



Department of Finance
Canada

Ministère des Finances
Canada

**REPORT ON OPERATIONS
UNDER
THE BRETTON WOODS AGREEMENTS ACT
AND
INTERNATIONAL DEVELOPMENT
ASSOCIATION ACT
1984**

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INTRODUCTORY NOTE

This report reviews the operations during 1984 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 1984, the value of the SDR varied between U.S.\$.98 and \$1.06.

Detailed information on the policies and operations of the IMF as well as on world financial and economic developments is contained in the following Fund publications: the International Financial Statistics, the Annual Report on Exchange Arrangements and Exchange Restrictions, the Annual 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. Information concerning world financial and economic developments as they affect developing countries is contained in the annual World Development Report published by the World Bank.

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.

During 1984 the People's Republic of Mozambique and St. Christopher and Nevis joined the IMF bringing the total membership to 148 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 twenty-second meeting on April 12, 1984 and its twenty-third meeting on September 22, 1984 in Washington.

Economic Environment

During 1984 the global recovery gained strength and began to exert a positive influence on the economic and financial position of many developing countries. Among the industrial countries, growth in real GNP averaged 4.8 per cent, up from 2.6 per cent in 1983. The increased buoyancy in output and activity was due to a very strong economic expansion in the United States during the first half of the year.

Elsewhere among the industrial countries economic growth also improved. Nevertheless, it remained significantly below that of the United States. Among the major countries the strongest growth was

experienced in Japan and Canada. Although economic growth in Europe picked up it nevertheless remained significantly below the average for the industrial countries as a group.

Inflation in the OECD countries (as measured by GNP deflators) continued to moderate in 1984, averaging 4.8 per cent compared to a high of 9 per cent in 1981. At this level, inflation was lower than has been the case in more than a decade. Unemployment remained a serious problem, however. While in the United States strong growth resulted in a significant decline in unemployment, Europe and Canada continued to experience very high unemployment levels.

On the external side, the current account balance in the United States (including official transfers) has deteriorated significantly in recent years, shifting from a surplus of U.S.\$6 billion in 1981 to a deficit of \$100 billion in 1984. This shift was associated with a large increase in capital inflows into the United States. The increased current account deficit was also associated with an opposite trend in the current account positions of most other OECD countries which recorded a surplus of around \$29 billion in 1984.

Over the past two years international efforts have been successful in helping to strengthen the economic position of the developing countries. Nevertheless, interest rate developments remained a source of vulnerability for debtor countries. As well, the economic situation of individual countries varied considerably, with many of the poorest continuing to face very difficult conditions.

Initially, external adjustment efforts in non-oil LDCs relied on a substantial compression of imports. Spurred by the economic recovery in the industrial countries, however, non-oil LDC exports increased by almost 13 per cent in value last year, permitting their current account deficit to fall to U.S.\$45 billion in 1984 from

\$53 billion the previous year, despite renewed import growth. Growth averaged 3.7 per cent, reflecting the first significant increase in per capita income in three years.

The U.S. dollar strengthened against all major currencies in 1984, touching new record highs against several of them. On the basis of yearly average values, the dollar appreciated by 13.7 per cent against the currencies of the European Monetary System (EMS), including increases of 14.7 per cent against the French franc and 11.5 per cent against the German mark. The U.S. dollar advanced 13.5 per cent in relation to the pound sterling, 0.5 per cent against the yen, and 5.1 per cent against the Canadian dollar. Most developing countries continued to peg their currencies to that of a major trading partner or to a basket of currencies.

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, and on the Interim Committee, whose composition is patterned on that of the Executive Board. From an economic standpoint, the subscriptions of members 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 the cost of 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 phased over periods up to three years and are also subject to performance criteria.

In addition, the Fund temporarily operated the Supplementary Financing Facility (SFF) (used in conjunction with drawings on the second and higher credit tranches and the EFF) to help 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 1973. In order to continue providing additional conditional resources to help members with large payments deficits and serious adjustment problems the SFF was superseded by the Enlarged Access Policy in 1981 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 currently participate in the SDR Department.

