Department of Finance Canada
Ministère des Finances Canada

2015–2016

Canada at the IMF and World Bank Group

REPORT ON OPERATIONS UNDER THE BRETTON WOODS AND RELATED AGREEMENTS ACT

Canada

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Foreword by the Minister of Finance

It is clear that the world's attention is now focused on inclusive growth—ensuring that more people benefit from the growth countries create. By investing in people and the economy, we can create jobs and long-term growth. Overcoming the challenges facing the global economy requires concerted international effort, cooperation and leadership.

To succeed, all countries need to work together to put in place policies that drive stronger, more inclusive, and sustainable global growth. This means renewing our cooperative focus on investment and openness, and making sure that the benefits of free and open trade and investment are broadly shared by, and benefit, all citizens.

The International Monetary Fund (IMF) and the World Bank Group are important partners in supporting this effort and the engaged multilateralism needed to achieve our shared goal of inclusive and sustainable global growth and prosperity. Over the last year, the IMF has helped advance the dialogue on how the global economy can break out of its low growth pattern and overcome rising inequality. The IMF has advocated for countries to make better use of fiscal policy, monetary policy and growth-enhancing structural measures to ensure that growth is shared by all global citizens. The IMF's and Canada's approach are closely aligned, and, over the coming year, Canada intends to work even more closely with the IMF to promote cooperative global solutions.

We support the IMF's effective surveillance, sound policy advice, capacity development and—when needed—effective adjustment lending. The world needs a strong, effective and representative IMF. As Canada's Governor at the IMF, I will continue to work with our international partners to ensure the IMF remains properly equipped with the tools, resources, policies and governance structure it needs to do its job.

I will promote these same objectives in my role as Canada's Governor at the World Bank Group. The World Bank Group is Canada's largest international development partner, with priorities that are closely aligned with the Government of Canada's goals of promoting sustainable and inclusive growth at home and abroad. This past year, the World Bank Group played an important role in the development and financing of solutions to global challenges such as the refugee crisis in the Middle East and in managing the impacts of climate change.

In the coming year, I will encourage the World Bank Group to continue to advance the use of its balance sheet as efficiently as possible to unlock additional development financing capacity, including by pioneering innovative instruments to mitigate risks and mobilize new resources for development. I also support the continued implementation of the shareholding roadmap, which can provide the World Bank Group with the resources and legitimacy it needs to continue to play its integral role as the world's leading promoter of inclusive economic and social development.

Canada believes that international cooperation is a necessary component of a strong and stable global economy. Working together towards this shared goal complements Canada's own efforts at home to foster inclusive economic growth and to strengthen the middle class, and help those working hard to join it. For these reasons, Canada will continue to play an integral part in the growth and modernization of both the IMF and the World Bank Group, as we have for the past 70 years.

It is in this spirit that I am pleased to present to Members of Parliament and Canadians this annual report, entitled *Canada at the IMF and World Bank Group 2015–2016: Report on Operations Under the Bretton Woods and Related Agreements Act*. This report sets out the key developments at these institutions in 2015–16 and discusses Canada's views and objectives at both the IMF and World Bank Group that will guide our interactions at both institutions in the coming year.

The Honourable Bill Morneau
Minister of Finance

Purpose of This Report

This report summarizes the main developments at the IMF and World Bank Group in 2015–16, and reports on past and present objectives that are of core importance to Canada as a large shareholder in these institutions.

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

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

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

Unless otherwise stated, this report covers the period of July 1, 2015 to June 30, 2016.

Overview

The International Monetary Fund ("IMF" or "the Fund") and World Bank Group were founded in 1944 as part of the United Nations Monetary Conference. Since that time, the global economic landscape has undergone multiple evolutions and is now a very different and significantly more interconnected place. These two institutions—collectively known and the Bretton Woods institutions—have evolved alongside the global economic landscape and continue to play a critical role in the global financial architecture today.

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

As one of the largest members by financial contribution and voting share at both the IMF and World Bank Group, Canada has an important role in the governance of both institutions. The Minister of Finance represents Canada on the Board of Governors of both the IMF and the World Bank Group. Governors delegate day-to-day decisions to an Executive Director at both institutions. Given Canada's financial contributions and level of engagement, a Canadian has always held an Executive Director position at each institution, representing a constituency of members, including Canada, at the Executive Board.[1]

This report to Members of Parliament and the Canadian public discusses key developments at both the IMF and World Bank Group in 2015–16, describes Canada's engagement and contributions, and reports on objectives that are of core importance to Canada.

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

1) Improve IMF surveillance and increase uptake of Fund policy advice to support economic growth and stability;
2) Promote effective IMF tools and lending programs to address the root causes of instability;
3) Promote high quality technical assistance as a way to foster economic stability and inclusive growth; and
4) Strengthen the IMF's governance structure to enhance the effectiveness and credibility of the institution.

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

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

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

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

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

The International Monetary Fund

The world is currently confronted with uneven and weaker than desirable growth, persistent trade imbalances and volatile capital flows. Various commodity exporters are also struggling to respond to lower demand and prices. At the same time, deeper global forces (e.g., aging populations, mass migration, inequality, technological innovation) present evolving challenges and opportunities for policymakers.

Against this backdrop, countries generally agree on the need to use all policy levers (fiscal policy, monetary policy and structural reforms) to respond, but consensus remains elusive on the right mix or emphasis among these tools. At the same time, some central banks have introduced innovative policies (e.g., negative interest rates) in the pursuit of their mandate, with ongoing uncertainty about their ultimate effectiveness and secondary effects.

In this context, it is important to have an international monetary system (IMS)—the set of internationally agreed rules, conventions and supporting institutions that facilitate international trade and investment—that promotes cooperative solutions and has structures that facilitate needed adjustment. And at the heart of the IMS, it is essential that the world has an institution charged with leading these efforts and helping to safeguard economic and financial stability, while advising on the policies needed for stronger, more sustainable and inclusive growth.

The IMF has fulfilled this role for more than 70 years, and over this period has provided invaluable financial and technical support as well as monitoring and advice to its membership. It is important that the IMF's membership continues to hold the institution accountable for effectively fulfilling this mandate and remaining nimble enough to respond to new and emerging challenges. To this end, Canada identified four objectives for its engagement at the IMF in 2015–16 focusing on each of the Fund's main business lines (economic surveillance and advice, tools and lending programs, and capacity development) as well as the corporate governance of the institution. A detailed discussion of these objectives and the action taken by Canada to promote them are highlighted below.

1. Surveillance and Advice

Given weaker than desirable and uneven global growth and an elevated risk environment, economic "surveillance", or the Fund's work to monitor economic developments and provide policy advice, is of crucial importance. However it is difficult for even the highest quality analysis and tailored policy advice to be effective if there is not sufficient buy-in from member countries. With this in mind, Canada's objective in 2015–16 was two-fold, focusing not only on ways that the IMF's surveillance could be further improved but also on ways to increase uptake of the Fund's advice.

2015–16 Objective: **Improve IMF surveillance and increase uptake of Fund policy advice to support economic growth and stability.**
• Leverage the role of IMF surveillance in supporting the G20's efforts to boost global growth and in promoting the implementation of macroeconomic and structural reform commitments. • Advocate for continued efforts to integrate global, regional and bilateral surveillance, and to mainstream macro-financial surveillance, with a view to ensuring the completeness, consistency and cohesion of surveillance and policy advice.

IMF Policy Advice and the Group of Twenty (G20)

Over the past year the IMF has continued to provide valuable input into the work of the G20. This contributed to the G20's collective recognition of the complementarity of macroeconomic and structural reform policies as well as the commitment in February 2016 to use all policy tools—monetary, fiscal and structural—individually and collectively to foster economic growth. Canada's own domestic policies are consistent with this commitment, and the IMF has noted publicly that Canada is an example of a country taking advantage of such a balanced approach. The analytical support provided by the IMF was also critical in the context of the development of the *G20 Enhanced Structural Reform Agenda*, the discussion of countries' available economic room for manoeuvre (or "policy space"), and the monitoring and assessment of G20 member growth strategies within the Framework Working Group (which Canada co-chairs along with India).

Furthermore, the G20 growth strategies, which were originally developed in 2014 and have been adjusted and updated in the years since, have also benefitted greatly from the IMF's advice on ways to strengthen growth, foster more inclusive economies, and reduce economic imbalances within countries and globally. To ensure that these growth strategies deliver the maximum potential benefits to the global economy, continuous monitoring and implementation of the commitments in them are required. This has necessitated ongoing collaboration between the G20 and the IMF. In its role as co-chair of the Framework Working Group, Canada has also actively worked to encourage implementation of IMF recommended best practices and policy advice over the past year. Canada strongly appreciates the IMF's contributions to this process and looks forward to continued effective collaboration in 2017.

Further Strengthening IMF Surveillance

In 2014, the IMF undertook a comprehensive review of its surveillance policies (the Triennial Surveillance Review) to assess the effectiveness of its current practices and to identify opportunities for future improvement. Although this review noted that significant progress had been made, it found that further improvements were still possible in a number of areas. In particular, the review noted the importance of better integrating and exploiting synergies between the IMF's bilateral and multilateral surveillance activities (e.g., deepening spillover and risk analysis in bilateral consultations), as well as broadening the use of macro-financial surveillance (e.g., assess linkages between the financial and other sectors as well as their impact on the country's outlook and risks) in the IMF's work.

Canada has been very supportive of the IMF's efforts to make advancements in this work stream over the past two years. In line with this support, Canada participated in the IMF's pilot project to step up macro-financial analysis in members' annual bilateral surveillance ("Article IV") consultations. This pilot group included more than 60 countries and looked at a range of macro-financial issues specific to each country. In Canada's case, the report looked at the macro-financial impacts of the oil price shock, including its effects on the domestic economy, banking system and housing markets. The experience from this pilot project is expected to inform the IMF's Executive Board discussion on *Approaches to Marco-Financial Surveillance* in late 2016.

In order for the IMF's surveillance to be both consistent and effective, the Fund's analysis of global macroeconomic risks and trends should translate clearly into its country-specific policy advice. Notwithstanding the progress noted above, Canada continues to see important gaps in that regard. In particular, Canada continues to support more strategic work by the IMF with respect to tackling global macroeconomic imbalances, including policy recommendations that identify the need for adjustment in both surplus and deficit countries, thereby making use of available policy space.

Looking Ahead

Over the coming year, Canada will continue to support improvements in IMF surveillance and policy advice while pressing for even greater focus on efforts to promote inclusive and sustainable global growth through investment and openness. Canada will also continue to highlight the need to be more consistent in translating the key messages and risks identified in the IMF's global and regional surveillance into bilateral policy advice for the membership.

In this respect, it will be important for the institution to seek other opportunities to improve its policy advice and increase uptake among its membership. This will mean capitalizing on the IMF's already significant expertise to provide policy advice that directly addresses some of the key challenges the membership is facing today. The IMF has already identified a few new areas for work in 2016–17 on macro-critical areas (e.g., efficient public investment in areas such as infrastructure, climate change and inclusive growth) that will provide such an opportunity. Canada is supportive of these efforts. Over the coming year it will explore opportunities for even closer collaboration with the Fund and other international institutions in an effort to promote more comprehensive and in-depth advice on priority policies needed for stronger, more inclusive and sustainable growth.

2. Tools and Lending Programs

To properly assist its members, the IMF must be equipped with the tools and lending instruments it needs to provide timely and effective support. The needs of members are not static, and it is important that over time the Fund's tools and lending programs adapt to effectively capture these changes and remain targeted at the root causes of instability. For example, the end of the commodities super-cycle of high demand and prices has left many IMF members with protracted balance of payment and deep budgetary shortfalls that require a targeted and progressive approach to adjustment in order to protect vulnerable groups. Similarly, greater financial sector interconnectedness and increased capital flow volatility have often increased the scale of and cross-country contagion risks associated with episodes of instability. These medium-term challenges will shape our agenda in the years ahead.

At the same time, it is important that the IMF draw lessons from past experience and strengthen lending policies where shortcomings have emerged. Thus, in 2015–16 Canada's objectives focused not only on encouraging the application of lessons learned from the recent global financial crisis, but also on promoting adjustments to the IMF's tools and policies in select areas where there was an opportunity to bolster the overall effectiveness of IMF support (sovereign debt restructuring, sustainable development and fragile states).

2015–16 Objective:
Promote effective IMF tools and lending programs to address the root causes of instability.

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

Crisis Program Reviews

In recent years, Canada has emphasized the importance of the Fund undertaking a comprehensive review of the global financial and euro area crises to distill lessons and improve the IMF's ability to face future periods of global or regional instability. After some delay, the IMF completed a Crisis Program Review in December 2015. The report did a good job of cataloguing the lessons of recent crisis episodes including the potential need to allow for more gradual adjustment in countries without flexible exchange rates (e.g., those in currency unions), the benefits of clearer operational guidelines for engagement with regional financing arrangements, as well as the importance of timely and appropriate debt restructuring. Unfortunately, concrete proposals for better incorporating some of these lessons going forward were limited. In particular, one area that deserves greater follow-up is IMF program design in instances where the IMF lends together with regional financing arrangements. Canada has actively encouraged the Fund to develop clear operational guidelines for cooperation in these instances.

In July 2016, the Fund's Independent Evaluation Office completed a separate report on the IMF and the crises in Greece, Ireland and Portugal. Canada welcomed this report, which did an excellent job of focusing on the core aspects of the Fund's role and performance and provided sound recommendations for improving IMF adjustment programs. In addition, the report reinforced the value of more specific operational guidelines for IMF-regional financing arrangement cooperation as a tool to better clarify the roles and responsibilities of each institution in advance of a crisis, while still retaining some flexibility to adapt to circumstances as they arise.

Changes to the IMF's Lending Policies

In January 2016, the IMF's Executive Board approved reforms to the IMF's exceptional access lending framework. The framework governs access to loans above normal financing thresholds, with the aim of making IMF support more calibrated to members' debt situations and other risks. The approved reforms included the elimination of the "systemic exemption" clause agreed to facilitate lending to Greece (and eventually other euro area members) at a time when its longer-term debt sustainability was questionable.

Canada was fully supportive of removing the clause, which was hastily approved in 2010. The policy had several major drawbacks including failing to eliminate contagion, introducing moral hazard, mispricing risk, prolonging needed debt restructuring and requiring too much subjectivity in decision-making. Canada was also supportive of another IMF proposal to introduce a suite of tools, including the possibility of including debt profiling (i.e., delaying debt repayments) of private claims in programs to help ensure taxpayers are less likely to bail out private investors when a country's debt sustainability is unclear.

In December 2015, the Fund also revised its *Non-Toleration of Arrears to Official Creditors* policy to adjust to the increasingly diverse landscape of country-to-country (or "bilateral") finance. Canada had advocated for revising the IMF's policy for some time as it allowed an uncooperative member to block IMF assistance in certain circumstances. Canada strongly welcomed the IMF's proposed amendment to the policy, which allows the Fund to maintain assistance in cases where arrears between IMF members persist despite good faith efforts by the debtor to reach an agreement while maintaining the appropriate safeguards for creditors.

2030 Agenda for Sustainable Development

Canada has been supportive of the Fund's contribution to the 2030 Agenda for Sustainable Development and the role it should play in meeting the new Sustainable Development Goals. This includes expanding access to Fund resources for the poorest and most vulnerable members, including emergency assistance. Canada has also encouraged the Fund to consider placing greater emphasis on its institutional advantages, including capacity building and technical assistance, in areas such as domestic resource mobilization and domestic financial markets development, which can help bolster sustainable development in these countries. Undertaking this work in a manner that is reflective of the comparative strengths of the IMF and avoiding duplication with other international organizations active in these areas will be key to maximizing the Fund's contributions to the Sustainable Development Goals.

Looking Ahead

Building on the lessons learned during—and in the years since—the global financial crisis, 2016–17 presents an opportunity for the IMF's membership to assess its existing lending toolkit and to discuss whether further improvements are needed. It is important that the IMF's lending toolkit is flexibly designed to address the causes of instability facing individual members while still encouraging necessary adjustment to avoid future crises. Following direction from its members, it is expected the IMF will explore ways it can further improve its lending toolkit including through further precautionary lending tools, tailored support for commodity exporters and policy signalling instruments over the coming months. Canada will actively participate in these discussions.

With regard to precautionary lending instruments, Canada will continue to push for improvements to the incentive structure associated with these instruments to help facilitate members' successful and timely exits from these facilities, which has been problematic. Canada looks forward to considering whether alternative pricing approaches and stronger *ex ante* exit strategies could enhance the effectiveness of the Fund's precautionary support tools.

3. Capacity Development

The third leg of the IMF's core responsibilities is the provision of technical assistance (TA) and training activities, generally referred to as capacity development. IMF capacity development is an important benefit of IMF membership, and helps countries to strengthen public institutions, design more effective policies and better manage their financial affairs to promote inclusive and sustainable growth and stability. However, to ensure that lasting progress is being made and that the IMF's membership is truly getting the assistance it needs, this work also requires accurate and comprehensive monitoring of results achieved. For this reason, Canada's objective in 2015–16 focused on promoting the application of a results-based management (RBM) framework in the provision of IMF technical assistance.

2015–16 Objective:

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

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

Results-Based Management at the IMF

Canada has been a strong supporter to the IMF's capacity development work throughout the world and values the IMF's role in promoting economic stability and growth. The IMF's capacity development work is aligned with Global Affairs Canada's Sustainable Economic Growth Strategy, in particular the Strategy's Building Economic Foundations pillar, which targets strengthened fiscal and economic management capacity at the local, regional and national levels.

Throughout 2015–16, Canada continued its efforts to encourage and promote the development of an RBM framework at the IMF. These efforts took the form of semi-annual consultations and updates as well as information sharing, in particular best practices, reporting guides and tip sheets related to RBM. Canada can deliver stronger results in its international assistance efforts by working with partners that are committed to a results- based approach and to continuous learning through effective evaluation and governance mechanisms.

