

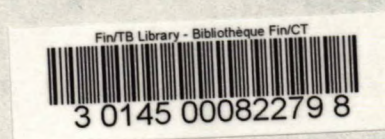


Department of Finance
Canada

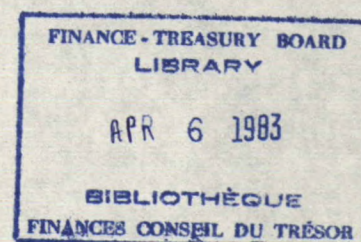
Ministère des Finances
Canada

**REPORT ON OPERATIONS
UNDER
THE BRETTON WOODS AGREEMENTS ACT
AND
INTERNATIONAL DEVELOPMENT
ASSOCIATION ACT
1982**

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INTRODUCTORY NOTE

This report reviews the operations during 1982 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. 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. 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 countries in the world economy. The IBRD and IDA have, as their main function, the extension of loans and credits to 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 governments 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. 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. In 1982 the value of the SDR varied between U.S. \$1.07 and \$1.15.

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 Report of the Executive Board, and the World Economic Outlook.

Figures in the section on the World Bank Group refer, unless otherwise stated, to current U.S. dollars. U.S. 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.

Detailed information on the policies and operations of the World Bank Group can be found in the World Bank Annual Report and the International Finance Corporation Annual Report.

INTERNATIONAL MONETARY FUND

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 temporary imbalances with a minimum of disruption to the international monetary system. It also provides, upon request, 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 eighteenth meeting in Helsinki on May 12-13, 1982, its nineteenth meeting in Toronto on September 4, and its twentieth meeting in Washington, on February 10-11, 1983. Until January 1983 the Committee Chairman was the Honourable Allan J. MacEachen, Deputy Prime Minister and former Minister of Finance and Governor for Canada. He has been succeeded by Sir Geoffrey Howe, Chancellor of the Exchequer for the United Kingdom.

In 1982 four new members -- Hungary, Belize, St. Vincent, and Antigua and Barbuda -- joined the IMF, raising total membership to 146 countries.

Economic Environment

During 1982 the world economy experienced a deep recession with high unemployment rates and external payments difficulties. Output in the industrial countries declined fractionally in 1982; high real interest rates and relatively flat real incomes resulted in stagnant domestic demand and exports to developing countries (LDCs) declined. Unemployment rates in industrial countries continued to rise in 1982, averaging $8\frac{1}{2}$ per cent. The non-oil LDCs experienced a decline in their growth rates for the second consecutive year; real GNP grew last year by less than 2 per cent, compared to growth rates of around 6 per cent in the late 1960s and early 1970s and 5 per cent in the late 1970s and 1980. This decline in growth rates has led to serious difficulties for many of the countries in this group. The low growth rate in these countries stems from sluggish demand by the industrial countries for their exports, a deterioration in their terms of trade, and financial constraints brought on by their external debt-servicing costs. The major oil-exporting countries have in general weathered the world recession better than others. Nevertheless the recent weakening in the international oil market has adversely affected their export earnings, forcing many of these countries to scale down, and in some cases cut back, on their development programs.

Progress has been made in reducing inflation, which fell in the industrial countries, from 9.4 per cent (as measured by the private consumption deflator) in 1981 to 7.5 per cent in 1982 due mainly to declines in the United States and the United Kingdom. Large inflationary differentials between countries persisted. Both short- and long-term nominal interest rates fell in the U.S. and in a number of other countries during the latter half of the year. In view of the sharp decline in inflation in the U.S., however, real interest rates remained high in that country.