Activities of The Fund

During 1984 the Fund's activities were directed towards assisting debtor countries in consolidating the gains made in strengthening their balance of payments positions and in ensuring that the IMF will continue to be able to assist them in resolving their

financial difficulties. Although the financial situation of debtor countries remains tight they nevertheless have achieved enough flexibility to permit them to take some advantage of the economic recovery in the industrial countries. Fund lending has played an important part in directly strengthening the financial positions of these countries. Beyond providing temporary financing to bolster international reserves, however, a crucial aspect of Fund assistance is the implementation of corrective policy measures by the recipient country to restore financial and payments stability. These adjustment programs help to promote confidence on the part of commercial and official creditors and, thereby, act as a catalyst for new financial flows from these sources.

As a result of the improved economic position of debtor countries a review of the Fund's Enlarged Access Policy (EAP) was undertaken last year leading to an adjustment in drawing limits. When the EAP was implemented to provide increased assistance to members it was recognized that it would be a temporary facility. In view of the improved economic situation last year it was felt that enough flexibility existed to reduce the size of this facility. However, it was also recognized that despite the current economic situation many member countries continued to face difficulties and that serious questions remained about their medium-term prospects. Consequently, it was agreed that enlarged access should be maintained, although maximum drawing limits would be reduced somewhat. Annual access under the EAP was therefore reduced to 95 or 115 per cent of quota (from 102 or 125 per cent of quota), with three-year limits of 280 or 345 per cent of quota (down from 306 or 375 per cent of quota), and cumulative limits of 408 or 450 per cent of quota (compared to the previous limit of 408 to 500 per cent of quota). As was the case previously, the actual limits established within these various ranges depend on the seriousness of the balance of payments need and the strength of the adjustment effort.

It is generally agreed that quota payments by member countries should be the normal source of financing for the Fund's lending activities. In recent years, however, the increase in financial

assistance provided by the IMF and the more medium-term nature of its adjustment programs have placed pressure on the Fund's resources. In order to protect its liquidity position -- which must be adequate to meet the potential as well as the actual financing needs of deficit countries -- and ensure the continued effectiveness of its operations the Fund, in recent years, has supplemented its own resources by borrowing from member countries. Since 1962 Ministers of the 'Group of Ten' (G-10) industrial countries (which includes the ten largest industrial countries in the IMF plus Switzerland) have provided a revolving line of credit under the General Arrangements to Borrow (GAB). Initially, the GAB was established to provide the IMF with temporary financing to help it meet exceptionally large drawings by any one of the contributing countries. In 1983 the GAB was enlarged and its mandate broadened to cover drawings by any Fund member under particular circumstances. The size of the line of credit available under the GAB is now SDR 17 billion. As a result of an agreement between it and the Fund, Saudi Arabia made available to the IMF SDR 1.5 billion last year in association with the GAB and for the same purposes as the resources available under the arrangement. During 1984 the Fund did not utilize any of the resources available under the GAB or the associated Saudi line of credit.

Since the mid-seventies, the IMF has engaged in borrowing operations to support the SFF and, more recently, the EAP. As of December 1984, outstanding Fund borrowings to finance SFF resources lent to members amounted to the equivalent of SDR 6.5 billion. In 1984 Saudi Arabia provided the IMF with an additional line of credit for SDR 3 billion, available to May 1987, in support of the IMF's lending activities through the EAP. Drawings on this additional line of credit may be made by the Fund beginning in 1985. This line of credit brings to SDR 11 billion the total amount provided or made available to the Fund by Saudi Arabia over the past few years in direct support of the EAP. The assistance provided by Saudi Arabia last year was matched by a one year SDR 3 billion line of credit provided by a number of industrial countries including Canada through the Bank for International Settlements (BIS), as well as separately by Japan and Belgium.

Operations of the Fund

Total financial assets of the Fund as of December 31, 1984, were around SDR 104 billion. Holdings of members' currencies totalled SDR 95 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 5 billion and its gold holdings amounted to SDR 3.6 billion valued at SDR 35 per fine ounce.