The Fund's ongoing RBM efforts will allow for a more coherent approach and systematic tracking of outcomes, assisted by a new software system. A catalogue of expected outcomes and indicators will be applied to all Fund TA and training and provide a structure for designing programs with partners. RBM will also increase the accountability of IMF capacity development. This is being implemented in close consultation with Canadian authorities and other key partners. All new TA projects are now being guided by the RBM framework, which is expected to be incorporated into most existing TA and training initiatives over the next year.

Canada's Contribution to IMF Capacity Building

Canada is currently the third largest donor to IMF capacity development. Since 2002, Canada has provided approximately $118 million in technical assistance grants to the IMF, including $40 million for different Regional Technical Assistance Centres and $20 million for priority technical assistance in Ukraine. For more information on Canada's contributions and results, see Annex 1.

Looking Ahead

The provision of high quality technical assistance remains an important objective. Over the coming year, Canada will continue to pursue opportunities where the IMF can further improve the effectiveness of capacity development support, including through its Regional Technical Assistance Centres where Canada remains a core donor. This will involve not only continued work to encourage the application of a results-based management framework, but also efforts to encourage the continued provision of advice and training on various region-specific challenges (e.g., de-risking in the Caribbean).

4. Governance and Accountability

To remain credible and to fulfill its core responsibility of promoting global stability, it is important that the Fund continue to evolve alongside changes in the global economy. Specifically, Canada has consistently pushed for reforms to the IMF's broader governance structure to ensure the voting shares and Executive Board representation of members are better aligned with their relative weight in the global economy. For this reason, active engagement to strengthen the IMF's governance structure has been an important objective for Canada at the IMF for the past several years. Achieving this goal requires efforts not only to strengthen the Fund's own internal operational management and broader governance structure, but also to ensure the institution is well placed to effectively fulfill its role in the broader IMS. In 2015–16, Canada worked towards this objective by targeting each of these aspects of governance.

2015–16 Objective:

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

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

IMF Quotas, Governance

In order to maintain its credibility and continue fulfilling its role as a central component of the IMS, the IMF must be equipped with a governance structure that is representative of its members and their respective weight in the global economy. In past years, the IMF has received much criticism on this front, as long-standing reforms agreed in 2010 (14th General Review of Quotas or "2010 Reforms") remained unimplemented. Canada actively encouraged members who had not ratified these reforms (which Canada itself ratified in 2012) to do so as quickly as possible. After much delay, these reforms entered into force in January 2016, paving the way for a significant redistribution in the IMF's quotas and voting power to underrepresented dynamic and emerging economies (i.e., six per cent shift in quota shares).

The IMF in the Broader International Monetary System

Although significant efforts to create a stronger and more resilient IMS have been made since the global financial crisis (e.g., financial sector reform, improvements to IMF economic surveillance and lending toolkit, reforms to the IMF's governance structure), the system continues to face tensions and new risks have emerged. Given its role in safeguarding global economic and financial stability, Canada and other IMF members encouraged the Fund to undertake an assessment of the adequacy and effectiveness of the IMS as well as the global financial safety net (GFSN).[2] Through this work, the Fund identified a number of areas where potential improvements could be made, including better cooperation between the GFSN's different components and reforms to the available mechanisms for crisis prevention and resolution.

For Canada, this initial work in 2015–16 provided an important opportunity to undertake sound and thorough analysis of both the IMS and the GFSN and to set up the necessary building blocks for future discussions on whether and how to further strengthen them. These assessments also served as important inputs for discussions among the G20 and helped to inform the recommendations set out in the group's *Agenda Towards a More Stable and Resilient International Financial Architecture*, which will continue to be a focal point for the G20 in 2017.

IMF Medium-Term Budget

To function effectively and remain accountable to its membership, the institution needs a sound and sustainable budgetary framework. In FY2016, the IMF was able to respond to new needs in areas such as surveillance and technical assistance within its existing real budgetary envelope (i.e., in real terms after accounting for inflation) through streamlining initiatives and the reallocation of existing resources. This cross-cutting streamlining package was put forward by an advisory group of senior staff ahead of the Executive Board's discussions on the FY2016–18 Medium-Term Budget. When combined with the cost savings measures derived from individual departments' prioritization processes (which require the identification and quantification of lower priority activities and potential efficiency gains), these measures resulted in a significant reallocation of resources equivalent to nearly 5 per cent of the IMF's net administrative budget.

In the context of the current Medium-Term Budget (FY2017–19), Canada pressed the Fund to maintain this discipline, and continue seeking ways to streamline and strategically reallocate resources to meet growing pressures. That said, it is understandable that sometimes exceptional circumstances may generate costs that cannot be met through reallocation alone, and that an increase in the budget may be required to meet these needs (e.g., security costs). However, if these increased costs are expected to persist in the Fund's core business lines into the future, Canada will continue to encourage the Fund to undertake a value for money assessment of the institution's priorities against available resources and potential sources of savings.

[2] The GFSN is a network composed of institutions, tools and buffers at the domestic (e.g., reserves, fiscal buffers), bilateral (e.g., central bank swap lines), regional (e.g., regional financing arrangements) and multilateral levels (e.g., IMF, World Bank) that support economic and financial stability and can be drawn upon in times of individual, regional or global turbulence.

Looking Ahead

Work to strengthen the GFSN and the IMS is expected to continue over the coming year at the IMF and also within the G20, building on the various gaps and weaknesses identified in the IMF's assessments. Although discussions may touch on multiple issues, a key component of this work will be the current round of discussions on the IMF's quotas and resources (the 15th General Review of Quotas or "15th Review").[3] This review provides an important opportunity to build on the recently implemented 2010 Reforms to further align members' quota shares with their relative positions in the world economy and to further strengthen the IMF's governance structure. As one of the IMF's larger members, Canada will take a constructive approach in these discussions and will look for opportunities to help broker consensus.

In addition to the distribution of the IMF's quota shares, the 15th Review will also provide important context for discussions on the IMF's resource needs. For Canada, it is important the Fund remain adequately resourced to play its central role in the international financial architecture. In 2016–17 Canada will look for rigorous and transparent analysis to accompany these important discussions on the size and composition (i.e., mix between temporary and permanent) of the IMF's resources. Canada will do its part to ensure the Fund is adequately equipped.

Finally, we support the principle that the IMF must be agile in responding to the evolving challenges facing the membership. However, in an environment of finite resources, Canada will continue to encourage the IMF to be strategic in its engagement on new issues, building upon the Fund's comparative advantages and partnering effectively with other organizations as appropriate.

Canada's Forward-Looking Objectives at the IMF

There is a pressing need to respond to the low and uneven growth environment facing the global economy. Canada will seek to play a more active role on the international stage and promote the need to work together for more inclusive and sustainable global growth, particularly through policies and initiatives to boost investment and reinforce the benefits of openness and multilateralism.

At the Fund, this will mean working cooperatively with the institution and other members to ensure that the IMF is also driving these objectives and delivering sound analysis and policy advice in these areas to its members. It will also mean ensuring that the IMF is properly equipped with the tools, resources and policies to continue providing appropriate financial support where needed given the elevated risks facing the global economy. More specifically, over the medium term this will require the:

- Continued improvement of IMF surveillance and policy advice, with a particular focus on inclusive growth and openness;
- Application of an effective and appropriate lending toolkit by an adequately resourced IMF;
- Provision of high quality technical assistance and training; and
- Continued evolution of the Fund's governance structure to better reflect the growing importance of emerging economies in the global economy.

[3] Discussions on a new quota formula, which guides the allocation of individual quota shares, are also anticipated to resume within the context of the 15th Review.

Canada strongly believes that the IMF has a central role to play in helping to support a stable international monetary system and stronger, more sustainable and inclusive global growth. Canada intends to deepen its engagement with the institution to help advance these goals.

Canada's 2016–17 Objectives at the IMF
• Work together with the IMF to enhance the effectiveness of Fund surveillance and policy advice by promoting policies to boost inclusive and sustainable growth, particularly through investment and openness. • Promote effective IMF tools that target the root causes of instability and work to identify and advance potential improvements in the IMF's lending toolkit. • Support an adequately resourced IMF equipped to effectively carry out its mandate. • Play a constructive role in strengthening the IMF's governance structure to create a more representative, inclusive and effective institution through the 15th General Review of Quotas and the quota formula review.

The World Bank Group

Since its establishment over 70 years ago, the World Bank Group has been at the forefront of the global fight against poverty and inequality. The World Bank Group is one of the world's leading development institutions, and provides a wide range of financial products and technical advice to both governments and the private sector in developing countries.

As a large shareholder in the World Bank Group, Canada has a strong interest in the Bank's continued effectiveness. In order to advance its interests in 2015–16, the Government of Canada identified three main objectives for engagement with the World Bank Group. These objectives were focused on: improvements to the World Bank Group's development financing instruments and partnerships; the institutional effectiveness of these operations; and the reflection of Canadian priorities in the Bank's development programming. A detailed discussion of these objectives and actions taken by Canada to promote them are highlighted below.

1. Financial Instruments and Partnerships

Canada's first objective in 2015–16, as defined in last year's report, was focused on supporting improvements to the financial instruments and partnerships used by the World Bank Group in its global development financing operations. In 2015–16, the World Bank committed US$69.1 billion in development financing globally, in the form of a wide range of products including loans, grants, equity investments and the provision of risk management tools.

To undertake this work, Canada collaborated with like-minded countries to encourage the efficient use of the World Bank Group's balance sheets, and worked to promote private investments and partnerships with the potential to catalyze additional development financing. In addition, Canadian officials continued to work with the World Bank Group and other partners to respond to the economic and financial challenges facing the Caribbean region.

2015–16 Objective:

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

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

Supporting the Efficient Use of Capital

Over the last several years, Canada has strongly advocated for the World Bank Group and the other multilateral development banks (MDBs) to make more efficient use of their existing capital. More efficient use of MDBs' existing balance sheets has the potential to unlock hundreds of billions in additional resources for international development financing. In November 2015, this work culminated in the Canadian-led MDB Action Plan to Optimize Balance Sheets which was agreed to by G20 Leaders.[4] In response to the findings of the Action Plan, MDBs submitted their own report to G20 Finance Ministers in July 2016.[5] In the World Bank Group's section of the MDBs' response, IBRD and IFC both highlighted existing capital efficiency actions they were taking, while also noting areas with potential for further actions.

In 2015–16, IBRD responded to strong demand from borrower clients—committing US$29.7 billion in sovereign loans and risk management products for 118 projects. This strong commitment volume represents a 26 per cent increase compared to 2014–15, and demonstrates the ongoing relevance of the World Bank Group to its developing country clients. This year's strong lending volume also validates Canada's position that more development resources can be unlocked from MDB balance sheets. This resulted in a decline in IBRD's equity-to-loan ratio (ELR) to 22.7 per cent in 2015–16, still well above the 20 per cent minimum ELR limit adopted in 2013–14. Over the coming year, Canada will encourage IBRD management to continue a similar pace of annual development lending, while also reviewing the ongoing appropriateness of the 20 per cent ELR limit in a world of extensive development finance needs.

In December 2015, the World Bank Group played an important convening role by concluding an exposure exchange agreement with the African Development Bank and Inter-American Development Bank. An exposure exchange is a financial arrangement between MDBs to synthetically diversify the regional concentration of MDBs' development lending portfolios, resulting in additional lending headroom. In this case, the three MDBs collectively implemented an agreement to synthetically transfer $14 billion in development exposure. Looking forward, Canada will continue to encourage the World Bank Group to enter into additional exposure exchange operations with other MDBs.

The World Bank Group's capacity to grow its balance sheet organically through retained earnings is also an important element of the institution's financial sustainability. In addition to growing retained earnings, a portion of annual net income at IBRD and IFC is also allocated to a range of development priorities, including financial support to IDA. However, in recent years low global interest rates have constrained the amount of net income available at year end.

4 Multilateral Development Bank Action Plan to Optimize Balance Sheets (http://www.g20.org/English/Documents/PastPresidency/201512/P020151228375616784976.pdf).

5 MDB Response to the G20 Action Plan for MDB Balance Sheet Optimisation (http://www.g20.org/English/Documents/Current/201608/P020160815361155807206.pdf).

In recent years, the World Bank Group has worked to cover its administrative expenses through its revenues from loan spreads. This means that the administrative costs of the Bank Group's operations would eventually be fully incorporated into the interest costs that borrowers pay. In 2015–16, expenses exceeded loan spread revenues by 35 per cent, but are projected to be fully incorporated no later than 2018–19. Canada has been a strong advocate for this "budget anchor" at the World Bank Group's Board of Directors, and will continue to closely monitor progress towards meeting the budget anchor by 2018–19. Similarly, Canada supported the Bank Group's efforts to implement a robust expenditure review, which will result in savings of US$400 million in administrative expenditures across the World Bank Group. Taken together, the continued implementation of these revenue and capacity measures will enhance the World Bank Group's financial sustainability and ability to grow retained earnings internally despite operating in a challenging interest rate environment.

Engaging to Promote and Catalyze Private Investment and Partnerships

The World Bank Group has been a leader in designing new instruments to mobilize private capital, starting with IFC's A/B loan program in 1959. Since then, new instruments have been developed, covering the spectrum of public and private sectors to mobilize capital. Recent work on new mobilization tools has centred on IFC moving towards "platforms", where investors can participate in a portfolio of IFC's investments based on pre-determined allocation rules instead of co-investing with IFC transaction by transaction. IFC is also seeking to mobilize more capital from institutional investors, mostly for infrastructure projects.

In 2015–16, Canadian officials began to work closely with the World Bank Group to support the development of new financial structures that have the potential to catalyze private investment in developing country infrastructure. According to the World Bank Group, developing countries face an estimated infrastructure financing gap of over US$1 trillion per year. Infrastructure investment is critical for strong and sustainable economic growth, and facilitates the movement of people, goods and ideas. MDBs, and the World Bank Group in particular, are well placed to play an important convening role by creating innovative financial structures which mobilize private funds through de-risking infrastructure investments, creating opportunities for private co-financing, and supporting the development of a pipeline of bankable projects. Canada's support for infrastructure investment in the developing world is exemplified by the $20 million provided to establish the Global Infrastructure Facility (GIF), a World Bank facility to develop and implement new models for complex public-private infrastructure financing. Since this investment, Canada has played an integral role through its seat on the GIF Governing Council.

During the last year, IFC launched efforts to create a new initiative to catalyze private capital for investment in emerging market infrastructure. Based on the existing Managed Co-Lending Portfolio Program (MCPP), this new initiative would help to mobilize debt financing by large institutional investors. Under the MCPP platform, infrastructure debt funds would invest in a portfolio of IFC-originated loans. IFC would then mitigate the risks on the debt funds by providing a first-loss guarantee. This structure is expected to mobilize investments from insurance companies and other large institutional investors into the fund.

Canada has been working closely with IFC to promote the creation of new facilities and has challenged the G20 to be ambitious in supporting MDBs in their work to scale up efforts to mobilize private capital for investment in developing country infrastructure. Canada supports the MDBs Joint Declaration of Aspirations on Actions to Support Infrastructure Investment,[6] which articulates quantitative ambitions for high quality infrastructure and actionable steps that MDBs can implement to crowd-in private investors.

IFC is an important partner for Canada's support for blended climate financing, an approach which mixes low interest or long maturity loans from donors like Canada with commercial financing from IFC—resulting in lower cost financing for private sector climate adaptation projects which meet certain criteria. This includes climate financing initiatives in developing countries through the IFC-Canada Climate Change Program (CCCP), a US$274 million trust fund which provides blended financing to climate change mitigation and adaptation related projects. Since Canadian blended financing is provided alongside funds from IFC, Canada benefits from IFC's financial expertise and extensive experience lending in emerging and frontier market economies. In 2015–16, the CCCP committed US$41 million in blended funds to five investment projects, while the program has committed US$154 million across the developing world since its inception in 2011. This year, the CCCP provided a US$24 million concessional loan to finance the development of a 50 megawatt solar plant and associated transmission infrastructure in Jordan. Once completed, this project will provide clean power into the Jordanian electrical grid, the equivalent of mitigating 90,000 tonnes of carbon dioxide per year.

The World Bank Group also developed new financial structures to mobilize funding from donors to provide additional funding for development. These included initiatives such as the Middle East and North Africa Concessional Financing Facility (MENA CFF), an innovative facility which uses donor grants to buy down the interest rate of new World Bank financing to Middle Eastern countries hosting large numbers of refugees. The MENA CFF was announced at the Spring Meetings in April 2016 and received financial pledges of support from Canada and several other countries. Based on the facility's innovative structure, Canada's $20 million commitment will unlock $60 million in low-cost financing to support refugees and host communities in Jordan and Lebanon. Given the World Bank Group's global network of expertise, Canada views the institution as an ideal partner to work with in developing innovative financing structures like the MENA CFF which catalyze additional resources for development and to respond to pressing global challenges like the refugee crisis.

Finally, the Government of Canada is considering whether and how to establish a development finance institution (DFI), which would provide financing to support private sector initiatives in developing countries. Over the last year, the Government of Canada has held several consultations with the World Bank Group, and particularly with IFC, in order to learn from its extensive experience working with the private sector in developing countries. Should Canada proceed with a DFI, it would be expected to continue to work closely with established institutions like IFC in order to draw from its best practices, as well as leverage its financial capacity and development know-how.

6 MDBs Joint Declaration of Aspirations on Actions to Support Infrastructure Investment (http://www.g20.org/English/Documents/Current/201608/P020160815360318908738.pdf).

Responding to Caribbean Challenges

The Caribbean region is one of the most indebted regions in the world, with most of the small island economies struggling to cope with weak economic growth and high levels of debt. The region is facing the potential impacts of financial de-risking and is also highly predisposed to economic shocks due to a number of structural vulnerabilities including lack of economies of scale, a narrow range of exports, reliance on tourism, a weak private sector, and limited institutional capacity. The region is also highly exposed to adverse weather events, with the aftermath of natural disasters placing significant strain on the fiscal systems of affected countries.