Developments in the international trade and payments system during 1982 were in general discouraging. After peaking in 1981 the volume of international trade declined by $1\frac{1}{2}$ per cent last year, the

first decline since 1975. The most noteworthy aspect of the global balance of payments situation last year was the virtual disappearance of the current account surplus experienced by the members of OPEC. The aggregate current account deficit of the industrial countries increased to U.S. \$25 billion from \$23 billion in 1981. Much of this increase resulted from a movement in the U.S. balance of payments position from a current account surplus of \$4.5 billion during 1981 to a deficit of around \$4 billion last year. As well the surplus in the United Kingdom fell sharply from \$12 billion in 1981 to \$6 billion in 1982. The current account deficit of the non-oil LDCs fell by some \$13 billion last year to \$90 billion (excluding official transfers). This decline reflected growing financial constraints on these countries brought on by weak international demand and concern by commercial banks over their exposure in view of the declining creditworthiness of a number of countries. New medium-term bank credit commitments to the non-oil LDCs were lower last year than in 1981 and for a number of countries liquidity constraints reached critical proportions. Nevertheless international cooperative efforts were effective in ensuring the system's continued smooth performance. In response to the liquidity squeeze many countries moved to correct their external imbalances and restore their creditworthiness by adopting economic stabilization programs. Many of these programs are being implemented in cooperation with financial support from the Fund.

During 1982 the U.S. dollar continued to appreciate against most other major currencies. On a year-over-year basis the dollar appreciated by about 12 per cent against the currencies of the European Monetary System (EMS). It increased by over 23 per cent against the Belgian franc and by 20.9 per cent against the French franc. It rose by 15 per cent in relation to the pound sterling and by 12.9 per cent against the Japanese yen (although part of the dollar's increase against the yen was offset in the latter months of the year). The U.S. dollar rose by 2.9 per cent against the Canadian dollar. Most of developing countries continued to peg their currencies to that of a major trading partner or to a basket of currencies.

Activities of the Fund

The growing difficulties that many non-oil LDCs encountered in financing their current account deficits were a major concern of the Fund throughout 1982. Although OPEC's current account surplus has fallen dramatically since the second oil price increase in 1979-80, the large deficit experienced by the non-oil developing countries has declined at a much slower rate. Combined with sluggish export markets and rising interest rates these large deficits led to a growing debt-servicing burden which for a number of countries reached unsustainable levels. At the September meeting of the Interim Committee concerns were raised about the indebtedness of the non-oil LDCs. An aspect of the situation which received particular attention was the deterioration in the credit-worthiness of many of these countries and the resultant adverse impact on international bank lending. It was noted that the balance of payments difficulties faced by the non-oil LDCs could be attributed, to a considerable extent, to external factors such as the international recession, deteriorating terms of trade, and high interest rates. Nevertheless a substantial part of their difficulties was attributed to unduly expansionary financial policies. Regardless of the causes of their payments difficulties, however, it was thought to be essential for the non-oil LDCs to implement appropriate adjustment measures, particularly in view of the sensitivity of private capital markets. Although there was continued support for substantial financial assistance to deficit countries from the Fund it was also seen as critically important that balance of payments adjustment be promoted. Stabilization programs agreed to by members drawing on the IMF provide the necessary reassurance to encourage private lenders as well.

The extensive resources that have been committed by the Fund through its lending facilities in recent years have sharply increased its financial requirements. In order to protect its liquidity position -- which must be adequate to meet the needs of potential as well as actual deficit countries -- and ensure its operational effectiveness the Fund has engaged in borrowing programs, initially

through the Supplementary Financing Facility (SFF) and more recently through the Enlarged Access Program (EAP), utilizing funds provided by member countries to supplement its own resources.

Although the membership supports this borrowing the consensus is that it should be a bridging mechanism and that quota subscriptions should be the main source of Fund financing. In line with this a high priority was given last year to obtaining early completion of the Eighth General Review of Quotas; agreement on a quota increase was reached by the Interim Committee in February, 1983, providing for a 47.5 per cent increase in the overall level. In addition to a general increase in quotas it was recognized that the Fund should make special provisions to ensure that its resources would be adequate to cope with large-scale financial assistance to countries whose balance of payments difficulties threaten the stability of the international financial system. To this end agreement has been reached to expand the size of the General Arrangements to Borrow and extend the use of this facility beyond the participants (the "Group of Ten" industrial countries) to the full membership of the IMF.

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, the major source of the IMF's financial resources, are equal to their quotas. In addition a member's drawing capacity on IMF financial resources for balance of payments support is based on the size of its quota. Members' quotas are also used as the basis for determining allocations of SDRs.