As displayed in the following table, the flow to member countries of Fund-related resources in 1984 was SDR 8.2 billion (SDR 5.9 billion net of repurchases). This compares to SDR 14.2 billion in 1983 (SDR 12.2 billion net of repurchases). The sharp decline in purchases last year reflected the need in 1983 for substantial amounts of Fund assistance by countries facing serious balance of payments difficulties and the relatively greater reliance, in 1984, on other sources of financing. The flow of funds to member countries last year included drawings on the Fund's General Resources Account (GRA) and the SFF Subsidy Account. Of this total, all but SDR 29 million was drawn by developing countries.

Purchases under the GRA (mostly in drawings under conditional Fund facilities) amounted to SDR 8.1 billion compared to SDR 14.1 billion in 1983. Net of repurchases the flow of resources through this account was SDR 5.8 billion (SDR 12.1 billion in 1983). Purchases under the reserve tranche, which a member with balance of payments difficulties can draw on automatically, decreased by SDR 721 million, reflecting the fact that a large proportion of resources available under this tranche was drawn by deficit countries over the previous two years. Due to the surge in LDC exports during 1984 the demand for assistance under the CFF fell dramatically to SDR 816 million (down from SDR 2.8 billion in 1983). Drawings on the buffer stock facility also fell significantly last year (by SDR 306 million) due to the decline in contributions by countries to international buffer stocks.

TABLE 1

FLOW OF RESOURCES THROUGH IMF 1983-84
(in millions of SDRs)

	<u>1983</u>	<u>1984</u>
Total Purchases	14,133	8,105
Reserve Tranches	1,534	813
Credit Tranches	4,850	3,149
(through SFF)	(844)	-
(through EAP)	(2,100)	(1,798)
Buffer Stock	308	2
Compensatory Financing	2,838	816
Extended Facility	4,603	3,324
(through SFF)	(834)	(200)
(through EAP)	(1,556)	(1,464)
Total Repurchases	2,033	2,295
Net Purchases	12,100	5,810
SDR Allocations	-	-
SFF Subsidy Account	68	85
Total Flow of Resources	14,204	8,190
Total Flow Net of Repurchases	12,171	5,895

New commitments under stand-by and extended arrangements in 1984 amounted to SDR 4.5 billion, down from new commitments of SDR 10.5 billion entered into during 1983. As of December 31, 1984, 29 stand-by arrangements and 4 extended arrangements (all with LDCs) were in effect. The total amount agreed to under these arrangements amounted to SDR 14.8 billion with an undrawn balance of SDR 6.6 billion. This compares to 33 stand-by and 10 extended arrangements in effect at the end of 1983 with a total of SDR 22.9 billion committed and an undrawn balance of SDR 12.4 billion.

The total amount of SDRs in circulation in 1984 was SDR 21.4 billion. Total transfers of SDRs between participants in the SDR Department, prescribed institutional holders of SDRs outside the IMF, and the Fund's General Resources Account amounted to

SDR 15.7 billion during 1984 compared to SDR 20.7 billion in 1983. The decline in SDR transfers last year was due to the use of SDRs in 1983 by countries increasing their quota subscriptions at the IMF. 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 2.3 billion compared to SDR 2.6 billion in 1983. The bulk of these transactions involved the simultaneous purchase of SDRs from the Fund as part of IMF balance of payments loans. Transactions by agreement between participants amounted to SDR 2.9 billion compared to SDR 2.7 billion during the previous year. Holdings of SDRs by prescribed institutional holders outside of the IMF (of which there are 14) fell by SDR 3.1 billion last year to SDR 23.3 billion. Transfers of SDRs from the GRA (to members drawing on the Fund and the servicing by the IMF) equalled SDR 6 billion last year. Transfers of SDRs to the GRA amounted to SDR 3.9 billion. Consequently, the GRA's holdings of SDRs fell last year to SDR 5 billion from SDR 7 billion at the end of 1983.

IMF Relations with Canada

Canada's quota at the IMF is SDR 2,941 million. IMF holdings of Canadian dollars as of December 31, 1984 amounted to SDR 2,413 million or 82 per cent of quota. This compares to holdings of SDR 2,393 million (81.4 per cent of quota) at the end of 1983. Canada's reserve position in the Fund (the amount that can be drawn on demand for balance of payments purposes) was SDR 692 million at year's end (including SDR 164 million in loans to the Fund under the SFF line of credit), compared to SDR 672 million at the end of 1983. Reflecting the strength of Canada's balance of payments position, purchases of Canadian dollars last year through the Fund equalled SDR 7.8 million. Canadian dollars were used in repurchases amounting to SDR 36 million.

