

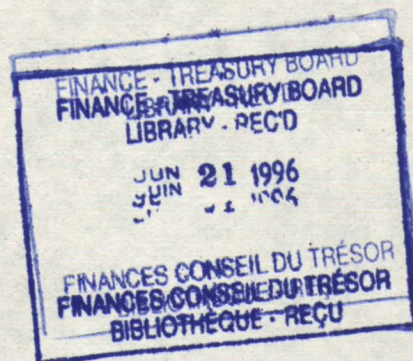


Department of Finance
Canada

Ministère des Finances
Canada



REPORT ON OPERATIONS
UNDER
THE BRETTON WOODS AGREEMENTS ACT
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION ACT
1981



INTRODUCTORY NOTE

This report reviews the operations during 1981 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 the 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. Canadian participation in the IDA was authorized under the International Development Association Act of 1960.

The International Monetary Fund provides machinery for international consultation and collaboration on monetary, balance of payments and exchange matters including the elimination of exchange restrictions for current payments. Its operations are traditionally financed by subscriptions, or "quotas", paid by member countries. These quotas generally reflect the relative importance of their economies in the world economy. The IBRD and IDA have, as their main function, the extension of loans and credits to the developing countries in order to enable them to finance projects which contribute to their economic development. The Bank obtains most of its funds by selling bonds in private capital markets. The IDA's resources come mainly from govern-

ments in the form of interest-free advances, enabling it to make loans on soft terms. 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. All these institutions are closely linked. Membership in the Fund is a prerequisite for membership in the Bank and membership in the Bank a prerequisite for membership in the IDA and the IFC.

Figures in the section on the Fund are expressed in terms of Special Drawing Rights (SDRs), the unit of account for all IMF transactions. The SDR is defined in terms of a weighted "basket" of 5 major currencies (the U.S. dollar, the German mark, the Japanese yen, the pound sterling, and the French franc) and its value on any given day reflects current exchange rates for those currencies. The value of the SDR varied between U.S. \$1.13 and \$1.24 in 1981.

Detailed information on the policies and operations of the IMF as well as world financial and economic developments is contained in the following Fund publications: International Financial Statistics, the Annual Report on Exchange Arrangements and Exchange Restrictions, the 1981 Report of the Executive Directors to the Board of Governors, and the World Economic Outlook.

Figures in the section on the World Bank Group refer, unless otherwise stated, to current U.S. dollars. United States dollars of the weight and fineness in effect on July 1, 1944 are converted to current dollars on the basis of a rate of \$1.20635 current dollars for one 1944 dollar. The figures contained in this section were obtained from financial statements of the World Bank Group.

INTERNATIONAL MONETARY FUND

General Background

The International Monetary Fund promotes the smooth functioning of the international monetary system so as to encourage international trade and capital movements and, ultimately, high rates of sustainable economic growth, high levels of employment, and the development of the productive resources of member countries. In line with these general objectives, the Fund seeks to promote stability and order in exchange rates, to foster a multilateral system of settlements for current transactions between members, and to eliminate exchange restrictions that hinder world trade. Accordingly, the IMF provides short- and medium-term financial assistance to members faced with balance of payments difficulties, regardless of their degree of economic development, in order to enable them to correct the imbalances in their external accounts with a minimum of disruption to the international monetary system. It also provides, upon request, an important source of economic and technical assistance to member countries.

The Fund's Executive Directors, management, and staff provide assistance to the Interim Committee of the Board of Governors on the International Monetary System which was established in 1974. This twenty-two member Ministerial Committee advises and reports to the Board of Governors on the management and adaptation of the international monetary system. The Committee held its sixteenth meeting in Libreville, Gabon on May 21, 1981, and its seventeenth meeting in Washington on

September 26-27. Until the May meeting the Committee Chairman was Mr. René Monory, former Minister of the Economy of France. He was succeeded in Libreville by the Honourable Allan J. MacEachen, Deputy Prime Minister, Minister of Finance and Governor for Canada at the IMF.

In 1981 two new members, Bhutan and Vanuatu, joined the IMF. This raises the total membership in the Fund to 143 countries.

Access to the Fund's Resources

The quotas of members in the IMF are of central importance both from a political and economic standpoint. Politically, a member's voting rights are determined by the size of its quota. As well, quotas are an important determinant of membership on the Executive Board, which manages the day-to-day operations of the Fund, as well as on the Interim Committee whose composition is patterned on that of the Executive Board. From an economic standpoint, the subscriptions of members, traditionally the major source of the IMF's financial resources, are equal to their quotas. In addition a member's normal maximum drawing capacity on IMF financial resources for balance of payments support is based on the size of its quota. A member's quota is also used as the basis for determining its allocations of SDRs from the Fund.