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. Drawings beyond the first credit tranche are phased under "stand-by" arrangements tied to performance criteria associated with stabilization programs. Members can also use three permanent facilities created for specific purposes: the Compensatory Financing Facility (CFF) created in 1963 to assist members in covering balance of payments problems brought on by a short-term decline in their export earnings and more recently temporary increases in cereal imports; the Buffer Stock Facility (BSF) created in 1969 to help members with balance of payments difficulties finance their participation in international buffer stock arrangements; and the Extended Fund Facility (EFF) created in 1974 for members suffering from balance of payments problems resulting from structural maladjustments. EFF programs cover drawings -- up to 140 per cent of a member's quota -- phased over periods up to three years and are also subject to performance criteria.

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 the second and higher 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 largely committed by 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 and which allows drawings beyond the normal credit tranches.

In addition to facilities in the General Resources Account, 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 participate in the SDR Department.

Operations of the Fund

Total financial assets of the Fund as of December 31, 1982, were over SDR 70 billion. Holdings of members' currencies totalled SDR 63 billion (a large part of these assets, however, are not available for lending since they are the currencies of members with weak external positions or low international reserves), SDRs held by the Fund amounted to almost SDR 4 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 was available to the Fund under the General Arrangements to Borrow.

As is displayed in the following table, the flow to member countries of Fund-related resources in 1982 was SDR 8.8 billion (SDR 7.2 billion net of repurchases). This compares to SDR 11.5 billion in 1981 (SDR 9.4 billion net of repurchases). The decline reflects the termination of the Trust Fund in 1981 and the fact that no SDRs were allocated in 1982. The flow of funds to member countries included drawings on the Fund's General Resources Account (GRA), the SFF Subsidy Account, and the Oil Facility Subsidy Account. Of this total some SDR 8.2 billion became available to non-oil developing countries (of which SDR 7.1 billion was net of repayments), compared to SDR 10.4 billion (SDR 7.5 billion net of repayments) in 1981.

As a result of the continued need for payments assistance and the scope of the enlarged access program the amount of financing provided through the GRA increased dramatically in 1982. As Table I indicates, members' purchases (i.e., drawings on the Fund's resources) increased by 24 per cent, reaching SDR 8.8 billion compared to SDR 7.1 billion in 1981. Net of repayments this represents an increase from SDR 5 billion to SDR 7 billion. Purchases under the reserve tranche, which a member with balance of payments difficulties can draw on automatically, increased by SDR 704 million while CFF drawings increased by SDR 1.7 billion. As

a result of depressed commodity prices and the renewal of a number of international commodity agreements drawings on the Buffer Stock Financing Facility amounted to SDR 144 million in contrast to no drawings in either 1981 or 1980. Drawings from the credit tranches and the EFF fell last year to SDR 4.7 billion from SDR 5.5 billion in 1981. Drawings from the credit tranches in 1982 included purchases in the first credit tranche which did not involve stand-by arrangements totalling SDR 0.2 billion. Over 55 per cent of the drawings under the credit tranches and the EFF were financed through resources borrowed by the IMF from monetary authorities.

Table I

Flow of Resources by Fund 1981-82
(in millions of SDRs)

	<u>1981</u>	<u>1982</u>
Total Purchases	7,082	8,784
Reserve Tranche	310	1,014
Credit Tranches	3,437	2,515
(through SFF)	(1,469)	(983)
(through EAP)	(306)	(491)
Buffer Stock	-	144
Compensatory Financing	1,242	2,972
Extended Facility	2,092	2,139
(through SFF)	(571)	(728)
(through EAP)	(481)	(354)
Total Repurchases	2,091	1,637
Net Purchases	4,991	7,147
<u>SDR Allocations</u>	4,000	-
<u>Trust Fund Loans</u>	368	-
<u>SFF Subsidy Account</u>	23	44
<u>Oil Facility Subsidy Account</u>	50	9
Total Flow of Resources	11,523	8,837
Total Flow Net of Repurchases	9,432	7,200

The increase in the relative importance of drawings from "unconditional" facilities (i.e. reserve tranche, first credit tranche, CFF and BSF) last year is due to several factors including the rotational nature of Fund lending, depressed export markets, and differences in the timing of drawings between the new stand-by or extended arrangements entered into last year and the CFF loans which often accompanied them. In part, however, the decline in drawings from upper credit tranches and the EFF was due to the fact that a number of countries became ineligible for drawings under stand-by or extended arrangements as a result of their failure to meet the performance criteria under those arrangements.