Revenues received by Canada in 1984 from the Fund totalled near SDR 42 million. Of this SDR 15.5 million represented interest on SFF loans, SDR 19.6 million on Canada's net creditor position in the

General Resource Account, and SDR 7 million in earnings on SDR holdings. Interest charges of SDR 87 million were incurred by Canada on SDRs allocated by the Fund in previous years.

In order to assist the Fund's operations, Canada has made available lines of credit that can be used to temporarily supplement the IMF's own resources. Canada's commitment under the General Arrangements to Borrow is the equivalent of SDR 892.5 million. As was the case in 1983, this line of credit available from Canada was not utilized by the Fund last year. In addition to participating in the CAB, Canada has also made available support for Fund activities under the SFF and the EAP. Outstanding loans by Canada in support of the SFF amounted to SDR 164 million at the end of 1984. As a participant in the financing of the Fund's Enlarged Access Program, Canada made available a line of credit of SDR 50 million in 1981. This amount was committed through the Bank of Canada under a stand-by facility with the BIS in favour of the IMF. The full amount of this line of credit was drawn upon in 1983 and will mature in 1985. As part of the 1984 SDR 3 billion lending arrangement between the industrial countries and the IMF in support of the EAP, Canada provided, through the Bank of Canada, loan guarantees of SDR 180 million for BIS loans to the IMF. This commitment will only involve a cash payment by Canada in the event that the BIS encounters liquidity problems or the IMF is unable to repay its loans.

Canada's cumulative allocation of SDRs remained at SDR 779 million during 1984. At the end of the year Canada's holdings of SDRs amounted to SDR 74 million or 9.5 per cent of its cumulative allocation.

A team of IMF officials visited Ottawa in November 1984 as part of the annual consultation procedure under Article IV of the Fund's Articles of Agreement.

In 1984, the Honourable Marc Lalonde was replaced as Canada's representative on the IMF Board of Governors by the Honourable Michael H. Wilson, 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, the Bahamas, Barbados, Belize, St. Lucia, Grenada, Antigua, St. Vincent, and Dominica. In addition, Mr. Joyce also represented St. Christopher and Nevis upon the admission of this country to the IMF.

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 long-term financial resources in support of high priority investments and needed policy and institutional reform.

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 23 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 for Indonesia and the other by the OECD for Turkey. 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 World 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 1984 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 SDR 78.6 billion (equivalent to U.S.\$73.9 billion as of December 31, 1984), U.S.\$56.0 billion had been subscribed and U.S.\$5.0 billion of this amount had been paid in. Agreement was reached on January 4, 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.

In addition, on August 30, 1984, agreement was reached on a selective capital increase of some \$8.4 billion, of which 8.75 per cent would be paid-in. This capital increase was designed to allow members to realign their shares of the Bank's capital in relation to the recent IMF quota review.

(ii) Borrowing

As of December 31, 1984, the World Bank had outstanding borrowings of \$45.8 billion (of which \$3.0 billion were short-term borrowings). The net increase in long-term borrowings in 1984 was \$2.23 billion.

(iii) Net Income from Operations

As of December 31, 1984, undistributed retained earnings amounted to approximately \$4.60 billion. Net income in 1984 was \$929.3 million as compared with \$562.9 million in 1983.

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(b) IDA Resources

IDA's loanable resources (\$30.0 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 1984 were approximately \$32.5 billion. Other resources that have become available to IDA since its inception totalled \$2.5 billion. These were largely derived from transfers by the World Bank of a portion of its net earnings to IDA (\$2.0 billion). The remainder has come from contributions from Switzerland and repayments by IDA borrowing countries.

During 1983, members negotiated a \$9 billion Seventh Replenishment of IDA (negotiations were actually completed in early 1984) which will likely become effective in March 1985. This replenishment is intended to provide the resources for the IDA lending program through June 30, 1987.