Members seeking financial assistance from the Fund's General Resources Account to help correct balance of payments disequilibria can draw on the reserve tranche and four normal credit tranches, each amounting to 25 per cent of their quotas. They can also use three permanent

facilities created for specific purposes: the Compensatory Financing Facility (CFF) created in 1963, to assist in covering fluctuations in export earnings of primary producing countries, the Buffer Stock Facility created in 1969 to help members with balance of payments difficulties finance their participation in buffer stock arrangements, and the Extended Fund Facility (EFF) created in 1974 for members suffering from balance of payments problems resulting from structural maladjustments. In addition, the Fund operated a temporary Oil Facility in 1974-75, financed through loans from members with strong payments positions, in order to assist members in financing payments deficits arising from the sudden increase in oil prices. As well, the Supplementary Financing Facility (SFF) (used in conjunction with drawings on upper credit tranches and the EFF) helped members to finance payments deficits that were exceptionally large in relation to their quotas. The facility, which used resources borrowed from monetary authorities, started operating in early 1979; its resources were fully committed by March 1981. In order to continue providing additional conditional resources to help members with large payments deficits and adjustment problems the SFF has been superseded by the Enlarged Access Program (EAP) which is also financed through borrowed funds.

In addition to facilities in the General Resources Account Fund members participating in the Special Drawing Rights Department have, since January 1970, been able to use SDRs in transactions with the Fund or with other participants as a means of either obtaining other members' currencies or redeeming their own. All Fund members are currently participating in the SDR Department.

Economic Environment

During 1981 the world economy continued to be affected by high inflation and unemployment levels, low growth rates, and large external payments imbalances, particularly among the non-oil LDCs. Inflation remained a serious problem among both the developed and developing countries. As measured by private consumption deflators, inflation among OECD countries was 9.5 per cent in 1981, down somewhat from 11 per cent in 1980. Almost all industrial countries continued to accord top priority to combatting inflation although a number expressed growing concern about the high level of unemployment. Among OECD countries unemployment averaged 7.3 per cent in 1981 while real GNP grew by only 1.3 per cent. An important factor which contributed to the high levels of unemployment and slow economic growth was the existence of high interest rates brought on by high inflationary expectations and difficulties experienced by numerous countries in controlling their fiscal deficits. As well, the high level of interest rates has created serious debt servicing problems for numerous developing countries trying to finance their current account deficits. Consequently many of these countries have had to trim back on their developmental plans.

Following the last round of oil price increases in 1979-80 the current account surplus of OPEC experienced a massive jump, rising from US \$4 billion in 1978 to \$110 billion in 1980. This was matched by large increases in the deficits of both industrial and non-oil LDCs. In 1981 OPEC's current account surplus declined to \$55 billion. The current account deficit of the industrial countries fell sharply from almost

\$73 billion in 1980 to \$35 billion in 1981. The greatest improvement was experienced by Japan which moved from a deficit of almost \$11 billion in 1980 to a surplus of \$5½ billion in 1981. The aggregate current account deficit of the non-oil LDCs continued to increase, however, mainly as a result of difficulties in adjusting to the higher price of energy imports and slow economic growth in the industrial countries, rising from \$57 billion in 1980 to \$72 billion in 1981.

Relatively high interest rates in the United States resulted in much sharper exchange rate changes than in previous years with the U.S. dollar on balance showing substantial strength. As well, exchange rates showed significant variability. The U.S. dollar increased by about 20.2 per cent year-over-year against currencies in the EMS. It rose by almost 33 per cent against the Italian lira and 29 per cent against the French franc. It fell by 2.7 per cent against the yen, although the yen became progressively weaker through the year, and rose on average by 2.5 per cent against the Canadian dollar. Developing countries in the main continued to peg their currencies to that of a major trading partner or to a basket of currencies.

Although a number of countries experienced serious financial difficulties in 1981 the international capital market, assisted by the IMF, performed efficiently both as a financial intermediary and as a source of international liquidity.

Activities of the Fund

The ability of many of the non-oil developing countries to finance the large increases in their current account deficits continued to be of concern to the IMF. Although the current account surplus of OPEC fell much more quickly than expected the difficulty for many of the non-oil developing countries to implement adequate adjustment measures resulted in their position remaining very tight during 1981. Consequently, the IMF substantially increased the amount lent out to these countries and continued to recommend strong action to promote economic adjustment. At the September meeting of the Interim Committee the Ministers applauded the efforts by the IMF to assist deficit countries in restoring a viable balance of payments position. The Committee stressed the importance of the Fund's role in promoting adjustment and strongly endorsed the emphasis that it has placed on the implementation of effective adjustment measures by members with upper credit tranche and extended arrangements.

In order to implement its enlarged access program without hurting its liquidity position, the Fund supplemented its own resources by entering into agreements last year with a number of OPEC surplus countries, notably Saudi Arabia, and some of the industrial countries, giving it access to SDR 9.3 billion in lines of credit. The Fund began lending out these resources after the funds of the Supplementary Financing Facility became fully committed in March 1981. At the September Interim Committee Meeting support was expressed for the Fund's current borrowing program. It was emphasized, however, that quota subscriptions should continue to be the main source of Fund resources and that consequently

the current borrowing program should be viewed as a bridging operation to protect the Fund's liquidity position until the completion of the Eighth General Review of Quotas.