In response, governments at the national level are working earnestly to become economically, socially and environmentally sustainable in order to achieve the 2030 Sustainable Development Goals. While Caribbean states constitute a "region of focus" for Canada's development programming in the Americas, these states also have a close relationship with Canada at the World Bank Group and IMF, where we represent a constituency that includes most Commonwealth Caribbean countries. As a result, the economic and financial well-being of the Caribbean region is of prime importance to Canada.

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

In 2015–16, Canada continued to support two World Bank Group projects in the region: the Entrepreneurship Program for Innovation in the Caribbean (EPIC) and the Supporting Economic Management in the Caribbean (SEMCAR). The EPIC project aims to build an enabling environment to foster high-growth and sustainable enterprises throughout the Caribbean. Training and technical assistance has helped strengthen and expand the network of business enablers, as well as enhancing competitiveness of entrepreneurs in the region. Since its launch in 2010, EPIC has reached more than 2,000 entrepreneurs and business enablers in 14 Caribbean Community (CARICOM) countries. The SEMCAR project seeks to improve economic management in 12 Caribbean countries through improved revenue administration, public financial management in budget preparation and treasury operations, and related information and technology systems. To date, training and technical assistance has been provided in key public financial management areas, including cash consolidation through Treasury Single Account implementation, better cash forecasting and planning, modernization of chart of accounts, enhancement of quality of financial reporting, and revision of public financial management legislation. Canada also provided funding for IFC's Partnership for CARICOM Private Sector Development, which contributes to a strengthened enabling framework for environmentally sustainable growth and productivity of the region's private enterprises.

Looking Ahead

Supporting the World Bank Group's financial instruments and ability to catalyze additional funds for development is an important priority for Canada going forward. In the next year, extensive discussions will occur among shareholders on the capital resources required for the World Bank Group to maintain the strong annual development financing required to support the achievement of the Sustainable Development Goals. While an increase in the share capital of the World Bank Group will likely be a central element of funding support, Canada will continue to advocate for the World Bank Group to leverage its existing resources as fully as possible before seeking additional capital from shareholders.

Given the persistent low-interest rate environment, Canada will advocate for a rules-based approach for the annual net income allocation exercise at IBRD. IFC currently uses a formula to allocate net income to development priorities while also retaining some earnings on its balance sheet. Canada will support a similar approach at IBRD to strike the balance between funding development priorities while also helping to grow the institution's balance sheet internally.

Canada is committed to ambitious action on climate change. The Prime Minister has announced that Canada will contribute a historic $2.65 billion to help developing countries mitigate and adapt to climate change. Given its significant expertise and global network, the World Bank Group will be an important partner for Canada in mobilizing climate finance and accelerating the global transition to low-carbon growth.

2. Institutional Effectiveness

Canada's second objective in 2015–16 was to work with World Bank Group management and like-minded shareholders to improve the Bank Group's institutional effectiveness, through reforms to its governance and accountability mechanisms. Since a large share of Canadian international development assistance is delivered through the World Bank Group, Canada has a vested interest in ensuring that the institution generates clear results in accomplishing its global development and poverty reduction mandate.

In 2015–16, Canada played a constructive role in encouraging cooperation and compromise through the ongoing voice and shareholding review process. Canada was also actively involved in the development of the World Bank Group's new gender strategy, and in the review of its environmental and social safeguard policies. Finally, Canada has been closely engaged in the 18th donor replenishment of IDA, the World Bank Group's concessional lending window.

2015–16 Objective:

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

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

Voice and Shareholding Reform

At the 2015 Annual Meetings in Lima, Governors agreed to a roadmap of future work for IBRD shareholding realignment. As part of this roadmap, Governors agreed that Executive Directors should work to develop a dynamic formula, which would be used as a starting point for negotiation around the next realignment of IBRD shareholding. The dynamic formula is expected to be based on countries' relative economic weights in the global economy and their contributions to the World Bank Group's development mission through financial support to successive IDA replenishments.

Through 2015–16, work on the development of a dynamic formula has been led by the Committee on Governance and Executive Directors' Administrative Matters of the Board of Directors, chaired by Canada's Executive Director. Under Canada's chairmanship, the committee has made meaningful progress in 2015–16, despite shareholders having divergent positions and views on the ideal formula. Throughout these negotiations, Canada has closely monitored the proposals being discussed and assessed their potential impact on our own shareholding in IBRD. Canada has also frequently emphasized the need for a spirit of compromise between competing country positions.

Executive Directors are expected to report to World Bank Group Governors at the Annual Meetings in October 2016. Once a dynamic formula has been agreed upon, discussions will start on a Selective Capital Increase, including its size, rules on allocations of shares, and how to protect the smallest poor member countries from dilution.

Governance and Accountability

The 2015 Shareholding Review Roadmap also included work on the medium to long term future role of the World Bank Group—known as the "Forward Look". Over the last year, through the Forward Look, the Board and management have discussed a range of options to enhance the Bank Group's ability to support the 2030 Agenda for Sustainable Development while staying focused on the institution's own twin goals. A number of strategic retreats, seminars and briefings were organized on topics such as IFC and IBRD financial capacity, mobilization and guarantee instruments, and knowledge services. Through this exercise, Canada has emphasized the importance of using existing resources as efficiently as possible and has also pushed for a greater focus on mobilization, both from the private sector and other development actors. In the context of preliminary discussions around increasing the World Bank Group's financing capacity, Canada has encouraged Bank management to develop a package of options to augment the institution's capital base, and has called for the ongoing implementation of measures outlined in the G20 balance sheet optimization agenda.

Over the last year, Canada has been working to enhance the World Bank Group's development effectiveness, by supporting the development of a new Bank Gender Equality Strategy as well as a new Environmental and Social Framework.

In December 2015, the World Bank Group released its new Gender Equality Strategy 2016-2023, following consultations with more than 1,000 stakeholders in 22 countries. In line with Canada's important priority of closely integrating gender equality into our international assistance programming, Canada encouraged the Bank to ensure that its new Gender Equality Strategy included financial support and technical assistance to help borrower countries close the gender gap. Finally, through these discussions, Canada encouraged the Bank Group to collect and make increased use of sex disaggregated data in order to better assess the gender impacts of its development programming. The World Bank Group's new gender strategy can be found on its website.[7]

Another area where the World Bank Group made meaningful progress in its institutional effectiveness is in the development of a new environmental and social safeguard framework. Starting in 2012, the World Bank Group began consultations to renew and strengthen its environmental and social safeguard policies. Safeguard policies are important in ensuring that the design and implementation of World Bank-financed projects include thorough consideration of environmental protections and of the well-being of the world's poor and most vulnerable. Through these consultations, Canadian stakeholders' feedback and recommendations have helped to focus and strengthen the discussion on a number of key priority areas, including human rights, indigenous peoples, risk assessment and risk management, labour standards, land acquisition and resettlement, and biodiversity.

In 2015–16, the World Bank Group held a third round of consultations to gather feedback from borrowing countries and other stakeholders on the resources and support required for borrowing members to adequately implement the new safeguards framework. At the Board of Directors, Canada's approach over the last year has aimed to improve the quality and implementation capacity of the Bank's environmental and social policies, in order to ensure that the new safeguards framework results in improved environmental and social standards for World Bank Group-financed projects. The third phase of consultations included a discussion of issues of special importance to Canada, such as ensuring that the framework reflects international human rights standards, and providing support to borrowers in the development of policy frameworks that can eventually complement the Bank's environmental and social policies. After three rounds of public consultations and extensive negotiations between countries, the World Bank Group's Environmental and Social Framework was approved by the Board of Directors on August 4, 2016. More information can be found on the World Bank Group's safeguards website.[8]

[7] World Bank Group website, World Bank Group Gender Strategy (FY16-23) (http://documents.worldbank.org/curated/en/820851467992505410/World-Bank-Group-gender-strategy-FY16-23-gender-equality-poverty-reduction-and-inclusive-growth).

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

Working Toward the 18th Replenishment of IDA

In preparation for the 18th replenishment of IDA (IDA18), Canada participated in the IDA17 Mid-Term Review in November 2015. Donor countries evaluated IDA's progress in delivering development results and reviewed the work of the three informal working groups that were created during the IDA17 replenishment process on IDA's long-term vision and financial sustainability, on development results, and on the governance and reform of the IDA replenishment process. As part of this work, Canada expressed its strong support for the appointment of an independent co-chair for the IDA18 replenishment process, supported measures to enhance the representation of borrowing countries in replenishment negotiations, and encouraged the World Bank Group to develop proposals for IDA18 to create additional development resources through the leveraging of IDA's equity.

The IDA17 Mid-Term Review meeting was also an opportunity to make some adjustments to the IDA17 financing framework. As part of this exercise, Canada supported adjustments to IDA's liquidity management framework which will enable IDA to make a more efficient use of its internal resources. These adjustments generated an additional $5 billion in development resources over and above the US$52.1 billion in commitments made during the IDA17 replenishment, and allowed IDA to replenish its Crisis Response Window (US$900 million) and to create a new lending facility (US$4.1 billion) without the need for additional support from donors.

Discussions for the 18th IDA replenishment cycle remain underway, with meetings taking place in March and June 2016. IDA Deputies and borrower representatives discussed IDA's challenges and strategic directions, as well as the proposed special themes for IDA18: climate change, gender and development, jobs and economic transformation, governance and institutions, fragility, conflict and violence.

Discussions on the IDA18 financial framework focused on IDA's innovative proposal to leverage its large equity base in order to increase the total volume of development resources available for the poorest and most vulnerable countries. As part of these discussions, Canada has been one of the leading voices in encouraging the World Bank to explore more ambitious leveraging options while ensuring that a significant portion of the leveraged resources are provided to the world's poorest countries on concessional terms.

Looking Ahead

The institutional effectiveness of the World Bank Group will remain an important priority for Canadian engagement in 2016–17. Canada is a significant contributor to World Bank Group capital increases and to IDA replenishments every three years. Canada is also a significant annual contributor to World Bank Group-administered trust funds and financial intermediary funds. As a result, Canada is committed to ensuring that these investments translate into clear and effective results for the world's poorest and most vulnerable.

At the 2016 Annual Meetings, World Bank Group Governors will review a report on the development of a dynamic formula, which is one of the key elements needed to ensure that the next realignment of IBRD shareholding is strongly based on principles and data-driven analysis. Consideration of a realignment of shareholding, through a Selective Capital Increase, will take place in 2016–17, with the goal of reaching a decision by the 2017 Annual Meetings. Canada will continue to encourage a spirit of comprise in these negotiations while also ensuring that our priorities are reflected in the proposals being discussed. At the 2016 Annual Meetings, Governors will also receive a report on the Forward Look exercise, outlining a strategic vision for the World Bank Group.

Finally, the 18th replenishment of IDA will conclude in December 2016. Canada intends to make a meaningful financial contribution to this replenishment, and will also work with like-minded donors to advance policy proposals with the potential to make IDA more responsive to the needs of its clients and more efficient as a financial institution. Next year's Report to Parliament will note the results of the replenishment exercise.

3. Canadian Priorities

Over the course of 2015–16, the Government of Canada worked closely with the World Bank Group to ensure that our international development priorities are reflected in the Bank Group's operations. Canada's support has helped the World Bank Group to implement its twin goals of eradicating extreme poverty and reducing income inequality by promoting global shared prosperity. Canadian support for the World Bank Group, including through the delivery of Canadian bilateral programming (see Annex 2), has helped to focus funding on helping the poorest and most vulnerable, addressing challenges in fragile and conflict-affected states, and better integrating gender into Bank Group policies and programs.

In line with Canadian development priorities, the World Bank Group has advanced work in the areas of innovative financing mechanisms for crisis response, private sector development and funding for infrastructure development.

2015–16 Objective:
Promote Canadian priorities in World Bank Group policies and programming.

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

Canada played a leadership role in July 2015 at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, where world leaders agreed on measures to finance the Sustainable Development Goals (SDGs). In the resulting Addis Ababa Action Agenda, Canada supported the formal launch of the Global Financing Facility in Support of Every Woman Every Child, along with the World Bank Group, Norway, the United States and the UN. Following international agreement on the SDGs at the United Nations General Assembly in September 2015, the World Bank Group is spearheading discussions on how to best operationalize the SDGs—through financing, solutions and lessons learned. Canada continues to encourage the World Bank Group to foster a sound enabling environment for private sector engagement in international development projects; within the context of the new SDGs, the private sector brings much-needed innovation, capabilities and resources to global development.

Over the past year, the World Bank Group's openness to collaboration and the capacity of the private sector liaison offices (PSLO) in Canada have helped Global Affairs Canada to bring a broad spectrum of opportunities from the World Bank and other MDBs to the attention of Canadian businesses and consultations. In February 2016, the Canadian PSLO network led an international transportation mission to the Washington-based MDBs. This mission involved 40 private sector participants from 12 countries, including 17 delegates from Canada, in order to build awareness of commercial opportunities at MDBs and to explore possible partnerships. The renewed global momentum to increase access to clean energy represents a significant opportunity for many Canadian firms. Presentations by the World Bank Group and other bank specialists in these business forums provided useful information to the Canadian private sector about priority projects, and Canadian firms were able to highlight how made-in-Canada solutions can contribute to sustainable global development. See Annex 3 for a summary of World Bank Group procurement from Canada.

In March 2016, Canada partnered with World Bank Group, Centre for International Governance Innovation (CIGI), International Development Research Centre (IDRC), Aga Khan Foundation Canada (AKFC) and McGill University to hold public events in Waterloo, Ottawa and Montreal and launch *World Development Report 2016: Digital Dividends*. The *World Development Report* is the annual flagship publication of the World Bank Group and is supported in part by Global Affairs Canada through a three-year funding arrangement. This year's report explored the impact of the Internet, mobile phones and related technologies on economic development, illustrating that the potential gains from digital technologies are high, but often remain unrealized. The report proposed policies to expand connectivity, accelerate complementary reforms in sectors beyond information and communication technology (ICT), and address global coordination problems. The three events brought together representatives from the federal government, the World Bank Group, and the not-for-profit and private sectors, academics, and over 200 student and others participants from the general public. Participants, including Canada's Executive Director at the World Bank Group and several leading international development experts from the CIGI, IDRC, AKFC and McGill University, had the opportunity to discuss the role of ICTs in development and explore the various ways different sectors and regions are using ICTs to enhance the livelihoods of people in the developing world.

Finally, during the state visit in March 2016, Prime Minister Justin Trudeau made a historic visit to the World Bank Group, becoming the first Canadian Prime Minister to tour the Bank's headquarters. Prime Minister Trudeau's visit included a productive meeting with President Jim Yong Kim, and showcased the Government of Canada's commitment to re-engage in multilateral institutions and foster strong partnerships with international development organizations like the World Bank Group.

Looking Ahead

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

Canada’s Forward-Looking Objectives at the World Bank Group

Canada intends to play a more active role on the international stage, including through multilateral development institutions like the World Bank Group. The World Bank Group’s twin goals of ending extreme poverty and promoting sustainable and inclusive growth are well aligned with Canada’s own international development priorities.

Looking forward, Canada will aim to ensure that the World Bank Group is both effective and efficient in meeting its development financing mandate, and that it continues to undertake institutional reforms to adapt to a changing international landscape. More specifically, over the medium term this will require:

- Financial instruments and partnerships that strengthen the World Bank Group’s capacity to deliver development results; and
- Improvements in the institutional effectiveness of the World Bank Group through ongoing reforms, accountability mechanisms and governance structures.

Accomplishing these high-level goals will take time and will require a collaborative process involving all of the World Bank Group’s 189 members. Canada will work to develop an incremental approach to meeting these goals, and will encourage a spirit of compromise between member countries in negotiations on issues related to these medium-term objectives. In 2016–17, Canadian efforts will focus on strengthening the World Bank Group’s development financing business model, supporting a successful replenishment of IDA, supporting the implementation of the World Bank Group’s shareholding roadmap, and ensuring that Canadian priorities are reflected in World Bank Group programing and operations.

In order to advance these objectives, Canada will work with other countries in the development of statements, policy papers, and coordination of positions for votes. Canada will also advance these priorities in bilateral discussions and through participation by the Minister of Finance, Canada’s Executive Director and Canadian officials at the Development Committee, the World Bank Group Board of Directors, and the G7 and G20.

Canada’s 2016–17 Objectives at the World Bank Group

- Support the efficient use of capital, the development of innovative financial instruments and the leveraging of private capital to enhance the World Bank Group’s capacity to deliver development results.
- Contribute to a successful replenishment of the International Development Association, including reforms that will enable a scaling up of concessional financing to the world’s poorest and most vulnerable countries.
- Serve as a constructive force in the ongoing implementation of the World Bank Group’s shareholding roadmap, while ensuring that Canadian interests are reflected in those discussions.
- Ensure that Canada’s international priorities are reflected in World Bank Group operations, including in fragile and conflict-affected states, and in the areas of gender, climate finance and infrastructure development.

To meet the first objective of supporting the efficient use of capital, development of innovative financial instruments and leveraging of private capital, Canada will work with the World Bank Group to support the implementation of commitments made in the recent report by MDBs to G20 Finance Ministers.[9] Canada will also continue to support the World Bank Group's efforts to better leverage its balance sheet, in order to unlock additional headroom for global development financing. In 2016–17, this work will include encouraging the World Bank Group to present shareholders with a meaningful package of options to augment its forward financing capacity. These options should include consideration of differentiated loan pricing, further use of exposure exchanges and the introduction of a rules-based IBRD net income allocation exercise. Canada will also work with the World Bank Group to continue the development of new and innovative financial instruments to catalyze funds from the private sector and other non-traditional development partners. Finally, the World Bank Group will be an important partner for Canada in mobilizing climate finance and accelerating the transition to low-carbon growth.

To meet the second objective of contributing to a successful replenishment of IDA, Canada intends to make a meaningful financial contribution to this replenishment, and will remain closely engaged in negotiations until their conclusion in December 2016. Similar to our approach over the last year, Canada will continue to encourage the development and implementation of policy proposals with the potential to make IDA more responsive to the needs of its low-income country clients and more efficient as a financial institution.