The large payments deficits last year and the need for economic adjustment programs resulted in large amounts continuing to be committed under stand-by and extended arrangements. Net lending activity of the Fund (composed of the actual disbursement of resources through the General Resources Account and undisbursed resources committed under stand-by and extended arrangements net of repayments) reached SDR 18.2 billion last year compared to SDR 18.0 billion in 1981. As of December 31, 1982 there were 32 stand-by and extended arrangements in effect, for a total amount of SDR 17.5 billion (compared to a total of SDR 17.9 billion at the end of 1981). Of this total SDR 11.1 billion was in undrawn balances. All of these commitments were to non-oil developing countries. New loan commitments under stand-by and extended arrangements fell to SDR 2.4 billion in 1982, as compared to new commitments of SDR 12.1 billion in 1981. The reduction partly reflects cancellations of previous arrangements of SDR 4.1 billion last year.

The total amount of SDRs in circulation in 1982 was SDR 21.4 billion. Total transfers of SDRs between members and with the IMF's General Resources Account during 1982 amounted to SDR 12.2 billion, compared to SDR 7.6 billion in 1981. This represents the highest level of activity in any year since the SDR was created in 1970. 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 3.5 billion compared to SDR 1.8 billion in

1981. 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 1.5 billion in 1982 from SDR 0.9 billion in 1981. As well transfers of SDR 0.1 billion were effected in operations between participants and intergovernmental financial institutions as part of the provision of loans or the settlement of financial obligations. 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, totalled SDR 4.1 billion. Amounts transferred to the Fund's GRA for repurchases, payments of charges, and quota payments amounted to SDR 2.8 billion. Consequently the GRA's holdings of SDRs declined last year to SDR 3.7 billion compared to SDR 5 billion at the end of 1981.

IMF Relations with Canada

Canada's quota in the IMF is currently SDR 2,035.5 million. (As a result of the Eighth General Quota Review, this will increase to SDR 2,941 million.) Fund holdings of Canadian dollars as of December 31, 1982, amounted to SDR 1,717.3 million or 84.4 per cent of quota. Canada's reserve position in the Fund (the amount that can be drawn on demand for balance of payments purposes) was SDR 331.1 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 1982. Canadian dollars were used in repurchases amounting to SDR 15.2 million.

Revenues received by Canada in 1982 from the Fund amounted to SDR 47.4 million. Of this, SDR 1.8 million represented interest on SFF loans, and SDR 7.2 million interest on Canada's net creditor position in the General Account. Interest charges by Canada of SDR 101.6 million were incurred on allocated SDRs and earnings on SDR holdings amounted to SDR 33 million.

As a participant in the financing of the Fund's Enlarged Access Program Canada established a line of credit of SDR 50 million in 1981. 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 IMF. This line of credit had not been drawn against by the end of 1982.

Canada's cumulative allocation of SDR remained at SDR 779.3 million during 1982. At the end of the year Canada's holdings of SDRs amounted to SDR 64.2 million or 8.2 per cent of its cumulative allocation.

A team of IMF officials came to Ottawa in October 1982 as part of the annual consultation procedure under Article IV of the Fund's Articles of Agreement.

During 1982 the Honourable Allan J. MacEachen represented Canada on the Board of Governors. In early 1983 he was succeeded by the Honourable Marc Lalonde, Minister of Finance. Canada was represented on the Fund's Executive Board by Mr. R.K. Joyce. Mr. Joyce also serves as Director for Ireland, Jamaica, Bahamas, Barbados, Belize, St. Lucia, Grenada, Antigua, Dominica, and St. Vincent.

THE WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD OR WORLD BANK), AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

Purpose and Functions

The primary function of the World Bank and IDA is to help raise living standards in the developing world by channeling loans, and credits to developing member countries.

The World Bank and IDA 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 respect of coordination, the World Bank has been active in establishing 21 ongoing aid coordination groups for recipient countries, and is participating in two additional groups, one chaired by the Netherlands and the other by the OECD. Upwards of 36 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 1982 at the Ministerial level.