During 1981 the Fund amended the Compensatory Financing Facility (CFF) in order to assist member countries facing balance of payments difficulties as a result of sudden and temporary increases in their cereal import costs. At the May meeting of the Interim Committee it was agreed to give members the option under the CFF of including cereal imports in the calculation of export shortfalls by treating the former as negative export earnings. Members can now draw up to 125 per cent of their quotas on the CFF with the maximum amount available as a result of traditional export shortfalls remaining at 100 per cent and the maximum available as a result of increased cereal imports also equal to 100 per cent.

Loans obtained under the Supplementary Financing Facility (SFF) carry rates of interest tied to the market-related terms at which the Fund borrowed the resources. In order to ensure that financial constraints did not bar low-income developing countries from using this facility, a Subsidy Account (legally separate from the IMF but administered by it) was established in December 1980 and made its first allocation to 21 eligible countries in 1981. The account will eventually be financed through Trust Fund loan repayments. Currently subsidies are being financed through voluntary contributions in the form of donations and loans. During 1981 the Account acquired SDR 35.2 million in this way.

In early 1981 Saudi Arabia received a special quota increase raising its quota in the Fund by 102 per cent to SDR 2.1 billion. This increase was made to reflect the increased relative importance of Saudi Arabia in the world economy and its financial support of the Fund. Total Fund quotas at the end of 1981 amounted to approximately SDR 61 billion. During 1981 preliminary work began on the Eighth General Review of Quotas. This review is expected to be completed by the end of 1983.

A number of changes were made during 1981 in order to make the SDR more attractive as a financial asset. On January 1, the valuation of the SDR was simplified by reducing the number of currencies upon which its value is based from sixteen to five (the U.S. dollar, the German mark, the Japanese yen, the pound sterling, and the French franc). In addition, the IMF cancelled the provision which required members to maintain daily average holdings of SDRs of at least 15 per cent of their net cumulative SDR allocations over successive five-year periods. Starting May 1, the rate of interest on the SDR was set at 100 per cent of the combined market rate of interest of the five countries composing the SDR basket, adjustable on a quarterly basis, while the rate of remuneration payable to members on their creditor positions in the Fund was set at 85 per cent of the SDR interest rate.

Operations of the Fund in 1981

Total financial assets of the Fund as of December 31, 1981 were about SDR 69 billion. Holdings of members' currencies totalled SDR 59 billion (a large part of these assets, however, are not available

for lending since they are currencies of members with balance of payments deficits or low international reserves), SDRs held by the Fund amounted to SDR 6 billion, and its gold holdings amounted to SDR 3.6 billion valued at SDR 35 per fine ounce. As well, some SDR 5.7 billion remained available to the Fund, in case of need, from a number of industrial countries under the General Arrangements to Borrow.

The flow to member countries of Fund-related resources grew in 1981 to SDR 13.3 billion (up from SDR 9.2 billion in 1980). Net of repayments, the flow was SDR 11.2 billion. These funds included drawings on the Fund's General Resources Account (GRA), an allocation of SDRs, and funds that became available through the Trust Fund, the SFF Subsidy Account, and the Oil Facility Subsidy Account. Of this total some SDR 10.4 billion became available to non-oil developing countries (of which SDR 7.5 billion was net of repayments), compared to SDR 6.5 billion (SDR 4.5 billion net of repayments) in 1980.

As a result of a combination of the increase in quotas in November 1980 following the Seventh Review of Quotas, the enlarged access to Fund resources, and the increase in the demand for payments assistance, the amount of financing provided through the GRA increased dramatically in 1981. As Table I indicates, members' purchases (i.e., drawings on Fund's resources) increased by 87 per cent, reaching SDR 7.1 billion compared to SDR 3.8 billion in 1980. Net of repayments this represents an increase from SDR 409 million to SDR 5.0 billion. Most of the increase in drawings was accounted for by the use of conditional

resources obtained from the credit tranches and the Extended Fund Facility (EFF), each of which increased by SDR 1.7 billion. Such drawings are made in conjunction with economic adjustment programs adopted by deficit countries to regain viable balance of payments positions. About 60 per cent of the drawings under the credit tranches and the EFF were financed through resources borrowed by the IMF from monetary authorities.

Table 1

Flow of Transactions in the General Resources Account 1980-1981

(in millions of SDRs)

	<u>1980</u>	<u>1981</u>
Total Purchases	3,754	7,082
Reserve Tranche	489	310
Credit Tranches	1,670	3,437
(through SFF)	(943)	(1,469)
(through EAP)	-	(306)
Buffer Stock	-	-
Compensatory Financing	980	1,242
Extended Facility	615	2,092
(through SFF)	(275)	(571)
(through EAP)	-	(481)
Total Repurchases	3,345	2,110
Net Purchases	409	4,972

As well as a large increase in actual purchases, large payments deficits and the need for economic adjustment measures to eliminate them resulted in a large increase in the amounts committed under stand-by and extended arrangements (i.e., lines of credit provided by the Fund that can be drawn on over a period of 1 to 3 years). As of December 31, there were 38 stand-by and extended arrangements in effect, for a total

amount of SDR 17.9 billion (compared to a total of SDR 8.5 billion at the end of 1980). Of this total SDR 13.1 billion was in undrawn balances. All of these commitments were to non-oil developing countries.