To meet the third objective of supporting the implementation of the World Bank Group's shareholding roadmap, Canada will play an active role in the continued negotiations around the development of a dynamic formula and the planned realignment of IBRD shareholding. Canada also has an important stake in the implementation of the Forward Look exercise, and its objective of making the World Bank Group more responsive to client demand, with a financing toolkit that is well aligned with global development needs.

In order to meet the fourth and final objective of promoting Canadian priorities in the World Bank Group's operations, Canada will work to align the World Bank Group's programming with Canadian development, trade and foreign policy priorities. We will continue to encourage the World Bank Group to fund projects which are aligned with Canadian priorities, including in the areas of sustainable economic growth, private sector development, gender, climate financing and infrastructure development. Finally, Canada will continue to encourage the World Bank Group and other international financial institutions to collectively respond to the economic and financial challenges facing the Caribbean region.

[9] MDB Response to the G20 Action Plan for MDB Balance Sheet Optimisation (http://www.g20.org/English/Documents/Current/201608/P020160815361155807206.pdf).

Annex 1
Background on IMF Operations and Canada's Engagement

The IMF works to safeguard the stability of the international financial and monetary system in order to facilitate international trade, promote sustainable economic growth and raise global living standards. Canada has been a central and influential member of the IMF since 1945, being one of only 29 countries that signed the original IMF Articles of Agreement. Since then, the IMF has grown to include a near-global membership of 189 member countries. Canada plays an important collaborative role with international partners to ensure that the IMF is effectively fulfilling its mandate. A healthy and stable global economy creates more jobs for Canadians, promotes stable prices for goods and services, and improves our standard of living. Canada's participation at the IMF encourages international cooperation, sustainable economic growth and better living standards for Canadian citizens and others across the globe. Canada is engaged in all aspects of the IMF's governance and activities.

Governance and Representation

Canada at the Board of Governors

The IMF is accountable to the governments of its member countries through a number of mechanisms, first and foremost the Board of Governors, which is tasked with taking the most important institutional decisions. Canada's Governor to the IMF is the Minister of Finance, the Honourable William Francis Morneau, and the Alternate IMF Governor is Bank of Canada Governor Stephen Poloz. The Board of Governors can be called upon to formally vote without meeting on resolutions required by the Articles of Agreement (e.g., Special Drawing Right allocations, quota increases, admitting new members), and on resolutions that amend the Articles or By-Laws of the Fund. Below are the positions taken by the Minister in his capacity as IMF Governor during the 2015–16 reporting period.

Voting Record of Minister of Finance in 2015–16

In August 2015, the Minister of Finance voted against a proposed salary increase for Executive Directors and their Alternates, given the view that Executive Director remuneration remained adequate. The proposed increases received the required support to pass.

In August 2015, the Minister of Finance voted to approve the resolution to hold the 2018 Annual Meetings in Bali Nusa Dua, Indonesia.

In September 2015 the Minister of Finance approved the activation of the New Arrangements to Borrow (NAB) for a period of six months. Following the entry into force of the 2010 Reforms, the NAB was de-activated early in February 2016.

In November 2015, the Minister of Finance voted in support of the Republic of Nauru's proposed membership in the IMF.

In February 2016, the Minister of Finance voted in favour of the proposed resolution extending the deadline for reaching an agreement on the 15th General Review of Quotas until the Annual Meetings in fall 2017.

Canada's Voting Share

As a result of the relatively large size of the Canadian economy and its openness to international trade, Canada's Governor holds a sizeable voting share at the IMF of 2.22 per cent, making Canada the 11th largest member during the reporting period.

Canada at the International Monetary and Financial Committee (IMFC)

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

The Minister of Finance also tables written statements during the Annual and Spring Meetings that outline Canada's and our constituency's views on the specific governance, surveillance and lending activities of the Fund. On April 16, 2016 and October 9, 2015, Canada tabled IMFC statements on behalf of Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Canada at the Executive Board

The Board of Governors has delegated many of its powers to the 24-member Executive Board, chaired by the Managing Director of the IMF. The constituency system allows for all 189 member countries to be represented at a smaller table that is more conducive to overseeing the day-to-day business of the Fund. Canada currently holds one of the 24 seats on the Executive Board and represents a constituency of 12 countries. The Executive Director for Canada therefore holds a voting power, with all constituency members combined, of 3.38 per cent—the 13th largest constituency by voting power.

The Executive Board usually operates on the basis of consensus, so formal votes are rare. Canada attempts to contribute to the development of policy proposals before they are brought to the Board through informal discussions with staff and management, or through consultation with other members of the Executive Board before formal Board deliberations. The Executive Director representing Canada, Ireland and the Caribbean did not record any abstention votes in 2015–16.

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

What the IMF Does

IMF activities focus on three primary areas, all aimed at promoting a prosperous global economy by contributing to international monetary and financial stability and growth: surveillance, lending programs and capacity development. Canada's engagement in all three areas is discussed below.

Surveillance

Bilateral Surveillance

Article IV of the IMF Articles of Agreements requires the Fund to undertake regular consultations with each member country on economic conditions and policies.

The Executive Board discusses and assesses each Article IV consultation. Canada's Executive Director and his staff take part in each discussion, offering verbal and written statements highlighting our constituency's view on the state of the country's economy and posing additional questions to ensure the review is thorough and addresses important risks to the country's outlook. The Department of Finance Canada and Bank of Canada are consulted on Article IV consultations for systemically important economies. Global Affairs Canada is also consulted when Canadian foreign policy or development priorities arise. Canada's most recent Article IV consultation was published in June 2016.

On occasion, an Article IV consultation is complemented by a Financial Sector Assessment Program review, which is a comprehensive assessment of a country's financial sector. For the 25 jurisdictions with systemically important financial sectors (including Canada), mandatory FSAP reviews are completed every five years. Canada's most recent Financial Sector Stability Assessment was published in February 2014.

Multilateral Surveillance

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

Lending

As part of its central role in the international monetary system, the IMF makes its resources available to help members finance temporary balance of payments problems while economic adjustments are underway. To provide this assistance, the IMF utilizes two types of lending arrangements: (1) non-concessional lending to countries facing balance of payments difficulties; and (2) concessional lending for low-income members facing similar challenges. The IMF's non-concessional lending activities also include the extension of precautionary credit lines, subject to high qualifying criteria, to countries confronting elevated risks and potentially requiring ready access to financial assistance.

Table 1
IMF Lending Facilities

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

Source: IMF.

During its 2016 fiscal year (FY2016)—running from May 1, 2015 to April 30, 2016—the IMF approved eight new lending arrangements totalling SDR 5.4 billion (approximately $9.5 billion), while they totalled SDR 81.8 billion and SDR 24 billion in FY2015 and FY2014, respectively.[10] This year's decreased lending is explained by the absence of major new or renewed precautionary programs. The total amount of lending approved by the Fund this year is the lowest since 2008. Table 2 provides a summary of new IMF lending arrangements approved in FY2016. Chart 1 shows the number and size of lending arrangements approved over the past 10 years.

At end-April 2016, the IMF had SDR 20 billion in resources committed to active arrangements in 24 countries. The total rises to SDR 90 billion committed across 31 countries when precautionary arrangements are included. Ukraine still accounts for the majority (61 per cent) of resources committed to active non-precautionary arrangements. For the precautionary arrangements, the bulk of the commitments consist of precautionary credit facilities for Mexico and Poland. Chart 2 shows the distribution between active and precautionary arrangements.

Since the global financial crisis, precautionary credit lines under the Flexible Credit Line (FCL) and Precautionary and Liquidity Line have accounted for a significant share of the value of the Fund's committed resources (75 per cent as of end-April 2016 and 72 per cent of resources committed in FY2016) and continue to have a non-negligible impact on the Fund's available resources (accounting for 17 per cent of the IMF's current useable resources.)[11]

Table 2

Summary of New Lending Arrangements Approved During FY2016

	Number of New Arrangements[1]	Size (SDR Billions)[2]	Size (C$ Billions)
Non-concessional lending	3	4.7	8.4
Adjustment/program lending	*1*	*0.1*	*0.2*
Precautionary lending	*2*	*4.6*	*8.2*
Concessional lending[3]	5	0.6	1.1
Total lending	**8**	**5.4**	**9.5**

Notes: C$/SDR = 1.778610 (as of April 29, 2016). Totals may not equal sum of components due to rounding.

[1] Disbursements under the Rapid Credit Facility (RCF) not included.

[2] Totals do not include augmentations/reductions of existing arrangements (non-concessional lending = - SDR 2.5 billion; concessional lending = SDR 0.11 billion) and disbursements under the RCF (SDR 0.09 billion)

[3] Lending to Kenya is blended between Stand-By Arrangement (non-concessional) and Standby Credit Facility (concessional) facilities and counted as separate arrangements.

Sources: IMF; Department of Finance Canada calculations.

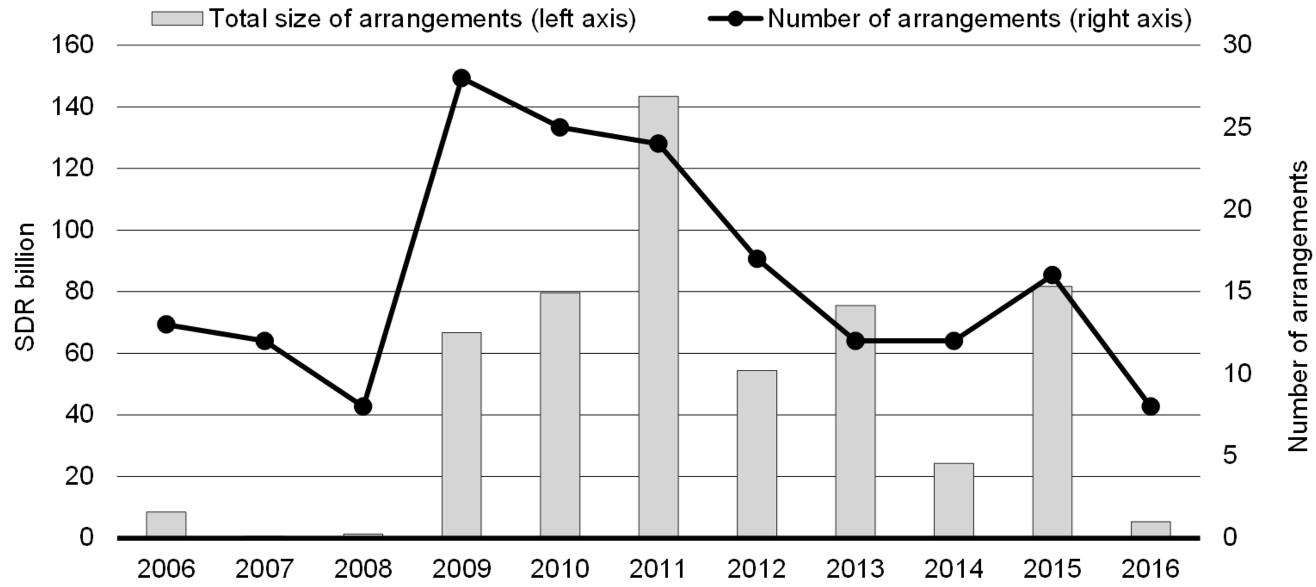
[10] The IMF's financial operations are conducted in Special Drawing Rights (SDRs). The SDR is the international reserve asset created by the IMF to supplement the existing official reserves of member countries. It can be exchanged for the freely useable currencies of IMF members. The SDR serves as the unit of account of the IMF, and its value is based on a basket of currencies comprising the US dollar, euro, pound sterling and Japanese yen. On April 29, 2016, 1 SDR equalled 1.78 Canadian dollars.

[11] Mexico's FCL is SDR 47.3 billion (531 per cent of quota) and accounts for 11.7 per cent of useable resources. Poland's SDR 13 billion (317 per cent of quota) FCL accounts for 3.2 per cent of useable resources, and Colombia's SDR 3.9 billion (183 per cent of quota) arrangement accounts for 1 per cent of useable resources. Current useable resources as of June 30, 2016 are listed as SDR 405.8 billion.

A complete list of the IMF's active lending arrangements as of April 30, 2016 is available on the IMF's website.

Chart 1

New IMF Lending Arrangements Approved From FY2006 to FY2016

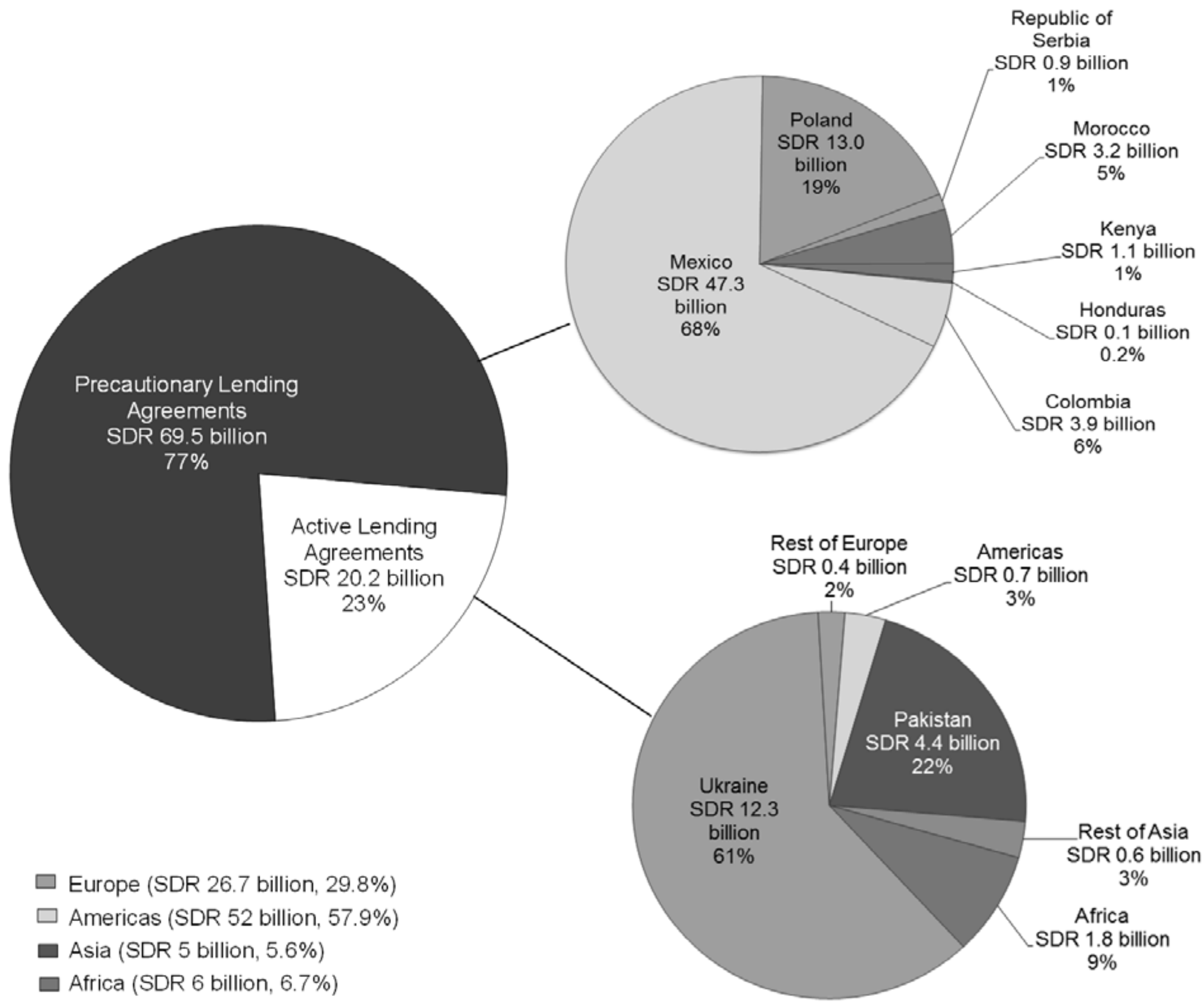


Note: Includes augmentations after arrangement approval.
Sources: IMF; Department of Finance Canada calculations.

Chart 2

Total Active Lending Arrangements by Country/Region as of April 30, 2016

(Size of Arrangement and Per Cent of Total)



Note: Precautionary lending includes Stand-By Arrangement (non-concessional) and Standby Credit Facility (concessional) arrangements currently being treated as precautionary.

Sources: IMF; Department of Finance Canada calculations.

For more information on IMF lending and the facilities it uses, please visit its website and consult its Annual Report.

Financial Resources

The IMF's total financial resources are composed of both permanent (quotas) and temporary (multilateral borrowing agreements, bilateral borrowing) resources. Table 3 summarizes Canada's commitments and financial position at the Fund as of April 30, 2016, whereas Table 4 shows disbursement and repayment amounts at the Fund for the past two fiscal years.

Table 3

Summary of Canada's Financial Position at the IMF
IMF-Related Finances, as of April 30, 2016
SDR billions

	Allocated Contribution	Amount Drawn
General Ressources Account	**15.8**	**1.7**
Current quota	11.0	1.0
New Arrangements to Borrow commitment	3.9	0.7
General Arrangements to Borrow commitment	0.9	0
Poverty Reduction and Growth Trust	**0.5**	**0.2**

Source: IMF.

Table 4

IMF Disbursements and Repayments
SDR billions

	FY2015	FY2016
General Resources Account (GRA)		
Disbursements	(12.0)	(4.7)
Repayments	38.0	12.1
	26.0	7.4
Poverty Reduction and Growth Trust (PRGT)[1]		
Disbursements	(0.7)	(0.8)
Repayments	0.5	0.6
	(0.2)	(0.2)
GRA and PRGT		
Total disbursements	(12.7)	(5.5)
Total repayments	38.5	12.7
	25.8	7.2

[1] Includes loans under the Structural Adjustment Facility and Trust Fund.
Source: IMF.

General Resources Account Safeguards

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

For more information on the IMF's balance sheet, see the IMF's 2015 Annual Report, which contains an in-depth examination of the IMF's finances. For up-to-date information on the state of IMF finances, the IMF prepares a weekly summary of its financial assistance to member countries, available IMF resources, arrears, key IMF rates, and forward commitment capacity.