Resources

(a) World Bank Resources

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

(i) Paid-in capital

Of authorized capital of \$86.4 billion at the end of 1982, \$57.7 billion had been subscribed and \$5.3 billion of this amount had been paid in. Agreement was reached in January 1980, to increase the authorized capital of the Bank by some \$40 billion over a five year period, ending in mid-1986. Of this increase, 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, 1982, the World Bank had outstanding borrowings of \$36.0 billion.

(iii) Net Income from Operations

As of December 31, 1982, undistributed retained earnings amounted to approximately \$4.04 billion. Net income in 1982 was \$724.9 million as compared with \$626.5 million in 1981.

(b) IDA Resources:

IDA's loanable resources (\$26.2 billion) have been derived largely from budgetary allocations from its Part I member governments, most of which are developed countries. Total resources made available or committed, including qualified commitments, to IDA from the beginning of its operations to the end of 1982 were approximately \$28.5 billion. Other resources that have become available to IDA since its inception totalled \$2.0 billion. These were largely derived from transfers by the World Bank of a portion of its net earnings to IDA (\$1.7 billion). The remainder has come from contributions from Switzerland and repayments by IDA borrowing countries.

Lengthy negotiations for the 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 converted as of October 5, 1979). 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 levels forecasted during negotiations.

In addition, because the U.S.A. decided to make its contributions over four years (IDA fiscal years 1981-84)¹ rather than the three year period (1981-83) later agreed to by all participants, there was a real possibility that IDA lending would experience a drastic reduction during this fourth year. Consequently, all donor countries with the exception of the U.S.A., agreed in Toronto during the Bank's annual meeting in September 1982, to make a special contribution totalling nearly \$2 billion, in order to avoid a serious reduction in IDA lending during IDA fiscal year 1984. Canada played an active role in bringing about the compromise which will maintain IDA's lending in the 1984 fiscal year at a level at least equal to the previous three years.

IDA lending for 1982 was U.S. \$2.6 billion instead of the planned level of \$4.1 billion. Projected lending for fiscal year 1983 will be a little over U.S. \$3 billion instead of the previously projected U.S. \$4.4 billion. The planned lending level for fiscal year 1984 should be approximately U.S. \$3 billion.

¹ World Bank and IDA fiscal year is July 1 - June 30.

Loans and Credits

(i) World Bank Loans

As of December 31, 1982, the World Bank had approved loans cumulatively totalling \$79.7 billion (net of cancellations, terminations and refunds) to 99 of its 144 members. The World Bank's loans are long-term (15 to 20 years maturities at present) and carry rates of interest which approach commercial rates. From 1976 to July 1, 1982, the interest rates were adjusted quarterly, based on the Bank's borrowing costs plus a spread of approximately 50 basis points to cover the Bank's administrative costs. On January 5, 1982, the Bank approved a front-end fee of 1.5 per cent in order to provide additional income. At the end of June 1982, the Bank's lending rate was 11.6 percent.

Starting from July 1, 1982, the World Bank introduced a new interest rate policy under which the lending rate on all future loans would be changed twice yearly, instead of being fixed for the duration of the loan as they had been previously. The rate would be determined on the basis of the average cost of a "pool" of World Bank funded debt plus 50 basis points for administrative costs. This "pool" would include all World Bank borrowings made on or after July 1, 1982. The adoption of what, is in effect, a variable interest rate system was a significant departure from previous World Bank policy. However, in the face of rising interest costs and reduced access to long-term borrowing opportunities, the World Bank felt that it needed to better cover the interest rate risk borne by the Bank when it lent long-term and to have greater flexibility to tap the short-term and variable rate financial markets for its borrowings. Since adopting this new lending rate policy, the World Bank's lending rate has fallen below 11 percent and on December 31, 1982, was 10.43 percent.

(ii) IDA Credits

As at December 31, 1982, IDA had lent \$27.6 billion (net of cancellations, refunds and terminations) to 78 of its 131 member countries. IDA's development credits are interest-free (although there is a service charge of 3/4 of 1 per cent on disbursed balances) and are extended for a 50-year term with 10 years' grace. On January 5, 1981, in an effort to increase the funds available to IDA and to reduce IDA's operating deficits, the Board of Directors authorized a commitment fee for IDA development credits of 0.5 per cent on undisbursed balances.