In addition to financing made available through the GRA, assistance was also provided at concessional terms to low-income developing countries through the Trust Fund. During 1981 it provided SDR 368 million in unconditional loans, compared to SDR 1.3 billion in 1980. The Trust Fund was terminated in April 1981 when its resources became fully committed. When loans are repayed to the Fund the resources will be placed in the Special Disbursement Account pending further decision relative to their use. Part of these repayments (up to SDR 750 million) will however be used to finance the SFF Subsidy Account.

On January 1, 1981, 4 billion SDRs were allocated to members bringing the total amount of SDRs in circulation to SDR 21.4 billion. This was the last in a series of three annual allocations between 1979 and 1981 in which a total of 12 billion SDRs were issued. Due to the current high level of international liquidity no agreement has been reached on any further SDR allocations. Total transfers of SDRs between members and with the IMF's General Resources Account during 1981 amounted to approximately SDR 7.6 billion, compared to SDR 10.6 billion in 1980. This decline reflects the fact that 25 per cent of the general increase in quotas at the end of 1980 was payable in SDRs. Transactions with designation, in which countries designated by the IMF provide their currencies to countries with balance of payments problems in exchange for SDRs, amounted to SDR 1.8 billion compared to SDR 1.3 billion in

1980. The bulk of these transactions involved the simultaneous purchase of SDRs from the Fund as part of IMF balance of payments loans. Transactions by bilateral agreement among members rose to SDR 897.2 million in 1981 from SDR 347 million in 1980. The bulk of these transactions (SDR 710 million) occurred during the last six months of the year and were partly due to a number of members trying to bring their SDR holdings up towards the level of their cumulative allocations. As well transfers in July and August, amounting to SDR 30.1 million, occurred between individual countries and intergovernmental financial institutions other than the Fund as part of the provision of loans or the settlement of financial obligations. This represented the first time SDRs were used in this manner. Transfers of SDRs from the GRA, mainly to members drawing on the Fund but also in repayments of Fund borrowings under the Oil Facility and in payments of interest on Fund borrowing, amounted to SDR 2.6 billion. Amounts transferred to the Fund's GRA for repurchases, payment of charges, and quota payments amounted to SDR 2.1 billion. Consequently the GRA's holdings of SDRs declined last year to SDR 5 billion compared to SDR 5.6 billion at the end of 1980.

IMF Relations with Canada

Canada's quota in the IMF is SDR 2,035.5 million. Fund holdings of Canadian dollars as of December 31, 1981 amounted to SDR 1,702.5 million or 83.6 per cent of quota. Canada's reserve position in the Fund (the amount it can draw on demand for balance of payments purposes) was SDR 345.7 million at year-end of which SDR 12.7 million represented

loans to the Fund to finance drawings under the SFF. There were no purchases made in Canadian dollars during 1981. Canadian dollars were used in repurchases amounting to SDR 105 million.

Revenues received by Canada in 1981 from the Fund amounted to SDR 2.1 million. Of this, SDR 1.6 million represented interest on SFF loans, and SDR 0.5 million in interest on Canada's net creditor position in the General Account. Interest payments by Canada of SDR 65.4 million were incurred on SDRs allocated to Canada and SDR 50.5 million was earned on SDR holdings.

In order to help the Fund finance its Enlarged Access Program Canada made available SDR 50 million to the IMF. This amount was committed under a two-year stand-by facility with the Bank for International Settlements (BIS) with a corresponding line of credit made available by the BIS in favour of the Fund.

Canada received 138.4 million SDRs on January 1, 1981 as the final installment of the three-year SDR allocation program. This brought Canada's cumulative allocation to SDR 779.3 million. At the end of 1981 Canada's holdings of SDRs amounted to SDR 149.5 million or 19.2 per cent of its cumulative allocation.

A team of IMF officials came to Ottawa in November 1981 as part of the annual consultation procedure under Article IV of the Fund's Articles of Agreement.

The Honourable Allan J. MacEachen, Deputy Prime Minister and Minister of Finance, continued to represent Canada on the Board of Governors. In May 1981, Mr. R.K. Joyce succeeded Mr. B.J. Drabble as the Canadian representative on the Executive Board. Mr. Joyce also serves as Director for Ireland, Jamaica, Bahamas, Barbados, Grenada, Dominica, St. Lucia and St. Vincent.

THE WORLD BANK GROUP

International Bank for Reconstruction and
Development (World Bank) and the
International Development Association (IDA)

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 staff 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 at near-commercial rates. 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 World Bank and IDA have similar policies. The two organizations are served by the same staff.