At the September meetings of the joint World Bank/IMF Development Committee, and again at the December 1984 high level meeting of the OECD Development Assistance Committee (DAC), all of the industrialized countries, including Canada, endorsed the World Bank's Joint Program of Action for Sub-Saharan Africa. This program highlights the need for African governments to formulate and implement programs of policy and institutional reform which, inter alia, would restore market incentives and strengthen cooperative private enterprises. Subsequently, the World Bank's management proposed a three-year voluntary Special Facility for Sub-Saharan Africa, administered by IDA, which would augment the resources it can loan to support specific programs of policy and institutional reform. It would also enable the World Bank to play a more active coordinating role which would assist in increasing the effectiveness of bilateral aid programs in the region.

The World Bank's management promoted the Special Facility as a one time effort with a goal of providing IDA with an additional U.S.\$1 billion over three years. They emphasized that the Special Facility would not continue beyond the three-year period and future resource requirements would have to be looked at in the context of the next regular IDA replenishment which will likely be negotiated by mid-1986. The management of the World Bank called a meeting in Paris on January 31 and February 1, 1985 of the major IDA contributors to establish the Special Facility. At that meeting, pledges for the Special Facility itself amounted to U.S.\$667 million. Other donors agreed to provide approximately U.S.\$425 million as joint financing for the same purposes and under equivalent terms as the Facility.

Loans and Credits

(i) IBRD Loans

As of December 31, 1984, IBRD had approved loans cumulatively totalling \$98.7 billion⁽¹⁾ (net of cancellations, terminations and refunds) to 105 of its 148 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. Since July 1, 1982, the lending rate is determined every six months as of January 1 and July 1 based on the average cost of the pool of IBRD borrowings over the preceding six months plus a spread of 50 basis points. At the end of December 1984, the IBRD lending rate was 9.89 per cent and the front end fee 0.25 per cent.

(1) includes IFC and Taiwan.

(11) IDA Credits

As at December 31, 1984, IDA had lent \$32.02 billion (net of cancellations, refunds and terminations) to 81 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 one country in 1984, the IFC now has 126 members. The total resources available at the end of 1984 amounted to \$1,488.3 million; these were derived from paid-in capital subscribed by member governments (\$544.4 million), World Bank loans - drawn and outstanding (\$661.9 million), loans from others - drawn and outstanding (\$35.0 million), and the accumulated earnings (\$247.0 million) which was derived from income on operations.

On June 27, 1984, members agreed to a doubling of the IFC's capital to \$1.3 billion over the period ending on August 1, 1989.

IFC's commitments during calendar year 1984 amounted to \$408.7 million, bringing the total cumulative gross commitments since inception of operations to \$5,616.0 million in 83 countries.

GENERAL REVIEW

Total loans, credits and investments signed (net of cancellations, terminations and refunds) by the World Bank Group in 1984 and in the three preceding years were as follows:

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	(in millions of U.S. dollars)			
World Bank	8,973*	9,676*	11,932*	9,506*
IDA	3,688	2,824	3,112	3,336
IFC	<u>733</u>	<u>383</u>	<u>654</u>	<u>409</u>
TOTAL	13,394	12,883	15,698	<u>13,251</u>

* Including loans to IFC of \$41.6 million in 1981, \$11.2 million in 1982, \$39.8 million in 1983, and \$124.0 million in 1984.

Table I annexed to this Report lists World Bank and IDA loans and credits during 1984 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.

CANADA AND THE WORLD BANK GROUP

Canadian Representation on World Bank Group Executive Boards

The Governor for Canada as of September 1984, was the Honourable Michael Wilson, Minister of Finance. In August of 1984, Mrs. Margaret Catley-Carlson, President of the Canadian International Development Agency, was appointed as the Alternate Governor for Canada of the World Bank Group, replacing Mr. Bernard J. Drabble, Associate Deputy Minister, Department of Finance. At the annual meeting of the World Bank held in Washington in September 1984, Mr. Robert Joyce was elected as Canada's Executive Director on the Bank's Board, replacing Mr. Morris Miller. Mr. Joyce also represents Bahamas, Barbados, Belize, Antigua and Barbuda, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Lucia and St. Vincent and the Grenadines and St. Kitts.

Funds Subscribed or Contributed

World Bank - To the end of 1984, Canada's subscription to the World Bank's capital stock was \$2,597.5 million of which U.S.\$207.4 million (Cdn.\$240.8 million) has been paid in.