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 three countries in 1982, the IFC now has 123 members. The total resources available at the end of 1982 amounted to \$1,255.4 million; these were derived from paid-in capital subscribed by member governments (\$531.7 million), World Bank loans - drawn and outstanding (\$498.4 million), loans from others - drawn and outstanding (\$35.0 million), and the accumulated earnings (\$190.3 million) which was derived from income on operations.

IFC's commitments during calendar year 1982 amounted to \$382.5 million, bringing the total cumulative gross commitments since inception of operations to \$4,419.1 million in 80 countries.

GENERAL REVIEW

Total loans, credits and investments signed (net of cancellations, terminations and refunds) by the World Bank Group in 1982 and in the three preceding years were as follows:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	(in millions of U.S. dollars)			
World Bank	7,275*	8,753*	8,973*	9,676*
IDA	2,672	3,741	3,688	2,824
IFC	<u>312</u>	<u>774</u>	<u>733</u>	<u>383</u>
TOTAL	10,259	13,268	13,394	12,883

* Including loans to IFC of \$19 million in 1979, \$7 million in 1980, \$41.6 million in 1981, and \$11.2 million in 1982.

Table I annexed to this Report lists World Bank and IDA loans and credits during 1982 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 1982 amounted to \$4.41 billion. The net increase during 1982 in the World Bank's borrowings was \$4.35 billion, bringing the total debt outstanding to \$36.5 billion.

CANADA AND THE WORLD BANK GROUP

Canadian Representation on World Bank Group Executive Boards

The Governor for Canada during 1982 was the Honourable Allan J. MacEachen, Deputy Prime Minister. In August of 1982, Mr. Bernard J. Drabble, Associate Deputy Minister, Department of Finance, was appointed as the Alternate Governor for Canada of the World Bank Group, replacing Mr. Marcel Massé, President of CIDA. Mr. Earl G. Drake served as the Canadian Executive Director on the Bank's Board of Directors until September, 1982. At the annual meeting of the World Bank held in Toronto in September 1982, Mr. Morris Miller was elected as Canada's

Executive Director on the Bank's Board, replacing Mr. Drake. Mr. Miller also represents Bahamas, Barbados, Dominica, Grenada, Guyana, Ireland, Jamaica, and St. Lucia.

Funds Subscribed or Contributed

World Bank - To the end of 1982, Canada's subscription to the World Bank's capital stock was \$1,214.8 million of which \$138.2 million (Cdn. \$152.6 million) 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 (or \$1.0416 billion in 1944 U.S. dollars). 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 1982 paid \$1,407.4 million (Cdn. \$1,580.1 million) to the Association. Negotiations were completed in December of 1979 for a Sixth Replenishment of IDA covering a three-year period which began in mid-1980. Canada's share amounts to \$516.0 million (Cdn. \$601.81 million). During 1982, Canada contributed \$115.6 million (Cdn. \$143.0 million) to IDA VI, bringing our total contribution under this replenishment to \$404.4 million (Cdn. \$487.4 million). In 1982, Canada also committed to provide an additional Canadian \$200.6 million as a special contribution, together with the other Part I members, except the U.S.A., in order to maintain IDA's lending program in its fiscal year 1984 and prevent it from experiencing a serious decline as a result of delays in U.S.A. contributions.

IFC - Canada's total subscription to the IFC since it became a member of the Corporation in 1956 amounts to \$21.7 million. Canada's original subscription was \$4.3 million. Under the terms of the last increase in the shares of IFC, Canada agreed to subscribe to an additional \$17.4 million. Canada paid its first of five annual instalments in December 1977. The fifth and last instalment of \$3.47 million was made January 29, 1982.

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 \$40.0 billion. Canada voted in favour, and is entitled to take up an additional \$1.26 billion worth of shares (equal 1.041 billion 1944 U.S. dollars), of which \$94 million (7.5 per cent) would be paid in. Amendments to the Bretton Woods Agreements Act to permit Canada to take up its share allocation were passed by Parliament in November 1982, with Royal Assent given on December 16, 1982.