Capacity Development

Canada, mainly through Global Affairs Canada, has been a strong partner of IMF capacity development. Canada has contributed approximately US$118 million since 2002, making it the third largest donor. Canada's support has enabled low-income and lower-middle-income countries to build their capacity in the area of public financial management, financial development, banking supervision, tax policy and administration. It has also helped to improve the capacity of member countries to promote sustainable economic growth through stronger institutions needed to achieve macroeconomic stability and boost resilience to shocks. Typical activities supported by Canada include diagnostic studies, training courses, workshops, online advice and support, and the placement of technical assistance experts and advisors. Also noteworthy, Canadians represent one of the largest groups by nationality of experts employed by the IMF for the delivery of its capacity development.

For more information on capacity development and technical assistance at the IMF, please visit its website.

Regional Technical Assistance

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

Canada is the largest contributor to the Caribbean Regional Technical Assistance Centre (CARTAC) and second-largest to CAPTAC-DR, the RTAC for Central America, Panama, and the Dominican Republic. It supports the five RTACs in Africa, the Somalia trust fund and the Supporting Economic Management in the Caribbean program.

Canada-IMF Technical Assistance Sub-Account

Canada's experience has shown that sound economic policies play a critical role towards securing sustainable economic growth and job creation. To promote these policies and further build capacity in the Caribbean and in the Middle East and North Africa region, Canada established a $19 million Technical Assistance Sub-Account at the IMF in 2012. Canada's funding of this sub-account supports technical assistance to developing country governments to build their capacity to address public debt, balance of payments problems and financial sector crises. In its fourth year of operations, implementation of projects funded by the Canada-IMF Sub-Account accelerated. Through seven projects, partner countries received assistance on legal and institutional reforms, bank restructuring and resolution, banking supervision, credit portfolio assessment, debt management and central bank modernization.

In 2014, in the context of the crisis in Ukraine, Canada established a separate $20 million sub-account to support monetary policy, financial sector stabilization and public financial management. The project aims to provide expert guidance and advisory support to the Government of Ukraine to help the country improve its macroeconomic stability and manage its economic transition. The IMF delivers this technical assistance in areas such as monetary policy, public expenditure management, debt management, balance of payments systems, financial sector supervision and anti-money laundering reforms. It also supports the design and implementation of sound macroeconomic and financial sector policies, which are essential to stabilize and rebuild Ukraine's economy. This initiative complements Canada's bilateral macroeconomic stabilization loans ($400 million) to the Government of Ukraine in support of its IMF reform program.

Applications of Canadian Technical Assistance Funding

Some examples of results from the implementation of projects drawing on Canadian technical assistance funding over the past year include:

- In Ukraine, funding provided by Canada to support technical assistance has been used to advise the Government of Ukraine on public financial management, tax administration and tax policy. Activities were mainly directed to improving the governance of state-owned enterprises and oversight of the associated fiscal risks. Organization and governance reforms within the State Fiscal Service (SFS) were supported, and tax policy work focused on social security contributions. Notable outcomes over the past year in Ukraine include: a number of significant administrative reforms in the SFS and the National Bank of Ukraine were implemented; a dedicated division to detect suspicious transactions in the financial intelligence unit was established; the central bank law was redrafted; and anti-money laundering and anti-corruption efforts were supported.
- In the Eastern Caribbean Currency Union (ECCU), there has been region-wide approval of modern banking legislation and asset quality reviews and dynamic modelling for all domestic banks. Two failed banks in Anguilla and one in Antigua that had been in ECCU conservatorship for two to four years have been resolved.
- Also in the ECCU, after project-supported national workshops, four independent jurisdictions developed medium-term debt management strategies, and several others are currently being drafted.
- Despite political tensions emerging from the 2015 elections, Haiti made significant progress in implementing a Treasury Single Account (TSA), after identifying commercial bank accounts, and closing those that are included in the TSA. The TSA was piloted in October 2015 and full roll-out began in December.
- In Tunisia, a new draft banking law is ready to be introduced; the General Directorate of Banking Supervision is formalizing its supervisory process and preparing a procedures manual; and the central bank has formally endorsed a five-year action plan for banking supervision.
- In Morocco, the central bank Study and Research Departments have been reorganized and a new forecasting and modelling unit created. Separate teams are now working with three different models to generate macroeconomic projections.

Annex 2
Background on World Bank Group Operations and Canada's Engagement

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

Governance and Representation

Canada's Capital Subscriptions and Shareholding

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

Canada is among the 10 largest shareholders at the World Bank Group, having contributed a total of US$7.2 billion in capital subscriptions to IBRD, IFC and MIGA and US$11.1 billion in contributions to IDA.

Table 5
Canada's Capital Subscriptions, 2015–16
US$ millions, unless otherwise indicated

	IBRD	IDA	IFC	MIGA
Capital subscriptions and contributions	7,039.5	11,079.3[1]	81.3	56.5
Amount paid in	433.1	10,700[2]	81.3	10.7
Amount not paid in but contingent on future capital requirements	6,606.4	–	–	45.8
Subscription or contributions share (%)	2.67	4.57	3.17	2.95
Voting power (%)	2.55	2.65	3.02	2.50

Note: Figures are from the 2016 financial statements and annual reports for the World Bank, IFC and MIGA.
[1] Represents Canada's cumulative contributions to IDA and commitments made until January 2017 as part of our commitment to the 17th replenishment of IDA.
[2] Represents Canada's cumulative contributions to IDA and the first two actual payments of a series made as part of the 17th replenishment of IDA.

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

Canada at the Board of Governors

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

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

The Board of Governors is asked to vote on a number of resolutions throughout the year. Canada's positions on resolutions taken in the period July 1, 2015 to June 30, 2016 are shown below.

Voting Record of the Canadian Governor in 2015–16

In August 2015, the Minister of Finance voted against a proposed salary increase for Executive Directors and their Alternates, given the view that Executive Director remuneration remained adequate. The proposed increases received the required support to pass.

In August 2015, the Minister of Finance voted to approve the resolution to hold the 2018 Annual Meetings in Bali Nusa Dua, Indonesia.

In November 2015, the Minister of Finance voted in support of the Republic of Nauru's proposed membership in the World Bank.

In June 2016, Canada supported the transfer of US$55 million from IBRD's surplus to replenish the Trust Fund for Gaza and West Bank.

Canada at the Development Committee

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

In 2015–16, the Governor tabled two Development Committee statements on behalf of Canada's constituency, comprising Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, on October 10, 2015 and on April 16, 2016 in Washington, D.C.

Canada at the Executive Board

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

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

Shareholders typically raise serious questions or concerns about specific Bank operations before they get to the Executive Board. In addition, Executive Directors may abstain or vote against projects or policies in consultation with their constituencies. In 2015–16, the Executive Director representing Canada supported all policies and projects approved by the Board, with exceptions (see following box).

Voting Record of the Executive Director Representing Canada in 2015–16

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

In September 2015, the Canadian Executive Director abstained on a proposed MIGA guarantee in Nigeria on the basis of concerns over longstanding governance weaknesses in Nigeria's energy sector.

What the World Bank Group Does

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

All figures in this section reflect the World Bank Group's 2016 financial year (July 1, 2015 to June 30, 2016) unless otherwise indicated. Further information on the World Bank Group's financial performance can be found on its Results webpage.[12]

Chart 3
World Bank Group

[12] World Bank Group Results webpage (http://www.worldbank.org/en/results).

IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

- Established: 1944
- Members: 189
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, risk management products, and analytical and advisory services
- Size: US$29.7 billion in new commitments in 2016

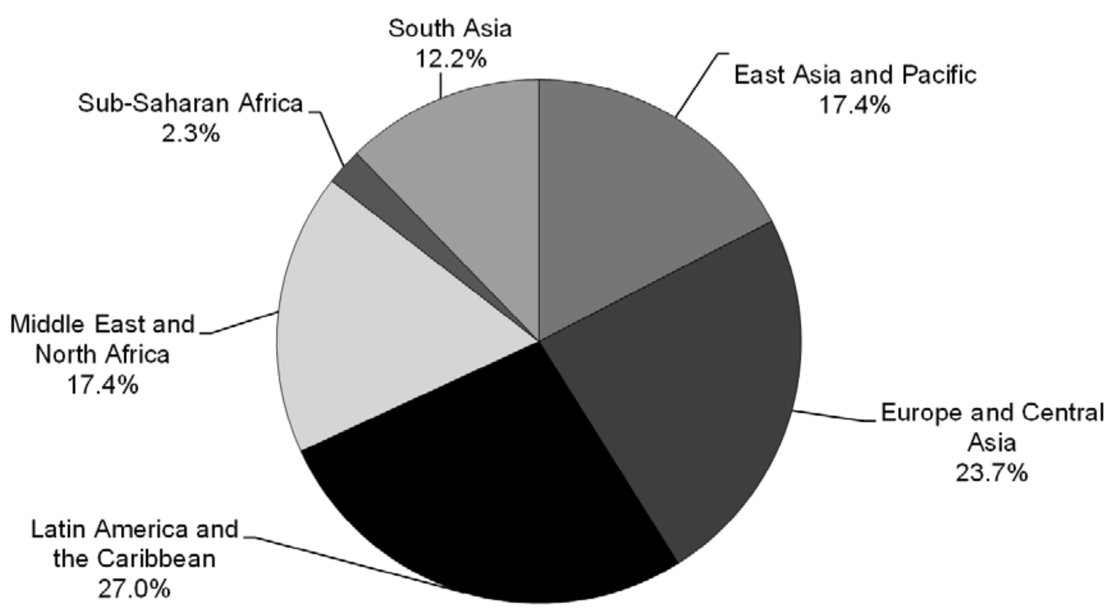
Established in 1944, IBRD is the original institution of the World Bank Group and continues to be its main lending agency, providing loans to middle-income and creditworthy low-income countries.

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

IBRD does not seek to maximize profit; rather, it aims to earn enough to ensure its financial strength and to sustain its development activities. In FY2016, IBRD's loan portfolio included commitments of US$29.7 billion to 118 projects in 45 countries, a large increase from US$23.5 billion in FY2015.

Latin America and the Caribbean received the largest portion of IBRD funding (27.0 per cent) in FY2016, followed by Europe and Central Asia (23.7 per cent). More information about IBRD can be found on its website.[13]

Chart 4
Total IBRD Lending by Region, 2016
(% share of US$29.7 billion)



Source: World Bank Group.

[13] International Bank for Reconstruction and Development (http://www.worldbank.org/en/about/what-we-do/brief/ibrd).

IDA—International Development Association

IDA at a Glance

- Established: 1960
- Members: 173
- Clients: Poorest countries
- Tools: Low-interest and interest-free loans, grants, and analytical and advisory services
- Size: US$16.2 billion in new commitments in 2016

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

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

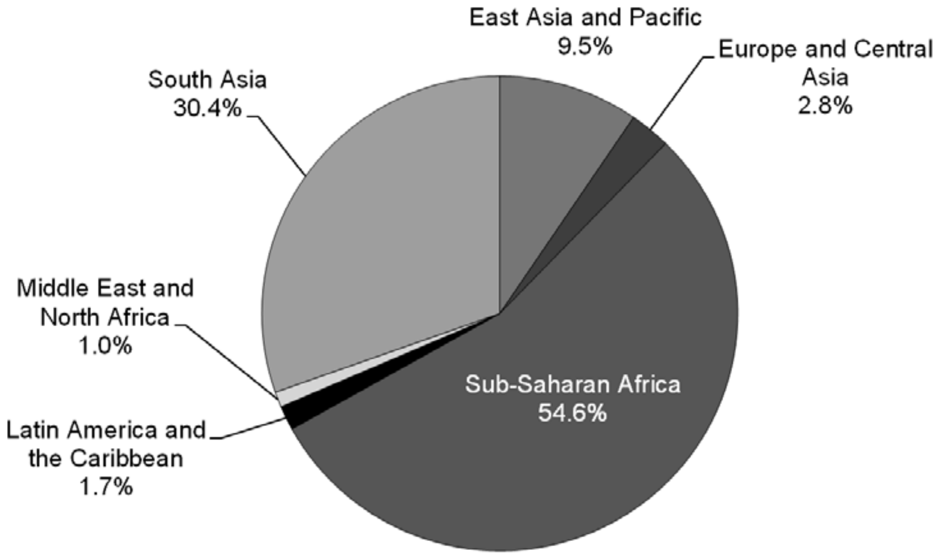
Sub-Saharan Africa received the largest share of IDA resources in FY2016—US$10.4 billion, or 54.6 per cent of total commitments. South Asia received 30.4 per cent of new commitments, totalling US$5.8 billion. More information about IDA can be found on its website.[14]

[14] International Development Association (http://www.worldbank.org/ida/).

Chart 5

Total IDA Commitments by Region, 2016

(% share of US$16.2 billion)



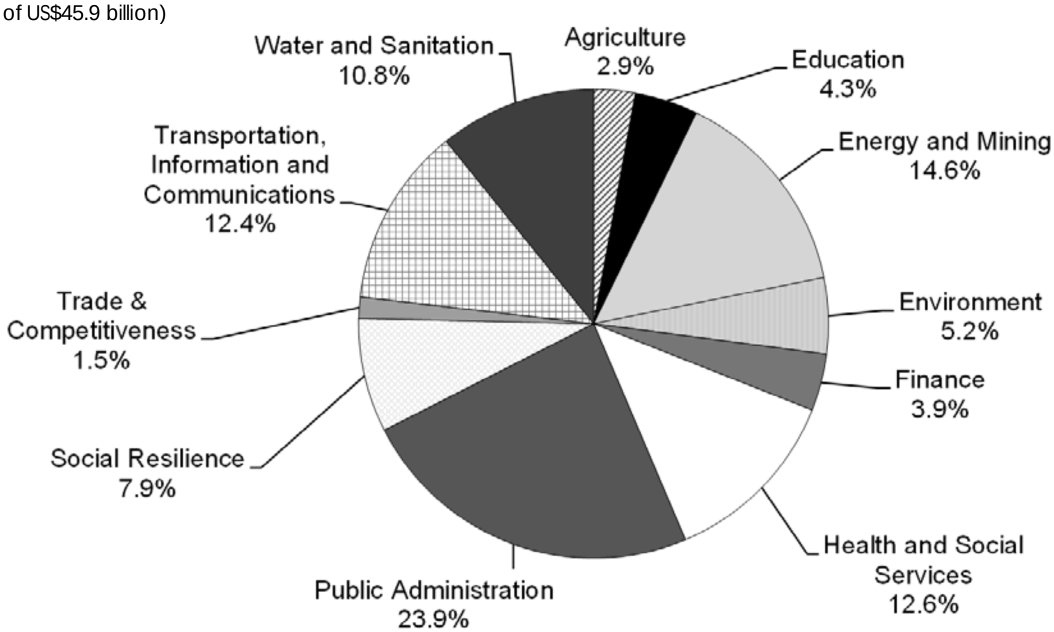
Source: World Bank Group.

IBRD and IDA lending for infrastructure (Transportation; Energy and Mining; Water and Sanitation) combined for approximately 37.8 per cent of total lending in FY2016. Other sectors that were a major focus for lending included Public Administration (23.9 per cent), Health and Social Services (12.6 per cent), Social Resilience (7.9 per cent) and Education (4.3 per cent).

Chart 6

Total IBRD and IDA Lending by Sector, 2016

(% share of US$45.9 billion)



Source: World Bank Group.

IFC—International Finance Corporation

IFC at a Glance

- Established: 1956
- Members: 184
- Clients: Businesses in developing countries where there is limited access to capital
- Tools: Commercial-rate loans, equity investments, resource mobilization and advisory services
- Size: US$18.9 billion in new investment commitments in 2016

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

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

In FY2016, IFC committed US$18.9 billion in new investments (US$11.12 billion on IFC's own account and US$7.74 billion in core mobilization). New commitments on IFC's own account included US$2.68 billion in Latin America and the Caribbean, US$2.30 billion in East Asia and the Pacific, US$2.13 billion in Europe and Central Asia, US$1.43 billion in South Asia, US$1.40 billion in Sub-Saharan Africa, and US$0.95 billion in the Middle East and North Africa.

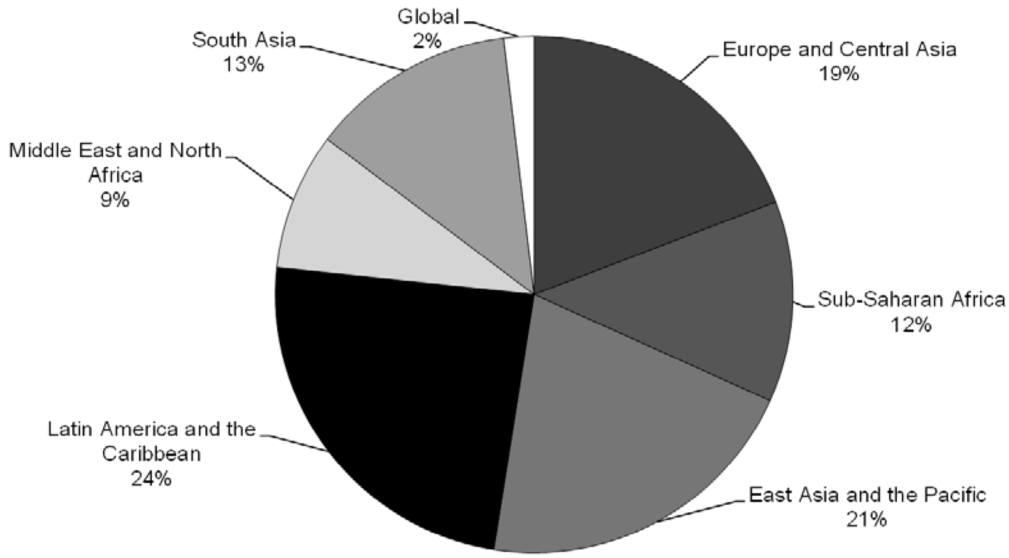
More information about IFC can be found on its website.[15]

[15] International Finance Corporation (http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home).