IDA - As a Part I member of IDA, Canada had to the end of 1984 paid U.S.\$1,657.7 million (Cdn.\$1,897.8 million) to the Association. Canada's share of the Sixth Replenishment of IDA amounted to U.S.\$516.0 million (Cdn.\$601.8 million). During 1984, Canada completed its obligations under this Replenishment by contributing U.S.\$129.6 million (Cdn.\$167.7 million). In 1984, Canada also contributed a final payment of U.S.\$20.6 million (Cdn.\$26.3 million) to a Special Fund which was established, 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. Canada's total contribution to this Special Fund amounts to Cdn.\$200.6 million.

IFC - Canada's total subscription to the IFC since it became a member of the Corporation in 1956 amounts to U.S.\$21.7 million.

Capital Increases and Replenishment

World Bank - Earlier this year, negotiations were concluded for the IBRD Special Capital Increase (SCI). This increase created an additional 70,000 shares in order to allow members to adjust their shares of the IBRD's capital in line with changes in their relative economic strength, as reflected in the recent quota review in the International Monetary Fund (IMF). The total value of the capital increase is approximately U.S.\$8.44 billion. Canada is entitled to subscribe to an additional 1,976 shares which would for the most part allow it to maintain its current share of the IBRD's capital (2.92 per cent as compared to 2.93 per cent before the capital increase). If Canada were to subscribe to its full share of the capital increase, the total cost would be approximately Cdn.\$27.7 million paid-in and Cdn.\$289.3 million callable (at current exchange rates). The payments to the World Bank would be made over three years starting in 1985.

IDA - The IDA 7 negotiations completed in 1983, resulted in a U.S.\$9 billion replenishment which will finance its lending program over the next three years. During the negotiations, Canada indicated that, subject to Parliamentary approval, it would be prepared to contribute 4.5 per cent of Cdn.\$500.1 million (the exchange rate for national currencies was set during the negotiations). This share is below Canada's cumulative share of 5.11 per cent but slightly more than its 4.3 per cent share of IDA 6. The payments would be made over three years starting in 1985.

In addition, Canada has agreed to contribute Cdn.\$100 million to the Special Facility for Sub-Saharan Africa which will be administered by IDA.

IFC - The total capital increase for the IFC, approved in 1984, amounted to U.S.\$650 million which is entirely paid-in. If Canada were to maintain its current share of 3.85 per cent, the cost to Canada would be approximately Cdn.\$32.5 million (at current exchange rates). The payments to IFC would be made over five years starting in 1985. As no legislative authority for Canada's participation in the IFC exists, a

bill amending the Bretton Woods Agreements Act was before the House as of the time this report was being prepared. This amendment is necessary before Canada can participate in the IFC's capital increase.

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 1970s, 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

From 1972 through 1981, the Bank did not borrow in Canadian dollars. However, in 1982, the Bank commenced borrowing again in Canadian dollars through public issue both in the domestic and Euromarkets and through private placements. At December 31, 1984, the Bank had borrowed an aggregate principal amount of \$905 million of which \$658.1 million was outstanding. These amounts include the Bank's first floating rate issue denominated in Canadian dollars. This borrowing which was a private placement, in the amount of \$100 million has a 99-year maturity and represented at the time of placement the longest maturity for any borrowing completed by the Bank. In addition, in January 1985, the Bank completed a second \$100 million, 99-year private placement and a \$50 million private placement in Canada with a central bank of one of the Bank's member country.

In the official sector, the Bank of Canada, as fiscal agent of the Government of Canada, has purchased an aggregate principal amount of U.S.\$324.1 million of the Bank's traditional two-year U.S.\$ denominated offerings to central banks. At December 31, 1984, U.S.\$60 million of these bonds were held by the Bank of Canada. In addition, the Bank of

Canada has invested U.S.\$35 million in the Bank's central bank facility, a one-year instrument carrying a floating rate of interest set at a spread over the one-year U.S. Treasury Bill.

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, 1984 were U.S.\$1037.8 million.

Canada's cumulative share of foreign procurement under World Bank loans is 2.0 per cent which is equivalent to Canada's share of OECD member exports to the developing countries.