The World Bank seeks to acquire a comprehensive picture of the position and prospects of borrowing countries' economies and their development requirements, in order 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 World Bank or IDA financing.

By giving continuous attention to the economic situation of developing member countries, the World 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 recent years, the World Bank has been paying particular attention to the problem of greater equity in the distribution of benefits from development. This has meant increased emphasis on the type of projects which affect the living conditions of the poorest groups in the developing world, e.g., agriculture, population planning, and urban housing. In addition, the World Bank has recently launched a major program for energy development particularly in the oil importing developing countries. The program, which includes exploration, could represent up to 10 per cent of the lending programs of the Bank and IDA by 1987.

In respect of coordination, the World Bank has been active in establishing 20 ongoing aid coordination groups for recipient countries, of which one is the Caribbean Group for Cooperation and Economic Development, and is participating in two additional groups, one chaired by the Netherlands and the other by the OECD. Upwards of 24 nations and more than a dozen international agencies have been associated with one or more of these aid-coordinating activities. (Canada's participation in World Bank Consortia and Consultative Groups, as well as other aspects of World Bank Activity, is described in a separate section of this report entitled "Canada and the World Bank Group".)

The World Bank also maintains close working relationships with other international organizations concerned with development assistance, particularly the United Nations, the United Nations Development Program (UNDP), the United Nations' specialized agencies, the regional development banks and the Organization for Economic Cooperation and Development. For example, the World Bank and the United Nations exchange information and coordinate technical assistance and other development activities through a high level liaison committee, and the Bank Group has acted as an executing agency for a number of pre-investment studies financed by the UNDP. Also, the World Bank and the IMF established in 1974 a Joint Committee of the Boards of Governors of both institutions to seek ways to improve the flow of financial assistance to developing countries. This Committee, referred to as the Development Committee, met twice during 1981 at the Ministerial level.

Resources

The World Bank's funds are provided primarily from three sources:

(1) Paid-in capital

Of authorized capital of \$37.4 billion (U.S. dollars of the weight and fineness in effect on July 1, 1944) at the end of 1981, \$33.7 billion (1944 U.S. dollars) had been subscribed and \$3.7 billion (1944 U.S. dollars) of this amount (10 per cent) had been paid in. A further capital increase to double

the authorized capital to about \$75 billion commenced in September 1981 and will proceed, as countries take up their allocated shares, over the next five years. Of the increased amount, 7.5 per cent will be paid in, while the rest will remain callable and be used to support capital market borrowings.

(ii) Borrowing

As of December 31, 1981, the World Bank had outstanding borrowings of \$31.6 billion.

(iii) Net Income from Operations

As of December 31, 1981, undistributed retained earnings amounted to approximately \$3.74 billion. Net income in 1981 was \$626.5 million as compared with \$612.7 million in 1980.

IDA's loanable resources have been derived largely from budgetary allocations from its member governments (\$29.4 billion), principally those of the developed countries which are referred to as Part I members. Total resources made available or committed, including qualified commitments, to IDA from the beginning of its operations to the end of 1981 were approximately \$31.1 billion. Other resources that have become available to IDA since its inception totalled \$1.7 billion. These were largely derived from transfers by the World Bank of a portion of its net earnings to IDA (\$1.6 billion). The remainder has come from contributions from Switzerland and repayments.

Lengthy negotiations for a Sixth Replenishment of IDA were completed in late 1979. A resolution was then submitted to members calling for a U.S. \$12 billion increase in IDA's resources to be paid-in from 1980 through 1982. Canada's share was negotiated at 4.3 per cent of the total or U.S. \$516 million (Cdn \$601.81 million). IDA VI was not officially activated until August 1981 when the U.S. Congress finally ratified American participation. The delay in the U.S.A. participation and their smaller than expected payments for the first two installments have forced IDA to reduce its lending programme, for the past two years, below the levels forecast during negotiations. Lending for 1981, will be U.S. \$2.6 billion instead of the planned level of \$4 billion.

Loans and Credits

(i) World Bank Loans

As at December 31, 1981, the World Bank had lent a total of \$70.2 billion (net of cancellations, terminations and refundings) to 100 of its 141 members. The World Bank's loans are long-term (15 to 20 years maturities at present) and carry conventional rates of interest which approach commercial rates. From 1976 to 1979, the interest rates have been adjusted quarterly, based on the Bank's borrowing costs. During calendar year 1981, the range of interest rates was from 9.60 per cent to 11.60 per cent.

(ii) IDA Credits

As at December 31, 1981, IDA had lent \$25.1 billion (net of cancellations, refundings and terminations) to 77 of its 128 member countries. IDA's credits are interest-free (although there is a service charge of 3/4 of 1 per cent) and are extended for a 50-year term with 10 years' grace. Credits are made only to countries where per capita incomes are exceptionally low and which cannot meet all of their external capital requirements on conventional terms.