Chart 7

New IFC Investments by Region, 2016

(% share of US$11.1 billion)

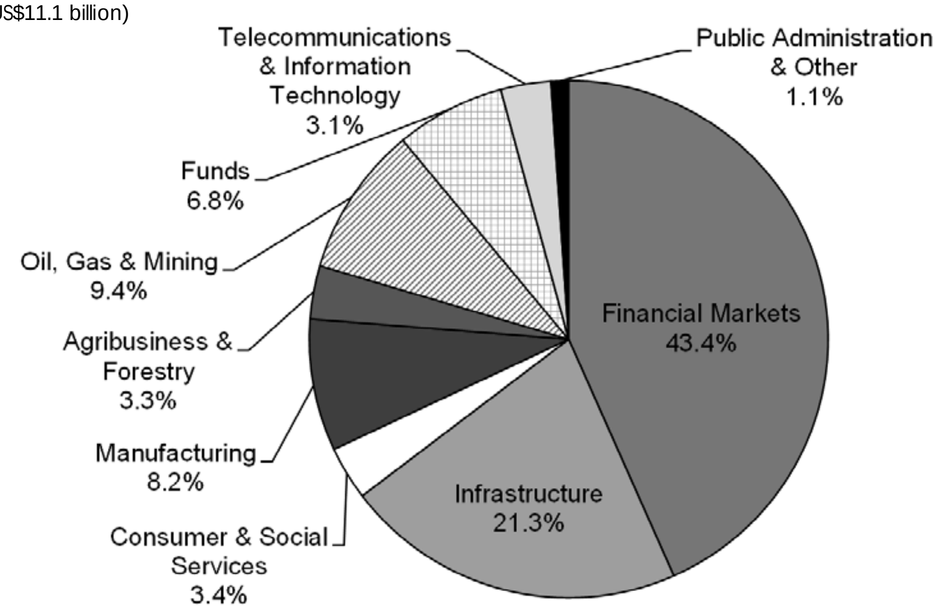


Source: World Bank Group.

Chart 8

New IFC Investments by Sector, 2016

(% share of US$11.1 billion)



Source: World Bank Group.

MIGA—Multilateral Investment Guarantee Agency

MIGA at a Glance

- Established: 1988
- Members: 181
- Clients: Investors and lenders
- Tools: Political risk insurance, credit enhancement products, and advisory and legal services
- Size: US$4.3 billion issued in risk guarantees in 2016

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

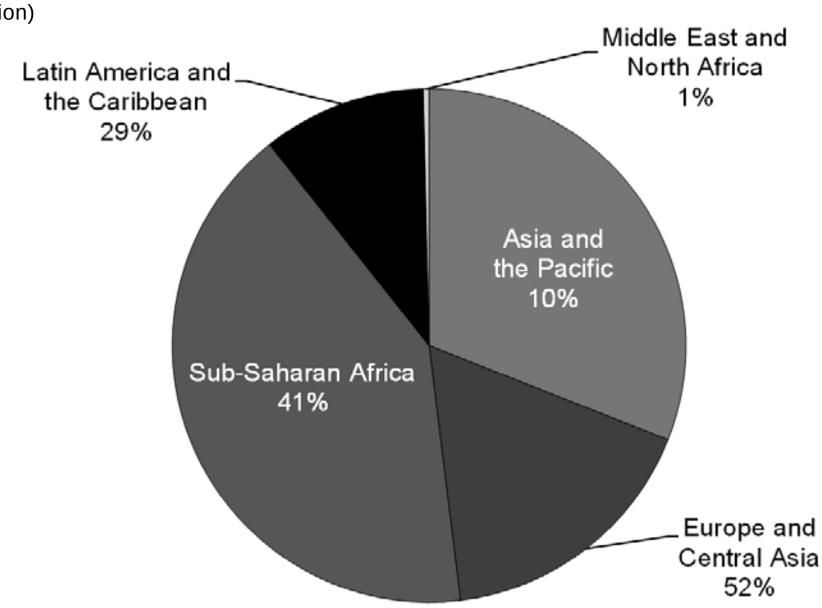
In FY2016, the total amount of guarantees issued for projects in MIGA's developing member countries was US$4.3 billion, a large increase from US$2.8 billion in FY2015.

More information about MIGA can be found on its website.[16]

Chart 9

New MIGA Risk Guarantees Issued by Region, 2016

(% share of US$4.3 billion)



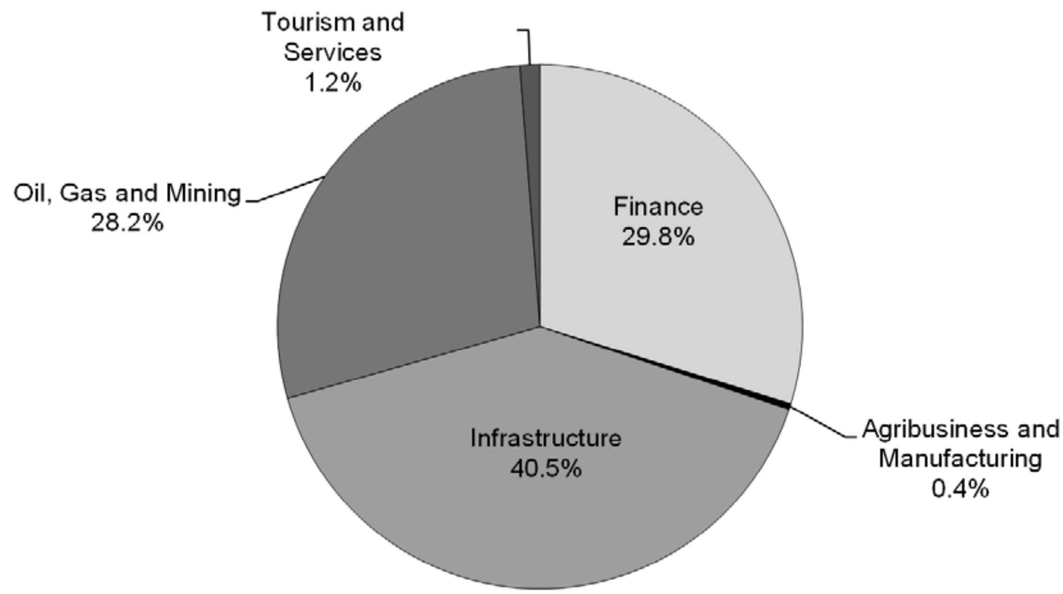
Source: World Bank Group.

[16] Multilateral Investment Guarantee Agency (http://www.miga.org/).

Chart 10

New MIGA Risk Guarantees Issued by Sector, 2016

(% share of US$4.3 billion)



Source: World Bank Group.

ICSID—International Centre for Settlement of Investment Disputes

ICSID at a Glance

- Established:1966
- Members: 153 full members; 161 signatories
- Mission: Facility to resolve international investment disputes

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

Compliance With the Official Development Assistance Accountability Act

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

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

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

Ministers must be of the opinion that these conditions have been met in order to report expenditures or investments as Canadian official development assistance. To facilitate transparency in reporting on official development assistance, the Act requires Ministers to report on official development assistance through an annual report to Parliament. These reports can be found online at http://www.international.gc.ca/development-developpement/partners-partenaires/bt-oa/odaaa-lrmado.aspx?lang=eng.

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

- IDA is the single largest source of donor funds for basic social services in the world's 78 poorest countries. IDA loans ("credits") and grants are allocated based on Country Assistance Strategies, which take into account the perspectives of civil society and potential beneficiaries of IDA funds. IDA is a recognized leader in supporting development programs aimed at reducing poverty by boosting economic growth, reducing inequalities and improving people's living conditions. IDA also provides significant debt relief—crucial for poverty reduction—through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative.
- IBRD is owned by and operated for the benefit of its 189 member countries, with a development focus on poverty reduction in middle-income countries and in low-income countries that are creditworthy. The cooperative structure, which treats middle-income countries simultaneously as clients and shareholders, ensures that those who benefit from its low-cost financing, development and technical expertise, and strategic advice also have a voice in the institution.
- IFC is the largest global development institution focused on the private sector in developing countries. As some of the funds invested through IFC are provided on market terms, not all Canadian funding to IFC is reported as official development assistance. Nonetheless, IFC's poverty reduction mission and environmental and social safeguards respect the spirit of the ODAAA. Additionally, IFC is owned by 184 member countries that are represented on the Board of Governors and Board of Directors.

Canada's Financial Contributions to the World Bank Group in 2015–16

Canada is an important provider of funding for the World Bank Group. In 2015–16, Canada made the following contributions:

IDA Contribution: $441,610,000

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

During the reporting period of July 1, 2015 to June 30, 2016, Canada provided $441.61 million as agreed under the IDA17 replenishment. This contribution supports IDA's efforts to enhance aid effectiveness, finance large regional projects such as infrastructure projects, and provide special assistance for fragile states such as Afghanistan and Haiti, while ensuring countries do not take on unsustainable levels of debt.

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

Under the Multilateral Debt Relief Initiative (MDRI), the World Bank, IMF and African Development Fund have agreed to cancel 100 per cent of eligible debts owed by heavily indebted poor countries. At the G8 Summit in Gleneagles in 2005, Canada and other donor countries agreed to fully compensate these institutions for the debts they will cancel on behalf of poor countries, so as not to undermine their ability to provide new financial support to all low-income countries. Canada's total commitment over the 50-year lifespan of the MDRI is $2.5 billion and payments are made annually.

During the reporting period of July 1, 2015 to June 30, 2016, Canada provided $51.2 million to the World Bank Group for the MDRI.

World Bank Group Trust Funds: $676,100,000

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

The table below provides a list of all trust funds to which Global Affairs Canada contributed in 2015–16, unless otherwise indicated.

Trust Funds	Disbursements Between July 1, 2015 and June 30, 2016 ($ Millions)
Americas	
Entrepreneurship Program for Innovation in the Caribbean (Caribbean Region)	2.0
Canada-Americas Business Environment Reform (Inter-American Region)	1.2
Enhancing the Development Impact of Extractive Industries (Peru)	2.6
Catastrophe Risk Insurance Facility for Central America (Honduras and Nicaragua)	3.5
Central America, Panama, and the Dominican Republic Regional Technical Assistance Centre (CAPTAC-DR)	4.0
Education For All Evaluation (Honduras)	0.3
Panama National Anti-Money Laundering	0.2
Asia	
Skills Training & Enhancement Project (Bangladesh)	1.2
Support to Health Sector Development Project (Bangladesh)	19.0
Indonesia Agribusiness Development (Indonesia)	2.5
Public Private Infrastructure (Accelerating Sustainable Private Investments in Renewable Energy)	3.0
Public Private Infrastructure (Accelerating Sustainable Private Investments in Renewable Energy) (Indonesia)	2.8

Trust Funds	Disbursements Between July 1, 2015 and June 30, 2016 ($ Millions)
Agribusiness Development (Philippines)	2.0
Private Sector Engagement for Agricultural Development (Vietnam)	1.5
Nepal Housing Reconstruction Project	10.0
Good Governance and Aid Effectiveness (GGAEF) (Vietnam)	0.8
Extractive Sector for Sustainable Development (Indonesia)	4.0
Europe, Middle East, Maghreb, Afghanistan and Pakistan	
Afghanistan Reconstruction Trust Fund—Operational Budget	24.5
Afghanistan Reconstruction Trust Fund—Health (System Enhancement for Health Action in Transition)	14.5
Support to Phase II of the Agricultural Growth Program (Ethiopia)	4.0
Investment Climate Improvements Program (Ethiopia)	1.0
Women Entrepreneurship Development Program (Ethiopia)	4.5
Productive Safety Net Program Cash (World Bank-Ethiopia)	15.0
Effective Governance of Mining and Gas Impacts (Mozambique)	0.3
Enhancing Farmers' Access to Markets in East and West Africa (Pan-Africa)	2.5
Energy Sector Capacity Building Project Grant (Tanzania)	4.0
Strengthening West African Regional Disease Surveillance (WARDS)	6.0
Business Enabling Environment Support (Tanzania)	3.0
Kenya Petroleum Technical Assistance Project	4.5
Enhancing Extractive Sector Benefit Sharing	6.0
Countering the Financing of Terrorism Capacity Building	0.5
Anti-Terrrorist Financing (ATF) Capacity Building Sahel	0.5
Anti-Terrorist Financing Capacity Building	0.5
Global Initiatives and Strategic Policy	
Support to World Bank World Development Report	0.2
Global Partnership for Education 2015–2018 Institutional Report	30.0
Global Fund to Fight AIDS, Tuberculosis and Malaria 2014–2016	124.0
Global Fund to Fight AIDS, Tuberculosis and Malaria (Muskoka)	66.7
Global Environment Facility Sixth Replenishment	54.8
Consultative Group on International Agricultural Research Institutional Support 2015	10.0
Canada-IFC Partnershjp Fund II	7.0
Global Financing Facility (GFF)	40.0
Health Systems Bond	20.0
Agriculture for Nutrition and Health (A4NH) 2016	2.5
Green Climate Fund	168.0
Anti-Terrorist Financing Capacity Building	0.5
Countering the Financing of Terrorism Capacity Building	0.7
Total[1]	**676.1**

[1] Total may not add due to rounding.

Sources: Global Affairs Canada; CFO - Statistics.

Operational Highlights and Key Financial Indicators for the World Bank Group for Fiscal Year 2016

International Bank for Reconstruction and Development

US$ millions, unless otherwise indicated

	FY2013	FY2014	FY2015	FY2016
Administrative expenses	1,480	1,568	1,701	1,822
Net income	218	-978	-786	495
Total assets	325,601	358,883	343,225	371,260
Loans outstanding	143,776	154,021	157,012	167,643
Financial-year commitments	15,249	18,604	23,528	29,729
Gross disbursements	16,030	18,761	19,012	22,532
Undisbursed loans	61,306	58,449	60,211	65,909
Principal repayments including prepayments	9,470	9,805	9,013	9,335
Net disbursements	6,361	8,956	9,999	13,197
Equity-to-loans ratio (%)	26.8	25.7	25.1	22.7

International Development Association

US$ millions

	FY2013	FY2014	FY2015	FY2016
Administrative expenses	1,936	2,004	1,868	1,765
Net income	-1,752	-1,612	-731	371
Development credits outstanding	125,135	136,011	130,878	136,735
Financial-year commitments	16,298	22,239	18,966	16,171
Gross disbursements	11,228	13,432	12,905	13,191
Principal repayments	3,845	3,636	4,085	4,385
Net disbursements	7,371	9,878	8,820	8,806

International Finance Corporation

US$ millions

	FY2013	FY2014	FY2015	FY2016
Administrative expenses	845	888	901	933
Income before grants to IDA	1,350	1,739	749	296
Total assets	77,525	84,130	87,548	90,434
Financial-year commitments	17,512	15,109	17,672	18,856
Number of projects (own account)	388	364	406	344
Net loan and equity investments	34,677	38,176	37,578	37,356

Multilateral Investment Guarantee Agency

US$ millions, unless otherwise indicated

	FY2013	FY2014	FY2015	FY2016
Administrative expenses	47	46	39	43
Operating income	19	27	-11	57
Total assets	1,849	2,008	2,067	2,339
Statutory underwriting capacity	13,897	15,145	14,853	17,581
Financial-year guarantees issued	2,781	3,155	2,828	4,258
Number of guarantee contracts issued	30	24	40	17
Net exposure	6,410	7,113	7,708	6,665
Return on operating capital, before provisions (%)	4.5	6.6	3.0	4.6

IBRD Loans and IDA Credits

Summary Statistics for Fiscal Year 2016

US$ millions

	IBRD Amount	IDA Amount	Total Amount
By Region			
Africa	669	8,676	9,345
East Asia and Pacific	5,176	2,324	7,500
Europe and Central Asia	7,039	233	7,271
Latin America and the Caribbean	8,035	183	8,218
Middle East and North Africa	5,170	31	5,201
South Asia	3,640	4,723	8,363
Total	**29,729**	**16,170**	**45,899**
By Sector			
Agriculture, Fishing, and Forestry			1,311
Education			1,994
Energy and Mining			6,722
Environment			2,397
Finance			1,802
Health and Social Services			5,791
Public Administration			10,963
Social Resilience			3,613
Trade and Competitiveness			669
Transportation, Information and Communications			5,678
Water and Sanitation			4,958
Total			**45,899**
Of which IBRD			**29,729**
Of which IDA			**16,170**

Note: Numbers may not add due to rounding.