Canada's performance in this regard has improved markedly since 1980. Over the past four years (1981-84), Canadian suppliers of goods and services won 2.5 per cent of OECD member procurement compared to 1.9 per cent over the preceeding four years. From 1981-84, Canada's procurement was distributed in four broad categories: consultant services (34%), civil works (24%), machinery and equipment (21%) and other materials (21%).

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 1984; 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 1984.

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 review the economic situation and policies of and coordinate assistance to Bangladesh, the Caribbean (CGCED), Colombia, Egypt, India, Kenya, Madagascar, Nepal, Pakistan, Peru, Sri Lanka, Sudan, Tanzania, Thailand, Tunisia, Uganda, Zaire and Zambia. Canada is also a member of the Intergovernmental Group for Indonesia, participated in the creation of a Consultative Group for Senegal.

In 1984, Canada through the Canadian International Development Agency (CIDA) participated with the World Bank in projects in Bangladesh, Burkina Faso, Cameroon, Congo, Egypt, Ghana, Guinea, Honduras, Indonesia, Ivory Coast, Kenya, Leeward and Windward Islands, Mauritania, Morocco, Pakistan, St-Lucia, St-Vincent, Sri Lanka, Thailand, Uganda, and Zaire.

Canada is participating in two inter-regional initiatives funded principally by the World Bank and a number of bilateral donors and carried out by the UNDP. These initiatives are the 'Energy Sector Assessment Program' and the 'Energy Management Assessment Program'. The former involves the following countries: Burkina Faso, Cameroon, Egypt, Ghana, Guyana, Ivory Coast, Jamaica, Nicaragua and Tanzania. The latter involves Egypt, Ghana, Jamaica, Kenya, Tanzania and Uganda.

TABLE I - TABLEAU I
World Bank Loans and IDA Credits
Prêts de la Banque mondiale et crédits de l'AID
January 1 - December 31, 1984/1^{er} janvier - 31 décembre 1984
(Millions of U.S. dollars - en millions de dollars É.-U.)

AREA - RÉGION	WORLD BANK- BANQUE MONDIALE		IDA - AID		TOTAL ¹⁾	
	No.-N ^{bre}	Amount- Montant	No.-N ^{bre}	Amount- Montant	No.-N ^{bre}	Amount- Montant
East Africa - Afrique orientale	5	196.9	32	712.5	37	909.4
West Africa - Afrique occidentale	5	222.5	28	403.7	33	626.2
Europe, Middle East & North Africa - Europe, Moyen-Orient et Afrique du Nord	28	2,426.1	5	53.4	33	2,479.5
Latin America & Caribbean - Amérique latine et les Antilles	31	2,170.7	2	27.1	33	2,197.8
East Asia and Pacific - Asie orientale et le Pacifique	27	2,676.0	3	253.5	30	2,929.5
South Asia - Asie du sud	11	1,813.5	29	1,785.4	40	3,598.9
TOTAL	107	9,505.7	99	3,235.6	206	12,741.3
PURPOSE - OBJET						
Agriculture - Agriculture	23	1,468.7	30	1,278.7	53	2,747.4
Development Finance Companies - Sociétés financières de développement	9	782.3	1	156.0	10	938.3
Education - Éducation	12	494.0	9	206.0	21	700.0
Industry - Industrie	10	859.0	5	116.8	15	975.8
Energy - Énergie	8	875.1	7	99.5	15	974.6
Non-project - Hors projet	2	431.0	5	306.0	7	737.0
Population - Population	2	68.5	1	85.0	3	153.5
Power - Énergie électrique	9	1,535.0	7	334.6	16	1,869.6
Small Scale Enterprise ²⁾ - Petites Entreprises	-	-	-	-	-	-
Technical Assistance - Assistance technique	2	17.5	11	105.9	13	123.4
Telecommunication - Télécommunications	1	30.0	1	40.0	2	70.0
Tourism - Tourisme	-	-	-	-	-	-
Transportation - Transport	13	2,086.4	12	318.1	25	2,404.5
Urban Development - Développement urbain	9	444.3	8	88.0	17	532.3
Water Supply - Adduction d'eau	7	413.9	2	101.0	9	514.9
TOTAL	107	9,505.7	99	3,235.6	206	12,741.3

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

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

Included in Industry
Inclus dans Industrie

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 É.-U.)