THE INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC supplements the activities of the World Bank and IDA by making and encouraging investments on commercial terms in productive private enterprises in developing member countries. With the addition of two countries in 1981, the IFC now has 120 members. The total resources available at the end of 1981 amounted to \$1,145.1 million; these were derived from paid-in capital subscribed by member governments (\$453.1 million), World Bank loans - withdrawn and outstanding (\$487.2 million), loans from others - withdrawn and outstanding (\$35.0 million), and the general reserve accumulated earnings (\$169.8 million) which was derived from income on operations.

IFC's commitments during 1981 amounted to \$733.0 million, bringing the total of gross commitments since inception of operations to \$4,030.5 million in 77 countries.

GENERAL REVIEW

Total loans, credits and investments signed (net of cancellations, terminations and refundings) by the World Bank Group in 1981 and in the three preceding years were as follows:

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	(in millions of U.S. dollars)			
World Bank	6,750*	7,275*	8,753*	8,973*
IDA	2,859	2,672	3,741	3,688
IFC	467	312	774	733
TOTAL	<u>10,076</u>	<u>10,259</u>	<u>13,268</u>	<u>13,394</u>

* Including loans to IFC of \$20 million in 1978, \$19 million in 1979, \$7 million in 1980, and \$41.6 million in 1981.

Table I annexed to this Report lists World Bank and IDA loans and credits during 1981 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 are listed in Table III.

Gross borrowing by the World Bank during 1981 amounted to \$3.0 billion. The net increase during 1981 in the World Bank's borrowings was \$2.7 billion, bringing the total debt outstanding to \$31.6 billion.

CANADA AND THE WORLD BANK GROUP

Canadian Representation on World Bank Group Executive Boards

The Governor for Canada since February 1980 has been the Honourable Allan J. MacEachen, Deputy Prime Minister and Minister of Finance. Mr. Earl G. Drake serves as Canadian Executive Director on the Bank's Board of Directors. Mr. Drake also represents Bahamas, Barbados, Dominica, Grenada, Guyana, Ireland, Jamaica, and St. Lucia.

Funds Subscribed or Contributed

World Bank - To the end of 1981, Canada's subscription to the World Bank's capital stock including the Selective Capital Increase, was \$1,341.7 million (or 3.42 per cent of the total subscription) of which \$134.2 million (10 per cent) has been paid in. Canada's share in the forthcoming General Capital Increase (GCI) now underway is 3.14 per cent representing U.S. \$1.26 billion. Canada's paid-in subscription will be 7.5 per cent or about U.S. \$94 million.

IDA - As a Part I member of IDA, Canada had to the end of 1981 paid in Canadian \$1,437.1 million to the Association. Negotiations were completed in December of 1979 for a Sixth Replenishment of IDA covering a three-year period beginning in mid-1980. Canada's share amounts to Cdn. \$601.81 million. During 1981, Canada contributed \$164.6 million to IDA VI, bringing our total contribution under this replenishment to \$341.7 million.

IFC - Canada's total subscription to the IFC since it became a member of the Corporation in 1956 amounts to \$26.0 million. At that time, Canada subscribed \$3.6 million (1944 U.S. dollars) which was paid in full. Under the terms of the last increase in the share of IFC, Canada agreed to subscribe to an additional \$17.4 million. Canada paid its first of five annual instalments in December 1977. The fourth instalment of \$4 million was made February 1, 1981.

Capital Increases and Replenishment

In January 1980, the Board of Governors of the World Bank voted in favour of a resolution to further increase authorized capital by approximately \$37.4 billion. Canada voted in favour, and is entitled to take up an additional \$1.26 billion worth of shares, of which \$94 million (7.5 per cent) would be paid in. Legislation to allow Canada to take up its share allocation is now being prepared.

Maintenance of Value Adjustment

According to the Articles of Agreement of the World Bank and IDA, countries are obliged to maintain the value of certain portions of their paid-in capital subscriptions and contributions. No further maintenance of value obligations exist for IDA. For the IBRD, there is a minor outstanding sum related to the devaluation of the U.S. dollar relative to gold in the early 1970's. The Bank has agreed not to seek payment of this small adjustment.

World Bank Borrowings in Canada

Over the years, the World Bank has placed nine bond issues in the Canadian private sector capital market, totalling the equivalent of U.S. \$177.1 million, of which approximately the equivalent of U.S. \$56.8 million is still outstanding. No issues were marketed in Canada in 1981.

Up to March 1979, the Exchange Fund Account has purchased portions of the two-year dollar bond issues which the World Bank has been offering for a number of years to central banks and other governmental agencies. Two such issues were offered in 1981 (at interest rates of 14.00 and 15.75 per cent respectively). The Exchange Fund Account did not purchase any of these bonds in 1981.

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

Total identifiable expenditures in Canada by the World Bank and IDA borrowers to December 31, 1981 were \$689.06 million. Details of the expenditures made, by year, are provided in Table IV.