Operations Approved for IBRD and IDA Assistance

Fiscal Year 2016, by Region and Country
US$ millions

Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
Africa						
Africa (regional)			3	30	3	30
Benin			2	80	2	80
Burkina Faso			4	205	4	205
Burundi			2	65	2	65
Cabo Verde			1	5	1	5
Cameroon			2	170	2	170
Central African			1	20	1	20
Chad			1	50	1	50
Congo, Dem. Rep.			8	600	8	600
Congo, Republic	1	80	1	30	2	110
Côte d'Ivoire			2	115	2	115
Eastern Africa			1	8	1	8
Ethiopia			10	1,862	10	1,862
Gabon	5	339			5	339
Gambia, The			2	19	2	19
Ghana	1	200	1	500	2	700
Guinea			5	97	5	97
Guinea-Bissau			1	10	1	10
Kenya			7	646	7	646
Lesotho			4	70	4	70
Liberia			4	32	4	32
Madagascar			5	253	5	253
Malawi			4	52	4	52
Mali			3	100	3	100
Mauritania			2	18	2	18
Mauritius	1	15			1	15
Mozambique			13	376	13	376
Niger			7	349	7	349
Nigeria			7	1,075	7	1,075
Rwanda			5	331	5	331
Senegal			4	150	4	150
Seychelles	2	10			2	14
Sierra Leone			6	120	6	120
South Sudan			1	40	1	40
Swaziland	1	25			1	25
Tanzania			10	864	10	864
Uganda			5	203	5	203
Western Africa			1	41	1	41
Zambia			3	77	3	77
Total	**11**	**669**	**139**	**8,677**	**150**	**9,345**

Region and Country	IBRD No. of Operations	IBRD Amount	IDA No. of Operations	IDA Amount	Total No. of Operations	Total Amount
East Asia and Pacific						
Cambodia			4	130	4	130
China	11	1,982			11	1,982
Fiji	1	50			1	50
Indonesia	4	1,700			1	1,700
Kiribati			1	7	1	7
Lao PDR			1	30	1	30
Myanmar			1	400	1	400
Philippines	2	950			2	950
Samoa			1	17	1	17
Solomon Islands			1	2	1	2
Tonga			6	13	6	13
Tuvalu			2	6	2	6
Vanuatu			2	50	2	50
Vietnam	4	494	8	1,670	12	2,164
Total	**22**	**5,176**	**27**	**2,324**	**49**	**7,500**
Europe and Central Asia						
Albania	1	32			1	32
Armenia	5	196			5	196
Azerbaijan	2	207			2	207
Belarus	2	60			2	60
Bulgaria	1	327			1	327
Central Asia (regional)			1	15	1	15
Croatia	1	22			1	22
Georgia	5	289			5	289
Kazakhstan	3	2,058			3	2,058
Kosovo			1	11	1	11
Kyrgyz Republic			4	24	4	24
Macedonia, FYR	2	119			2	119
Moldova	1	13	2	87	2	100
Poland	2	1,504			2	1,504
Romania	1	52			1	52
Serbia	2	175			2	175
Tajikistan			2	19	2	19
Turkey	3	425			3	425
Ukraine	3	1,560			3	1,560
Uzbekistan			3	76	3	76
Total	**34**	**7,039**	**13**	**232**	**47**	**7,271**

Region and Country	IBRD		IDA		Total	
	No. of Operations	Amount	No. of Operations	Amount	No. of Operations	Amount
Latin America and the Caribbean						
Argentina	3	1,000			3	1,000
Bolivia	1	166	4	119	5	285
Brazil	5	758			5	758
Chile	2	141			2	141
Colombia	2	1,400			2	1,400
Costa Rica	1	420			1	420
Dominican Republic	3	230			3	230
Ecuador	4	461			4	461
Grenada	1	5	1	10	2	15
Guyana			1	4	1	4
Honduras			1	50	1	50
Jamaica	1	30			1	30
Mexico	2	500			2	500
Panama	1	75			1	75
Peru	4	2,850			4	2,850
Total	**30**	**8,035**	**7**	**182**	**37**	**8,218**
Middle East and North Africa						
Djibouti			3	31	3	31
Egypt, Arab Rep.	2	1,550			2	1,550
Iraq	2	1,550			2	1,550
Jordan	1	250			1	250
Morocco	5	1,050			5	1,050
Tunisia	3	770			3	770
Total	**13**	**5,170**	**3**	**31**	**13**	**5,201**
South Asia						
Afghanistan			1	250	1	250
Bangladesh			11	1,557	11	1,557
India	5	2,820	7	1,025	12	3,845
Nepal			1	20	1	20
Pakistan	3	820	8	1,460	11	2,280
Sri Lanka			6	412	6	412
Total	**8**	**3,640**	**34**	**4,723**	**42**	**8,363**
Overall Total	**118**	**29,729**	**223**	**16,170**	**341**	**45,899**

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

World Bank Group Key Development Results

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

- 390.4 million people worldwide received essential health, nutrition and population services between 2013 and 2015.
- 54.3 million people were provided with access to an improved water source, and 30.5 million people received access to improved sanitation facilities.
- 32.7 million people were covered by social safety net programs, and 63.9 million people and micro, small and medium enterprises gained access to financial services between 2013 and 2015.
- 30,504 megawatts of renewable energy generation capacity were developed with World Bank Group support between 2013 and 2015. Further, 15.1 million people were provided with direct access to electricity over the same period.
- Across 44 health districts in Cameroon, the proportion of fully vaccinated children has more than doubled, and the rate of assisted births has increased from 44 to 63 per cent.
- 650,000 people in three cities in Sri Lanka have benefitted from improved access to water treatment and transportation infrastructure. Further, local municipal councils have received technical assistance to improve their capacity for sustainable city management and planning.
- Construction of six micro-water treatment plants in Lagos, Nigeria, which collectively provide 10 million cubic metres of clean water, increasing households' access to water.
- 265,000 farmers in Rwanda benefitted from training and capacity building in hillside farming and irrigation techniques, with women making up 49 per cent of beneficiaries.

More details on results achieved in the past decade can be found on the World Bank Group's Results webpage.[17]

[17] World Bank Group Results webpage (http://www.worldbank.org/en/results).

Annex 3
World Bank Procurement From Canada

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

US$ millions

By World Bank Fiscal Year (July 1 – June 30)	Amount
2006–07	52.2
2007–08	61.4
2008–09	51.6
2009–10	80.0
2010–11	49.8
2011–12	31.2
2012–13	177.6
2013–14	105.5
2014–15	47.1
2015–16	27.1

Notes: Based on World Bank Group figures as of September 12, 2016.

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

US$, 2015–16

Supplier	Sector	Category	Amount
Lim Geomatics	Agriculture	Consultant Services	116,375
Paul André Turcotte	Agriculture	Consultant Services	24,104
Beauchemin International	Education	Goods	1,392,858
Heat	Education	Goods	100
Offord Centre for Child Studies, McMaster University	Education	Consultant Services	57,631
On The Hub E Store	Education	Goods	220
Philippe Jonnaert	Education	Consultant Services	230,502
The Learning Bar	Education	Consultant Services	99,225
Econoler	Energy & Mining	Consultant Services	219,894
Groupement Effigis Geo-Solutions	Energy & Mining	Consultant Services	1,253,101
Groupement WSP/ESDCO SARL	Energy & Mining	Consultant Services	129,650
Hatch Ltd	Energy & Mining	Consultant Services	1,408,505
rePlan Inc.	Energy & Mining	Consultant Services	53,565
Spatial Dimension Canada Inc	Energy & Mining	Consultant Services	427,451
Spatial Dimension Canada ULC	Energy & Mining	Consultant Services	305,667
Spatial Dimension ULC	Energy & Mining	Consultant Services	64,570
Waterloo Hydrogeologic	Energy & Mining	Goods	1,395
WSP Canada Inc	Energy & Mining	Consultant Services	865,984
Davis Connie Lavon	Health & Social Serv.	Consultant Services	60,600
Novadaq Technologies Inc.	Health & Social Serv.	Goods	990,252
Mr. Bert Cunningham	Industry and Trade	Consultant Services	182,926
Aerosystems International	Info & Communication	Consultant Services	678,818
Great Village International Consultants	Info & Communication	Consultant Services	21,250
Intelecon Research & Consultancy, Ltd.	Info & Communication	Consultant Services	746,754
NGL Nordicity Group Limited (Nordicity) and its partner comp	Info & Communication	Consultant Services	250,594
C2D Services	Public Admin, Law	Consultant Services	219,825
CaseWare Analytics	Public Admin, Law	Goods	36,187
IDEA International	Public Admin, Law	Consultant Services	225,225

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

US$, 2015–16

Supplier	Sector	Category	Amount
Najib Malik	Public Admin, Law	Consultant Services	201,600
Procare Services Inc.	Public Admin, Law	Consultant Services	256,663
Sogema Technologies Inc	Public Admin, Law	Consultant Services	1,500,000
CPCS Transcom Ltd.	Transportation	Consultant Services	1,108,004
CRC Sogema	Transportation	Consultant Services	13,000,000
IBI Group	Transportation	Consultant Services	893,876
NREM International Inc.	Transportation	Consultant Services	290,000
Venkata Subbara Nukala	Transportation	Consultant Services	104,329

Annex 4
Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF

Lima, Peru
October 9, 2015

Communiqué of the Thirty-Second Meeting of the IMFC

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

Global economy

The global recovery continues, but growth remains modest and uneven overall. Uncertainty and financial market volatility have increased, and medium-term growth prospects have weakened. In advanced economies, the recovery is expected to pick up modestly, supported by lower commodity prices, continued accommodative monetary policies, and improved financial stability, but underlying productivity growth remains weak and inflation remains generally below central bank objectives. While growth prospects differ across emerging market and developing countries, the overall outlook is affected by uncertainties around commodity prices and global financial conditions.

Risks to the global outlook have increased. With stronger fundamentals, buffers, and policy frameworks, emerging market and developing countries are generally better prepared than earlier for a less favorable environment. Nevertheless, many emerging market economies are exposed to tighter financing conditions, slowing capital inflows, and currency pressures amid high private sector foreign currency indebtedness. Further declines in commodity prices could weaken the outlook for commodity exporters, many of which are low-income countries. Developments in several countries connected with large refugee flows have created economic and humanitarian challenges for both source and host countries. China's ongoing rebalancing toward more sustainable growth is welcome, while vigilance is necessary with regard to external challenges that might arise. In advanced economies, a sustained recovery in the euro area, positive growth in Japan, and continued solid activity in the United States and the United Kingdom are positive forces, although spillovers from increased market volatility may pose financial stability challenges in the near term. In many advanced economies, the main risk remains a decline of already low growth, particularly if global demand falters further and supply constraints are not removed. More broadly, high levels of debt remain a concern. Global imbalances are reduced from previous years but a further rebalancing of demand is still needed.

Global policy priorities

The key policy priorities are to take further measures to lift short-term and potential growth, preserve fiscal sustainability, reduce unemployment, manage financial stability risks, and support trade. We reaffirm our commitment to cooperation to implement this agenda forcefully in order to secure strong, sustainable, inclusive, job-rich, and more balanced global growth. Careful calibration and clear and effective communication of policy stances are essential to help limit excessive market volatility and negative spillovers. We also reiterate our commitment to refrain from all forms of protectionism and competitive devaluations.

Support growth today: Advanced economies should maintain an accommodative monetary stance, where appropriate, consistent with central bank mandates. We are mindful of financial stability risks. We will implement fiscal policies flexibly to take into account near-term economic conditions, so as to support growth and job creation, while putting debt as a share of GDP on a sustainable path. Emerging market and developing countries should use available policy space to smooth the adjustment to less favorable external conditions, while pursuing efforts to remove bottlenecks to stronger growth. In economies with limited policy space, fiscal policies should ensure sustainability while preserving efficient social and infrastructure spending. Commodity-exporting countries with worsening terms of trade and limited buffers may need to reassess their fiscal policies in the face of lower commodity-related revenue.

Invest in resilience: The global financial regulatory reform agenda should be completed and implemented in a timely and consistent manner and further developed, including through monitoring and addressing issues raised by financial activities outside the banking system, as necessary. Priorities in many advanced economies are to repair balance sheets, tackle nonperforming loans, and monitor and, if necessary, address market liquidity issues. Emerging market and developing countries should continue to enhance policy frameworks and maintain adequate buffers. Foreign currency exposures warrant special attention, while exchange rate flexibility, where feasible, can act as a shock absorber. Appropriate, well targeted macro-prudential tools as well as strong supervision are important to preserve financial stability. When dealing with risks from large and volatile capital flows, necessary macroeconomic policy adjustment could be supported by macro-prudential and, as appropriate, capital flow management measures. A strong global financial safety net remains important in order to provide liquidity in times of need.

Secure sustainable long-term growth: Timely-implemented and well-sequenced structural reforms remain critical to raise productivity, potential output, and living standards; bolster confidence; and reduce inequality. There is a need to identify new sources of growth; address supply bottlenecks, infrastructure gaps, and population aging; and promote inclusive, environmentally sustainable growth. Further trade liberalization could complement and reinforce other reforms. Lower oil prices provide an opportunity to reform inefficient energy subsidies and energy taxes, as needed, while strengthening targeted social safety nets. In advanced economies, invigorating productivity growth will require a combination of policies to stimulate labor demand as well as labor supply—for example by raising female labor force participation—boost innovation, and enhance resource allocation in services sectors and investment. In emerging market and low-income countries, improving business conditions, institutions and governance, and closing education and infrastructure gaps can support continued convergence to higher income levels and help reduce inequality.

IMF operations

We welcome the IMF's initiatives to be even more agile, integrated, and member-focused. Countries are facing an increasingly uncertain global environment. Economic and financial linkages are becoming more complex and difficult to predict. In this global context, the IMF has to deepen its analysis and surveillance activities, and broaden the scope of its policy advice on macro-critical issues.

Policy advice and surveillance: We ask the IMF to help members calibrate policies to overcome the twin challenges of addressing vulnerabilities and enhancing strong, sustainable, and balanced growth. We welcome progress in implementing surveillance priorities, including ongoing work on risk and spillover analysis, examining the links between monetary policy and financial stability, analyzing and addressing, as appropriate, "de-risking" pull-backs by international banks, strengthening exchange rate analysis, deepening macro-financial analysis, and closing data gaps—which should continue. We encourage the IMF, in cooperation with other international institutions, to continue to play its role with regard to international tax issues. Following the adoption of the IMF's institutional view, we support a stocktaking of members' policies in handling capital flows. The IMF should help emerging market and developing countries reap the benefits of foreign financing, including through advice to strengthen policies in order to mitigate risks of capital flow reversals. We look forward to expanded work on macro-critical structural reforms, including by leveraging the expertise of other institutions. Attention should also be given to the macroeconomic consequences of demographic transitions, as well as migration and large-scale refugee flows in particular in the Middle-East and Africa. We welcome the IMF's contribution to the global framework for sustainable development and look forward to its implementation. We also look forward to the IMF's active contribution—including through the assessment of macroeconomic implications of climate change—to a positive outcome of the Conference of Parties 21 (COP21) in Paris, consistent with its mandate.

Lending: We call on the IMF to continue to stand ready to respond promptly to future demand for financial assistance, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks. In this regard, we look forward to the forthcoming stocktaking of the international monetary system, including a review of the adequacy of the global financial safety net architecture. We welcome the progress made in enhancing access to concessional resources. We look forward to the completion of the follow-up crisis program review; continued work on sovereign debt issues so as to facilitate timely and orderly debt restructuring; the review of the exceptional access framework; and completion of the review of the method of valuation of the SDR. We call on the IMF to continue to work closely with the World Bank and other international institutions to support the countries affected by the humanitarian and refugee crises, especially in the Middle East and Africa, in order to mitigate the adverse effects on the economies of the regions and spillovers to the global economy.

Capacity building: We support more integration and synergies between surveillance, program work, technical assistance (TA), and training, and the increased use of a results-based management framework. We welcome a shift in focus of capacity building and TA to bolster resilience, maintain debt sustainability, improve governance, and support global sustainable development goals within the IMF's mandate, including boosting domestic revenue mobilization and financial deepening in developing countries and small and fragile states, and deepening the dialogue with developing countries on international tax issues while closely collaborating with other development partners. This will also help countries tackle illicit flows. We look forward to IMF initiatives to boost peer learning and facilitate the transmission of best policy practices among its membership.

Governance and representation

We remain deeply disappointed with the protracted delay in implementing the 2010 IMF quota and governance reforms. Recognizing the importance of these reforms for the credibility, legitimacy, and effectiveness of the IMF, we reaffirm that their earliest implementation remains our highest priority and urge the United States to ratify the 2010 reforms as soon as possible. Mindful of the aims of the 2010 reforms, we call on the IMF Executive Board to complete its work on an interim solution that will meaningfully converge quota shares as soon as and to the extent possible to the levels agreed under the 14th General Review of Quotas. We will use the 14th Review as a basis for work on the 15th Review, including a new quota formula. We remain committed to maintaining a strong, well-resourced, and quota-based IMF. We reiterate the importance of enhancing staff diversity in the IMF and encourage further progress.

We thank the government and the people of Peru for hosting our meetings and for their warm hospitality. Our next meeting will be held in Washington, D.C. on April 15-16, 2016.

Washington, DC
April 16, 2016

Communiqué of the Thirty-Third Meeting of the IMFC

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

Global economy

The global economy continues to expand modestly. Global growth, however, has been subdued for a long time, and the outlook has weakened somewhat since October. Although recent developments point to some improvements in sentiment, financial market volatility and risk aversion have risen, reflecting partly the reappraisal of potential growth. The significant slowdown in global trade growth also persists. Recoveries in many advanced economies are restrained by a combination of weak demand, low productivity growth, and remaining crisis legacies. Activity in emerging market and developing economies has cooled down, although it still accounts for the bulk of world growth. Globally, lower commodity prices have adversely affected exporters, while their short-term growth impact on energy importers has been less positive than expected.

Downside risks to the global economic outlook have increased since October, raising the possibility of a more generalized slowdown and a sudden pull-back of capital flows. At the same time, geopolitical tensions, refugee crises, and the shock of a potential U.K. exit from the European Union pose spillover risks. Against this backdrop, it is important to buttress confidence in our policies.

Policy response

We reinforce our commitment to strong, sustainable, inclusive, job-rich, and more balanced global growth. To achieve this, we will employ a more forceful and balanced policy mix. Implementation of mutually-reinforcing structural reforms and macroeconomic policies—using all policy tools, individually and collectively—is vital to stimulate actual and potential growth, enhance financial stability, and avert deflation risks. Clear and effective communication of policy stances will be key to limit excessive market volatility and negative spillovers.

- *Growth-friendly fiscal policy is needed* in all countries. Fiscal strategies should aim to support the economy, providing for flexible use of fiscal policy to strengthen growth, job creation, and confidence, while enhancing resilience and ensuring that debt as a share of GDP is on a sustainable path. Tax policy and public spending needs to be as growth-friendly as possible, including by prioritizing expenditure in favor of high-quality investment.
- *Accommodative monetary policy should continue* in advanced economies where output gaps are negative and inflation is below target, consistent with central banks' mandates and mindful of financial stability risks. Monetary policy by itself cannot achieve balanced and sustainable growth, and hence must be accompanied by other supportive policies. In a number of emerging market economies, monetary policy will need to address the impact of weaker currencies on inflation. Exchange rate flexibility, where feasible, should be used to cushion the impact of external shocks, including terms-of-trade shocks.