	World Bank Loans		IDA Credits	
	Prêts de la Banque mondiale		Crédits de l'AID	
	No. bré N	Commitments Engagements	No. bré N	Commitments Engagements
By Fiscal Year* -				
Année financière*				
Cumulative to 1968 -				
Cumulé jusqu'en 1968	549	11,418.1	116	1,831
Total 1969-197	374	8,917.8	273	3,931
Total 1974-1978	666	24,372.3	376	7,947
1978-1979	142	6,989.0	105	3,021
1979-1980	144	7,644.2	103	3,837
1980-1981	139	8,808.9	106	3,482
1981-1982	150	10,329.6	97	2,686
1982-1983	136	11,136.3	107	3,340
1983-1984	129	11,947.2	106	3,575
1984-1985 (July 84-Dec 84)				
(juillet 84-déc. 84)	19	1,114.9	29	664
TOTAL	2448	102,678.3	1418	34,318
By Purpose - Objet				
(Cumulative to Dec. 31, 1981 -				
Cumulé jusqu'au 31 déc. 1981)				
Agriculture and Rural Develop-				
ment - Agriculture et				
développement rural	551	21,348.6	546	12,971
Education - Éducation	250	10,015.9	53	846
Energy - Énergie	150	3,821.1	137	2,062
Industrial Development and				
Finance - Développement et				
financement de l'industrie	205	9,846.8	69	1,726
Industry - Industrie	60	4,067.1	35	497
Non-Project - Hors projet	68	6,552.4	48	3,527
Population and Nutrition -				
Population et alimentation	20	381.3	22	539
Power - Énergie électrique	384	18,370.8	71	3,877
Small-scale enterprises 1) -				
Petites entreprises	-	-	-	-
Technical Assistance -				
Assistance technique	19	169.1	65	418
Telecommunications - Télécom-				
munications	61	1,768.6	32	1,086
Tourism - Tourisme	-	-	-	-
Transportation - Transport	480	18,743.9	241	4,618
Urban Development - Dévelop-				
pement urbain	75	2,776.5	32	791
Water Supply and Sewerage -				
Adduction d'eau et assainis-				
sement	125	4,816.2	67	1,356
TOTAL	2,448	102,678.3	1418	34,318

* 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, 1984
Résumé des opérations de la SFI au 31 décembre 1984

	<u>No. of Commitments</u> <u>-Nombre d'engagements</u>	<u>Total Commitments</u> <u>- Engagements totaux</u> (Millions of U.S. dollars - en millions de dollars É.-U.)	<u>Disbursements</u> <u>-Versements</u>
By Fiscal Year - Année financière			
Up to 1970	160	470.5	291.8
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	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	37	332.8	374.4
1983-1984	45	770.0	380.9
1984-1985 (July-Dec. 84) (juillet-déc. 84)	36	305.9	182.9
Cumulative to Dec. 1983 - Cumulé à déc. 1983	706	5,616.0	4,047.3
Cancellations, revalua- tions and write-offs - Annulations, réévalua- tions et amortissements	-	<u>416.2</u>	-
Net Commitments - Engagements nets	-	<u>5,199.8</u>	<u>4047.3</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, 1984 - au 31 décembre 1984

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

	<u>World Bank - Banque mondiale</u>	<u>IDA - AID</u>	<u>Total</u>
By Calendar Year - Année civile			
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	75.0	17.6	92.6
1983	82.3	26.9	109.2
1984 (July - Dec. 84) (juillet - déc. 84)	<u>92.6</u>	<u>54.3</u>	<u>146.9</u>
TOTAL	802.5	235.3	1037.8
Per Cent of Total Disbursements* - Pourcentage du total des dépenses*			
	2.0	1.8	1.0

* Of total World Bank disbursements (\$41 billion) and IDA disbursements (\$13 billion) on goods and services originated in countries other than in the borrowing country.
Du total des dépenses correspondant à la Banque mondiale (41 milliards et de celles liées à l'AID (13 milliards) sur les biens et services provenant des pays autres que le pays emprunteur.