Maintenance of Value Adjustment

According to the Articles of Agreement of the World Bank, countries are obliged to maintain the value of certain portions of their paid-in capital subscriptions and contributions. When the U.S. dollar was devalued relative to gold in the early 1970's, a number of countries incurred maintenance of value obligations on their share of paid-in capital subscriptions and contributions. The World Bank agreed not to seek payment of these obligations. Maintenance of value obligations do not exist for IDA contributions.

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 \$170.0 million, of which approximately the equivalent of \$63.4 million is still outstanding. No issues were marketed in Canada in 1982. A private placement of Canadian \$60 million (U.S. \$48.8 million) was made by the World Bank in 1982 through the Saudi Arabian Monetary Authority as part of a much larger borrowing which included five different currencies. At December 31, 1982, the Bank's outstanding borrowing denominated in Cdn. dollars aggregated the equivalent of U.S. \$102.2 million.

Up to March 1979, the Exchange Fund Account 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. The Exchange Fund Account did not purchase any of these bonds in 1982.

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

Total identifiable expenditures in Canada by World Bank and IDA borrowers to December 31, 1982 were \$779.1 million. Details of the expenditures made, by year, are provided in Table IV.

Canadian Personnel

There were 194 Canadian nationals on the staff of the World Bank Group at the end of June 1982; of these, 120 were in professional positions for the World Bank and IDA, and 16 for the IFC; 52 were in non-professional positions for the World Bank and IDA, and 6 for the IFC; Canadians accounted for about 3.2 per cent of the Group's professional staff in 1982.

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, the Caribbean (CGCED), Colombia, Egypt, India, Kenya, Nepal, Pakistan, Peru, Sri Lanka, Sudan, Tanzania, Thailand, Uganda, Zaire and Zambia. Canada is also a member of the Inter-governmental Group for Indonesia.

In 1982, Canada through the Canadian International Development Agency (CIDA) participated with the World Bank in the financing of projects in Cameroon, Congo, Egypt, Ghana, Guyana, Indonesia, Ivory Coast, Kenya, Leeward, Windward Islands, Madagascar, Mali, Mauritania,

Morocco, Pakistan, St-Lucia, St-Vincent, Thailand, Uganda, Upper Volta, and Zaire. Canada also participated during 1982 in the meetings of the Joint Program Committee of the Onconceriasis Control Program 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).

Canada also participated in a global inter-regional project funded through the UNDP and implemented through the IBRD, called the Information and Training Program in Low Cost Water and Sanitation Techniques.

TABLE 1 - TABLEAU 1
World Bank Loans and IDA Credits
Prêts de la Banque mondiale et crédits de l'AID
January 1 - December 31, 1982/1^{er} janvier - 31 décembre 1982
(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	9	294.5	33	667.4	42	961.9
West Africa - Afrique occidentale	10	575.0	28	322.0	38	897.0
Europe, Middle East & North Africa - Europe, Moyen-Orient et Afrique du Nord	34	1,784.1	11	87.0	45	1,871.1
Latin America & Caribbean - Amérique latine et les Antilles	45	2,833.5	6	60.0	51	2,893.5
East Asia and Pacific - Asie orientale et le Pacifique	39	2,915.8	4	175.4	43	3,091.2
South Asia - Asie du sud	10	1,273.5	23	1,512.2	33	2,785.7
TOTAL	147	9,676.4	105	2,824.0	252	12,500.4
BY PURPOSE - OBJET						
Agriculture - Agriculture	38	2,002.5	30	935.6	68	2,938.1
Development Finance Companies - Sociétés financières de développement	13	991.0	6	156.7	19	1,147.7
Education - Education	10	370.3	10	175.6	20	545.9
Industry - Industrie	17	1,159.4	4	50.2	21	1,209.6
Energy - Energie	9	709.8	7	38.1	16	747.9
Non-project - Hors projet	5	651.6	2	330.0	7	981.6
Population - Population	1	33.5	3	48.5	4	82.0
Power - Energie électrique	11	1,300.4	9	329.5	20	1,629.9
Technical Assistance - Assistance technique	4	23.5	10	62.2	14	85.7
Telecommunication - Télécommunications	3	226.8	2	30.5	5	257.3
Tourism - Tourisme	-	-	-	-	-	-
Transportation - Transport	18	1,510.2	14	500.1	32	2,010.3
Urban Development - Développement urbain	10	408.9	2	25.0	12	433.9
Water Supply - Adduction d'eau	8	288.5	6	142.0	14	430.5
TOTAL	147	9,676.4	105	2,824.0	252	12,500.4