Canadian Personnel

There were 187 Canadian nationals on the staff of the World Bank Group at the end of 1981; of these, 107 were in professional positions for the World Bank and IDA, and 7 for the IFC; 65 were in non-professional positions for the World Bank and IDA, and 8 for the IFC; in other words 3.2 per cent of the Group's professional staff were of Canadian origin.

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

Canada has been a member of the Consortia for Aid to India and Pakistan since their establishment in 1958 and 1960 respectively, and is a member of Consultative Groups organized by the World Bank to coordinate assistance to Bangladesh, Burma, the Caribbean, Colombia, Egypt, India, Kenya, Korea, Nepal, Pakistan, Philippines, Sri Lanka, Sudan, Tanzania, Thailand, Uganda, Zaire and Zambia. Canada is also a member of the Intergovernmental Group for Indonesia and OECD Consortium for Turkey.

In 1981, Canada through the Canadian International Development Agency (CIDA) participated with the World Bank in the financing of projects in Bangladesh, Benin, Cameroon, Chad, Congo, India, Indonesia, Ivory Coast, Kenya, Madagascar, Malawi, Mali, Mauritania, Morocco, Pakistan, Sri Lanka, Thailand, Uganda, Upper Volta, and Zaire, by extending long-term development loans. Canada also participated during 1981 in the meetings of the Group on the Control of Riverblindness (which is sponsored by the Bank, the World Health Organization, the United Nations Development Program, and the Food and Agriculture Organization), in the "Consultative Group on International Agricultural Research", and in the "Consultative Group on Food Production and Investment in Developing Countries" (both sponsored by the Bank, the Food and Agriculture Organization and the United Nations Development Program).

TABLE 1 - TABLEAU 1
World Bank Loans and IDA Credits
Prêts de la Banque mondiale et crédits de l'AID
January 1 - December 31, 1981/1^{er} janvier - 31 décembre 1981
(Millions of U.S. dollars - en millions de dollars E.-U.)

	WORLD BANK - BANQUE MONDIALE		IDA - AID		TOTAL ¹⁾	
	No.-N ^{bre}	Amount- Montant	No.-N ^{bre}	Amount- Montant	No. N ^{bre}	Amount- Montant
BY AREA - REGION						
East Africa - Afrique orientale	12	298.0	28	571.0	40	869.0
West Africa - Afrique occidentale	10	638.3	24	309.6	34	947.9
Europe, Middle East & North Africa - Europe, Moyen-Orient et Afrique du Nord	33	2,102.2	8	125.5	41	2,227.7
Latin America & Caribbean - Amérique latine et les Antilles	48	3,231.8	3	29.2	51	3,261.0
East Asia and Pacific - Asie orientale et le Pacifique	26	2,152.9	3	131.5	29	2,284.4
South Asia - Asie du sud	3	550.0	36	2,521.3	39	3,071.3
TOTAL	132	8,973.2	102	3,688.1	234	12,661.3
BY PURPOSE - OBJET						
Agriculture - Agriculture	32	1,992.0	41	1,360.6	73	3,352.6
Development Finance Companies - Sociétés financières de développement	21	1,405.5	8	169.5	29	1,575.0
Education - Education	10	407.4	9	303.0	19	710.4
Industry - Industrie	8	770.8	3	409.7	11	1,180.5
Energy - Energie	6	141.0	5	35.0	11	176.0
Non-project - Hors projet	8	866.0	2	173.0	10	1,039.0
Population - Population	2	25.5	-	-	2	25.5
Power - Energie électrique	13	1,507.5	4	430.8	17	1,938.3
Technical Assistance - Assistance technique	4	65.5	8	63.8	12	129.3
Telecommunication - Télécommunications	3	111.5	2	341.0	5	452.5
Tourism - Tourisme	-	-	-	-	-	-
Transportation - Transport	11	718.0	15	302.6	26	1,020.6
Urban Development - Développement urbain	7	482.0	1	25.0	8	507.0
Water Supply - Adduction d'eau	7	480.5	4	74.1	11	554.6
TOTAL	132	8,973.2	102	3,688.1	234	12,661.3

1) Joint Bank/IDA operations counted only once as Bank operations.

1) Toute opération menée conjointement par la Banque et l'AID n'est comptabilisée qu'une fois, au titre de la Banque.

TABLE II - TABLEAU II

Cumulative World Bank Loans and IDA Credits to Developing Countries
 Prêts de la Banque mondiale et crédits de l'AID cumulés aux pays en développement
 (Amounts in millions of U.S. dollars - en millions de dollars E.-U.)