- *Structural reforms need to be advanced*, benefitting from synergies with other policies to support demand. Structural reforms should be appropriately prioritized and sequenced in each country. Commodity exporters and low-income developing countries should implement policies to promote economic diversification.
- *Timely, full, and consistent implementation of agreed financial reforms*, including the Basel III and Total Loss-Absorbing Capacity (TLAC) standard, remains important to boost the resilience of the financial system. Efforts must continue to facilitate the repair of private sector balance sheets. Advanced economies must deal with remaining crisis legacy issues. Emerging market economies need to monitor foreign currency exposures and bolster their ability to withstand financial shocks. Further analysis and solutions are needed, as appropriate, with the aim to prevent de-risking from unduly impeding access to financial services, including correspondent banking relationships.
- *Global cooperation is needed* on several fronts, including ensuring a well-functioning international monetary system; reinvigorating global trade integration; combating corruption and improving governance; addressing international tax issues including transparency; coping with challenges of non-economic origin, including those pertaining to refugees; and consistently implementing and completing the financial regulatory reform agenda—including policies to transform the shadow banking sector into a stable source of market-based finance. We reiterate our commitment to refrain from all forms of protectionism and competitive devaluations, and to allow exchange rates to respond to changing fundamentals.

IMF operations

The IMF has a key role to play in supporting a stronger policy response by the membership.

- *Policy advice and surveillance:* We support efforts to deepen analysis of the impact of macro-critical structural reforms, including the new initiative to increase the efficiency of infrastructure investment, and on principles to guide prioritization. To improve the policy mix for strong, balanced, and sustainable growth, we support work to identify country-specific priorities for fiscal policy based on a careful assessment of fiscal positions, and to identify areas where fiscal policy can play a larger and more effective role, consistent with maintaining debt sustainability. We look forward to the review of members' experiences and policies in dealing with capital flows, and welcome plans to bring together the work on capital flow management and macro-prudential policies to inform financial and macroeconomic risk management. We look forward to the analysis of the implications of negative policy rates. We welcome efforts to strengthen exchange rate analysis. We also welcome plans to examine a framework of options to reduce risks from rising corporate and household indebtedness and unresolved crisis legacies in banks.
- *International Monetary System (IMS):* We welcome the recent stocktaking of the IMS and the global financial safety net (GFSN) to determine what areas need further consideration. We reiterate that strong policies and effective IMF surveillance remain the cornerstone of crisis prevention. We agree that a strong and coherent GFSN—with an adequately resourced IMF at its center—is important for the effective functioning of the IMS, safeguarding stability, and helping reap the benefits of further financial integration. We call on the IMF to continue to explore ways to further strengthen the GFSN, including through more effective cooperation with regional financing arrangements. The IMF will discuss the case for a general allocation of SDRs and the reporting of official reserves in SDR. We support the examination of the possible broader use of the SDR.

- *Revisiting the lending toolkit:* We emphasize the IMF's central role in supporting adjustment and fostering effective implementation of sound policies. In this context, and in light of the risks that have been identified, we call on the IMF to explore ways to strengthen its approach to helping members manage volatility and uncertainty—including through financial assistance, also on a precautionary basis. We recognize the particular challenges for commodity exporters and emphasize the IMF's role in assisting them in their adjustments. We also look forward to work on non-financial instruments, such as a policy signaling instrument covering emerging market and advanced economies.
- *Support for low-income countries:* We welcome the IMF's continued work in support of the implementation of the 2030 Agenda for Sustainable Development, as well as continued efforts to support growth and boost resilience in fragile states. We look forward to discussions on how to enhance countries' access to precautionary financial support and reviewing current practices in regard to blending resources between the General Resources Account and the Poverty Reduction and Growth Trust (PRGT). We also look forward to the successful conclusion of the current efforts to mobilize additional loan resources for the PRGT and to broadening the group of contributors. We support efforts to integrate capacity development and policy advice more closely, in particular, plans to assist low-income countries in boosting their domestic resource mobilization efforts, alongside international tax issues. We welcome the ongoing review of the IMF and World Bank Debt Sustainability Framework for low-income countries.
- *Addressing other challenges facing members:* We call on the IMF to continue to collaborate with the Financial Stability Board, the World Bank Group, and other relevant bodies to help solidify a view on the drivers, magnitude, and impact of de-risking by global financial institutions on developing and emerging market economies, and provide advice and capacity development, where warranted. We welcome the IMF's growing engagement with small states. We welcome proposed work on other challenges facing the membership—within the IMF's mandate and where they are macro-critical—including migration, income inequality, gender inequality, financial inclusion, corruption, climate change, and technological change, including by leveraging the expertise of other institutions. To support countries managing spillovers from non-economic sources, such as large refugee flows and global epidemics, the IMF should be prepared to contribute within its mandate, including to global initiatives. We look forward to a review of the Guidance Note on The Role of the Fund in Governance Issues. We encourage the IMF to continue helping countries to strengthen their institutions to tackle illicit financial flows. We welcome progress made in Argentina's effort to end a decade-long dispute and regain access to international capital markets. We also welcome its efforts and those of other countries to normalize relations with the IMF.

IMF resources and governance

We strongly welcome the effectiveness of quota increases under the 14th General Review of Quotas and of the Seventh Amendment on the Reform of the IMF Executive Board. We call on the Executive Board to work expeditiously toward completion of the 15th General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings, and look forward to a progress report for our next meeting. Any realignment under this Review is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. We are committed to protecting the voice and representation of the poorest members. We reaffirm our commitment to maintain a strong, quota-based, and adequately resourced IMF. We reiterate the importance of maintaining the high quality and improving the regional, gender, and educational diversity of the IMF's staff, and of promoting gender diversity in the Executive Board.

We welcome the appointment for a second five-year term of Ms. Christine Lagarde as IMF Managing Director, and of Mr. David Lipton as IMF First Deputy Managing Director. We look forward to their continued excellent and unwavering leadership in the challenging period ahead.

Our next meeting will be held in Washington, D.C. on October 7–8, 2016.

Annex 5
Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF

Lima, Peru
October 10, 2015

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

1. The Development Committee met today, October 10, 2015, in Lima.

2. Global growth remains weak, and the downside risks for the second half of 2015 and 2016 have risen. A moderate recovery in high-income countries is still continuing, but prospects of tighter financing conditions, slowing trade, and renewed weakness in commodity prices are weighing on confidence in many developing countries. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to monitor risks and vulnerabilities closely, to enhance their assistance to countries to support growth and build resilience, and to play their countercyclical role when needed.

3. Given the scale of the current refugee and migrant crisis, we call for targeted support, in collaboration with the UN and other partners, in addressing the challenges for countries and regions in turmoil, especially in the Middle East and North Africa, but also in other fragile and conflict states.

4. The Sustainable Development Goals (SDGs) chart a new course for development for the next 15 years. The SDGs are universal, integrated, and align with the WBG's corporate goals. Building on the Billions to Trillions discussion at the last Spring Meetings we endorse the WBG's role and support for the 2030 Agenda for Sustainable Development. This will involve convening, connecting and coordinating with governments, UN, IMF, MDBs, and the WTO, private sector and civil society to mobilize the financing needed; deliver development solutions at country, regional, and global levels, including through South-South cooperation. We stress the need to focus on inclusive growth, jobs, infrastructure, human development and health systems, and to deepen the WBG's engagement in fragile and conflict states. Private sector development is crucial to achieving the SDGs. We call on the IFC and MIGA to play a more catalytic role to mobilize private sector investment and finance for development. We welcome the steps the WBG has taken to enhance its effectiveness and delivery to respond to strong demand, through operational reforms and optimizing the use of its balance sheets and external resources. We recognize that the WBG must remain adequately resourced to meet its goals and to contribute to the SDGs and climate agendas.

5. IDA remains a critical tool to achieve the WBG's goals and the SDGs and we look forward to continued strong IDA replenishments and further consideration of options to generate additional IDA financial capacity while ensuring continued focus on the poorest countries.

6. We welcome the IMF's support for the 2030 Agenda, including its decision to increase access to concessional lending facilities, and its work to boost economic resilience and sustain global economic and financial stability.

7. We urge the WBG and the IMF to scale up their support to developing countries to improve domestic resource mobilization, public financial management and to curb illicit finance. Illicit finance and the underlying activities, including tax evasion, corruption, criminal activities, collusion, represent a major drain on the resources of developing countries. We welcome their plans to work jointly to build capacity for developing countries, including on international tax issues.

8. Climate change and natural disasters put hard-earned development gains at risk, particularly for the poor and vulnerable. Smart policy and investment choices can help transition to economic growth paths that reduce poverty while preserving the environment. We urge the WBG to scale up its technical and financial support and mobilize resources to assist countries in assessing climate risks and opportunities, to address the drivers of climate change, and to build resilience. We look forward to an updated report on Disaster Risk Management in Spring 2016. We call on the WBG to enhance its support for small states in building resilience against and mitigating the impact of natural disasters and climate change, which are among the greatest challenges faced by these countries. We look forward to a successful COP21 meeting in Paris.

9. We reaffirm our commitment to gender equality, critical to ending poverty, boosting shared prosperity, and building more inclusive societies. We look forward to the implementation of a new WBG gender strategy aimed at closing persistent gender gaps.

10. The Global Monitoring Report has proven its value in tracking progress in achieving the MDGs and we are confident it will play a similar role for the SDGs. The latest GMR shows that changes in global demography will profoundly affect the trajectory of global development during the 2030 Agenda period. With the right policies, demographic change can help growth both in developing and developed economies. We urge the WBG to take demographic challenges into account in its work to support development policies.

11. We stress the importance of strengthening data quality and coverage, and its availability for policy making and for monitoring and implementing the SDGs. We call on the WBG and the IMF to increase their support to developing countries in building national data capacity and investing in evidence.

12. We welcome the Report of the 2015 Shareholding Review and agree to the shareholding review principles and the Roadmap for its implementation, including further consideration of the WBG's long term role. We commit to implementing the Roadmap, including agreement on a dynamic formula by the 2016 Annual Meetings, based on the guidance set out in the report. We stress the critical importance of wider reforms to strengthen WBG responsiveness to its members and their voice and representation in its governance. We will continue to promote diversity and inclusion to reflect better the global nature of the WBG.

13. Delivering transformative development solutions requires a focus on results, support for implementation, and fiduciary and safeguards policies to manage risks. This will ensure responsiveness to client needs and deliver sustainable development outcomes. We welcome the new procurement framework approved in July 2015 and look forward to successful completion of the review and update of the World Bank's environmental and social framework.

14. The Committee expressed its appreciation to the Government of the Republic of Peru for hosting the Annual Meetings. We thanked Mr. Marek Belka, President of the National Bank of Poland, for his valuable and outstanding leadership and guidance as Chairman of the Committee during the past four years, and welcomed his successor, Mr. Bambang Brodjonegoro, Minister of Finance of Indonesia.

15. The next meeting of the Development Committee is scheduled for April 16, 2016, in Washington, D.C

Washington, DC
April 16, 2016

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

1. The Development Committee met today, April 16, in Washington, D.C.

2. Global growth continues to disappoint in 2016. Substantial downside risks to growth remain, including weak demand, tighter financial markets, softening trade, persistently low oil and commodity prices, and volatile capital flows. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF), within their respective mandates, to monitor these risks and vulnerabilities closely, and update the Debt Sustainability Framework for Low-Income Countries. We also call on them to provide policy advice and financial support for sustained, inclusive and diversified growth and resilience.

3. We are encouraged by progress on the Forward Look exercise on the medium to long term future of the WBG, which aims to ensure that the Group remains a strong global development institution in an evolving development landscape; and we expect a final report by the Annual Meetings. The Board and management shall develop proposals to ensure that the WBG remains responsive to the diverse needs of all its clients; leads on global issues and knowledge; makes the "billions to trillions" agenda a reality; partners effectively with the private sector; becomes a more effective and agile development partner; and adapts its business model accordingly. The Board and management should continue to consider ways to strengthen the financial position of the WBG institutions, including by optimizing the use of their existing resources, so that they are adequately resourced to accomplish the Group's mission.

4. Fragility and conflict have displaced millions of people, significantly impacting both origin and host countries. We look forward to WBG and IMF action in this area, within their respective mandates and in partnership with humanitarian and other actors, to mitigate the vulnerabilities of forcibly displaced persons, to help host communities manage shocks, and to tackle the root causes of forced displacement. We urge the international community to take action in supporting these vulnerable populations who largely live below the poverty line. We recognize the sacrifices and generosity of host countries and the lack of adequate instruments to support them. We welcome Islamic Development Bank, UN and WBG efforts to develop the financing facility for the Middle East and North Africa and donor commitments to this initiative. We ask the WBG to explore options to develop a long term global crisis response platform. We look forward to the upcoming first World Humanitarian Summit and the Summit on Refugees at the UN General Assembly.

5. IDA remains the most important source of concessional financing for the poorest countries. We advocate for a strong IDA 18 replenishment with the support of traditional and new donors that ensures continued focus on the poorest countries. We look forward to a concrete and ambitious proposal on IDA leveraging options in the context of the replenishment.

6. In 2016, we begin the task of implementing in earnest the challenging program we committed to in the 2030 Development Agenda. In line with their comparative advantage, the IMF, MDBs, UN and WBG should partner to support developing countries' efforts to meet the SDGs, while adjusting to a slower growth environment and reduced private capital flows. We support collaboration among MDBs on developing high quality financing for sustainable and growth-oriented infrastructure investments. The WBG and IMF should also step up efforts to implement the Addis Ababa Action Agenda on Financing for Development, in particular, crowding in the private sector and boosting domestic resource mobilization, including by tackling illicit financial flows.

7. The private sector is critical to achieve our ambitious development objectives. Inclusive job creation is central to shared prosperity. We encourage all WBG institutions to work together in support of this agenda. In particular, we call on IFC and MIGA to do more to catalyze sustainable economic growth, including by mobilizing funds and providing guarantees in the most challenging environments, and to small and medium enterprises. We also urge IFC, IBRD and IDA to help countries undertake reforms and invest in the quality infrastructure needed to establish business environments that support private investment and local entrepreneurs.

8. Achieving gender equality is central to the 2030 Agenda for Sustainable Development. We welcome the WBG's recent adoption of the renewed gender strategy and look forward to its effective implementation.

9. The WBG should continue to deliver evidence-based development solutions at the country, regional, and global levels, including through improved country data systems, and South-South cooperation both in low- and middle-income countries. We urge the WBG and IMF to become more effective in fragile and conflict situations, through strengthened operational capacity in affected countries, better-tailored capacity development activities, incentives and enhanced security for staff, and innovative financing and resourcing.

10. We stress the need to strengthen country institutions and health systems, including enhancement of pandemic prevention and preparedness, in close collaboration with the World Health Organization and other stakeholders. We urge the WBG to finish the preparatory work on the Pandemic Emergency Facility as soon as possible and foster a new market for pandemic risk management insurance.

11. We applaud the historic Paris Agreement, which set the stage for ambitious climate action for all stakeholders. The WBG's recent Climate Change Action Plan sets out its commitment to help operationalize, based on client demand, climate-smart policies and projects as well as to scale up technical and financial support for climate change mitigation and adaptation, consistent with UNFCCC. Small states, the poor and the vulnerable are among the most exposed to the negative impacts of climate change and natural disasters and we urge the WBG and IMF to continue to step up their support to build resilience in these countries.

12. We welcome the Progress Report on Mainstreaming Disaster Risk Management. We call on the WBG to implement actions and policies using the principles of prevention and preparedness and to continue to build capacity for disaster response guided by the Sendai Framework for Disaster Risk Reduction, in particular, in Small Island Developing States. We look forward to an update on the Progress Report in two years.

13. We encourage management and the Board to finalize the modernization of the World Bank's Environmental and Social Framework by August 2016.

14. We welcome the interim report on the Dynamic Formula and stress the need for the planned further work aiming to reach an agreement by the 2016 Annual Meetings in line with the Shareholding Review principles and the Roadmap agreed in Lima.

15. The next meeting of the Development Committee is scheduled for October 8, 2016.

Annex 6
Acronyms Used in This Report

A4NH	Agriculture for Nutrition and Health
AKFC	Aga Khan Foundation Canada
ATF	anti-terrrorist financing
CAPTAC-DR	Central America, Panama, and the Dominican Republic Regional Technical Assistance Centre
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CCCP	IFC-Canada Climate Change Program
CIGI	Centre for International Governance Innovation
COP21	Conference of Parties 21
DFI	development finance institution
ECCU	Eastern Caribbean Currency Union
ECF	Extended Credit Facility
ELR	equity-to-loan ratio
EPIC	Entrepreneurship Program for Innovation in the Caribbean
FCL	Flexible Credit Line
FSAP	Financial Sector Assessment Program
FY	fiscal year
G7	Group of Seven
G8	Group of Eight
G20	Group of Twenty
GDP	gross domestic product
GFF	Global Financing Facility
GFSN	global financial safety net
GGAEF	Good Governance and Aid Effectiveness
GIF	Global Infrastructure Facility
GMR	*Global Monitoring Report*
GRA	General Resources Account
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
ICT	information and communication technology
IDA	International Development Association
IDA17	17th replenishment of IDA
IDA18	18th replenishment of IDA
IDRC	International Development Research Centre
IFC	International Finance Corporation

IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IMS	international monetary system
MCPP	Managed Co-Lending Portfolio Program
MDB	multilateral development bank
MDRI	Multilateral Debt Relief Initiative
MENA CFF	Middle East and North Africa Concessional Financing Facility
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow
ODAAA	Official Development Assistance Accountability Act
PRGT	Poverty Reduction and Growth Trust
PSLO	private sector liaison office
RBM	results-based management
RCF	Rapid Credit Facility
RTAC	Regional Technical Assistance Centre
SDG	Sustainable Development Goal
SDR	Special Drawing Right
SEMCAR	Supporting Economic Management in the Caribbean
SFS	State Fiscal Service
TA	technical assistance
TLAC	Total Loss-Absorbing Capacity
TSA	Treasury Single Account
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WARDS	West African Regional Disease Surveillance
WBG	World Bank Group
WTO	World Trade Organization