			64.8		
Textiles and Fibres			34.2		
Food and Food Processing			24.2		
Machinery			25.4		
Chemical and Petrochemical Products			21.7		
Other Manufacturing			33.7		
			<u>364.9</u>		
<u>Non-Manufacturing</u>					
Mining			36.7		
Utilities and Printing and Publishing			23.5		
Tourism			18.2		
			<u>78.4</u>		
Gross Commitments					<u>443.3</u>
					<u>496.0</u>

TABLE IV

DISBURSEMENTS BY IBRD AND IDA BORROWERS FOR GOODS AND SERVICES
IN CANADA TO DECEMBER 31, 1970
(In millions of U.S. dollars)

<u>BY YEAR</u>	<u>IBRD</u>	<u>IDA</u>	<u>TOTAL</u>
Cumulative to December 31, 1960	133.5	-	133.5
1961	8.2	-	8.2
1962	3.7	-	3.7
1963	5.6	7.4	13.0
1964	4.7	1.8	6.5
1965	5.4	2.7	8.1
1966	11.6	5.3	16.9
1967	13.2	14.7	27.9
1968	6.3	7.8	14.1
1969	4.4	11.0	15.4
1970	7.6	1.3	8.9
	<hr/>	<hr/>	<hr/>
Total	204.2	52.0	256.2
<u>BY PURPOSE</u>			
Electric Power	53.8	3.9	57.7
Transportation	70.6	11.8	82.4
Telecommunications	1.0	.5	1.5
Agriculture	2.3	1.0	3.3
Industry (manufacturing)	3.9	33.8	37.7
Development Finance Companies	1.8	-	1.8
Water Supply	.2	.2	.4
Education	.3	.1	.4
Multi-Purpose Loans	56.4	.7	57.1
Other	13.9	-	13.9
	<hr/>	<hr/>	<hr/>
Total	204.2	52.0	256.2