	World Bank Loans Prêts de la Banque mondiale		IDA Credits Crédits de l'AID	
	No. Nbre	Commit- ments Engage- ments	No. Nbre	Commit- ments Engage- ments
By Fiscal Year* - Année financière*				
Cumulative to 1968 - Cumulé jusqu'en 1968	549	11,415.80	116	1,831.80
Total 1969-1973	374	8,916.90	273	3,931.6
Total 1974-1978	666	24,429.65	376	7,947.4
1978-1979	142	6,989.00	105	3,021.5
1979-1980	144	7,590.05	103	3,837.5
1980-1981	140	8,808.90	106	3,482.1
1981-1982 (July to Dec. 1981) (juil. à déc. 1981)	42	3,414.30	27	1,095.20
TOTAL	2,057	71,564.60	1,106	25,147.10
By Purpose - Objet				
(Cumulative to Dec. 31, 1981 - Cumulé jusqu'au 31 déc. 1981)				
Agriculture and Rural Develop- ment - Agriculture et développement rural	455	14,833.6	449	9,411.0
Education - Education	120	2,614.8	108	1,442.0
Energy - Energie	27	1,386.5	14	278.5
Industrial Development and Finance - Développement et financement de l'industrie	241	8,185.9	61	757.6
Industry - Industrie	136	5,855.3	27	1,075.8
Non-Project - Hors projet	53	3,705.1	38	2,756.1
Population and Nutrition - Population et alimentation	16	252.3	12	284.1
Power - Energie électrique	349	13,664.4	52	2,944.8
Small-scale enterprises ¹⁾ - Petites entreprises ¹⁾	-	-	-	-
Technical Assistance - Assistance technique	10	107.1	37	195.5
Telecommunications - Télécom- munications	55	1,375.3	27	958.7
Tourism - Tourisme	18	363.6	6	86.7
Transportation - Transport	430	14,150.6	205	3,487.8
Urban Development - Dévelop- pement urbain	48	1,655.4	18	452.0
Water Supply and Sewerage - Adduction d'eau et assainis- sement	99	3,414.7	52	1,016.5
TOTAL	2,057	71,564.6	1,106	25,147.1

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

* Les années financières sont celles du Groupe de la Banque mondiale (du 1^{er} juillet au 30 juin).

1) Included in Industry

1) Inclus dans Industrie

TABLE III - TABLEAU III
Summary of IFC Operations as of December 31, 1981
Résumé des opérations de la SFI au 31 décembre 1981

	No. of Commitments -Nombre d'enga- gements	Total Commitments -Engagements totaux* (Millions of U.S. dollars - en millions de dollars E.-U.)	Disbur- sements -Verse- ments
By Fiscal Year - Année financière			
1970-1971	23	101.4	72.0
1971-1972	19	115.6	60.8
1972-1973	25	146.7	88.1
1973-1974	32	203.4	162.5
1974-1975	31	211.7	184.4
1975-1976	33	245.3	199.7
1976-1977	34	206.7	259.9
1977-1978	41	333.0	155.1
1978-1979	48	405.9	205.4
1979-1980	55	680.6	311.8
1980-1981	45	737.2	587.4
1981-1982 (July to Dec. 1981) (juil. à déc. 1981)	17	196.6	339.0
Cumulative to Dec. 1981 - Cumulé à déc. 1981	584	4,030.5	2,917.9
Cancellations, revalua- tions and write-offs - Annulations, réévalua- tions et amortissements	-	<u>192.8</u>	-
Net Commitments - Engagements nets	-	<u>3,837.7</u>	<u>2,917.9</u>

TABLE IV - TABLEAU IV
Disbursements by the World Bank and IDA Borrowers for
Goods and Services in Canada
Dépenses des emprunteurs de la Banque mondiale et de l'AID en
biens et services au Canada

To December 31, 1981 - au 31 décembre 1981

(In millions of U.S. dollars -
en millions de dollars E.-U.)

	<u>World Bank -</u> <u>Banque mondiale</u>	<u>IDA -</u> <u>AID</u>	<u>Total</u>
By Year* - Année*			
Cumulative to December 31, 1960 - Cumulé au 31 décembre 1960	133.5	-	133.5
1961	8.2	-	8.2
1962	3.7	-	3.7
1963	5.6	7.4	13.0
1964	4.7	1.8	6.5
1965	5.4	2.7	8.1
1966	11.6	5.3	16.9
1967	13.2	14.7	27.9
1968	6.3	7.8	14.1
1969	4.4	11.0	15.4
1970	7.6	1.3	8.9
1971	11.1	2.2	13.3
1972	10.5	2.3	12.8
1973	12.4	5.1	17.5
1974	15.8	8.4	24.2
1975	22.1	15.0	37.1
1976	25.7	10.8	36.5
1977	34.5	4.8	39.3
1978	26.1	5.5	31.6
1979	44.4	8.1	52.5
1980	51.5	7.8	59.3
1981	94.3	14.5	108.8
 TOTAL	 552.6	 136.5	 689.1
Per Cent of Total Disbursements** - Pourcentage du total des dépenses**	1.3	0.9	1.2

* Calendar year.

* Année civile.

** Of total World Bank disbursements (\$41,558.0 million, including those in countries now considered developed) and IDA disbursements (\$13,903.7 million).

** Du total des dépenses correspondant à la Banque mondiale (41,558.0 millions de dollars, y compris celles dans les pays maintenant considérés comme industrialisés) et de celles liées à l'AID (13,903.7 millions de dollars).