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. N ^{bre}	Commit- ments Engage- ments	No. N ^{bre}	Commit- ments Engage- ments
By Fiscal Year* - Année financière*				
Cumulative to 1968 - Cumulé jusqu'en 1968	549	11,418.10	116	1,831.80
Total 1969-1973	374	8,917.80	273	3,931.6
Total 1974-1978	666	24,372.30	376	7,947.4
1978-1979	142	6,989.00	105	3,021.5
1979-1980	144	7,644.20	103	3,837.5
1980-1981	140	8,808.90	106	3,482.1
1981-1982	150	10,329.60	97	2,686.3
1982-1983 (July 82 - Dec. 82)	39	2,761.10	35	1,232.90
TOTAL	2,204	81,241.00	1,211	27,971.1
By Purpose - Objet				
(Cumulative to Dec. 31, 1981 - Cumulé jusqu'au 31 déc. 1981)				
Agriculture and Rural Develop- ment - Agriculture et développement rural	493	16,836.0	479	10,346.6
Education - Education	130	2,985.1	118	1,617.6
Energy - Energie	36	2,096.3	21	316.6
Industrial Development and Finance - Développement et financement de l'industrie	254	9,176.9	67	914.3
Industry - Industrie	152	6,995.7	31	1,126.0
Non-Project - Hors projet	58	4,356.7	40	3,086.1
Population and Nutrition - Population et alimentation	17	285.8	15	332.6
Power - Energie électrique	360	14,964.7	61	3,274.3
Small-scale enterprises ¹⁾ - Petites entreprises ¹⁾	-	-	-	-
Technical Assistance - Assistance technique	14	130.6	47	257.7
Telecommunications - Télécom- munications	58	1,602.1	29	989.2
Tourism - Tourisme	18	363.6	6	86.7
Transportation - Transport	449	15,680.0	219	3,987.9
Urban Development - Dévelop- pement urbain	58	2,064.3	20	477.0
Water Supply and Sewerage - Adduction d'eau et assainis- sement	107	3,703.2	58	1,158.5
TOTAL	2,204	81,241.0	1,211	27,971.1

* 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, 1982
Résumé des opérations de la SFI au 31 décembre 1982

	No. of Commitments -Nombre d'enga- gements	Total Commitments -Engagements totaux*	Disbur- sements -Verse- ments
		(Millions of U.S. dollars - en millions de dollars E.-U.)	
By Fiscal Year			
- Année financière			
1967-1970	-	-	-
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	33	206.7	259.9
1977-1978	40	333.0	155.1
1978-1979	46	405.9	205.4
1979-1980	54	649.6	311.8
1980-1981	45	737.4	587.4
1981-1982	46	380.1	530.2
1982-1983 (July-Dec. 82)	19	198.0	196.4
Cumulative to Dec. 1981			
- Cumulé à déc. 1981	632	4,419.1	3,305.5
Cancellations, revalua- tions and write-offs			
- Annulations, réévalua- tions et amortissements	-	<u>208.8</u>	-
Net Commitments			
- Engagements nets	-	<u>4,210.3</u>	<u>3,305.5</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, 1982 - au 31 décembre 1982

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

	<u>World Bank - Banque mondiale</u>	<u>IDA - 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
1982	71.4	18.6	90.0
TOTAL	624.0	155.1	779.1
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 (\$48,432.8 million, including those in countries now considered developed) and IDA disbursements (\$16,351.9 million).

** Du total des dépenses correspondant à la Banque mondiale (48,432.8 millions de dollars, y compris celles dans les pays maintenant considérés comme industrialisés) et de celles liées à l'AID (16,351.9 millions de dollars).