



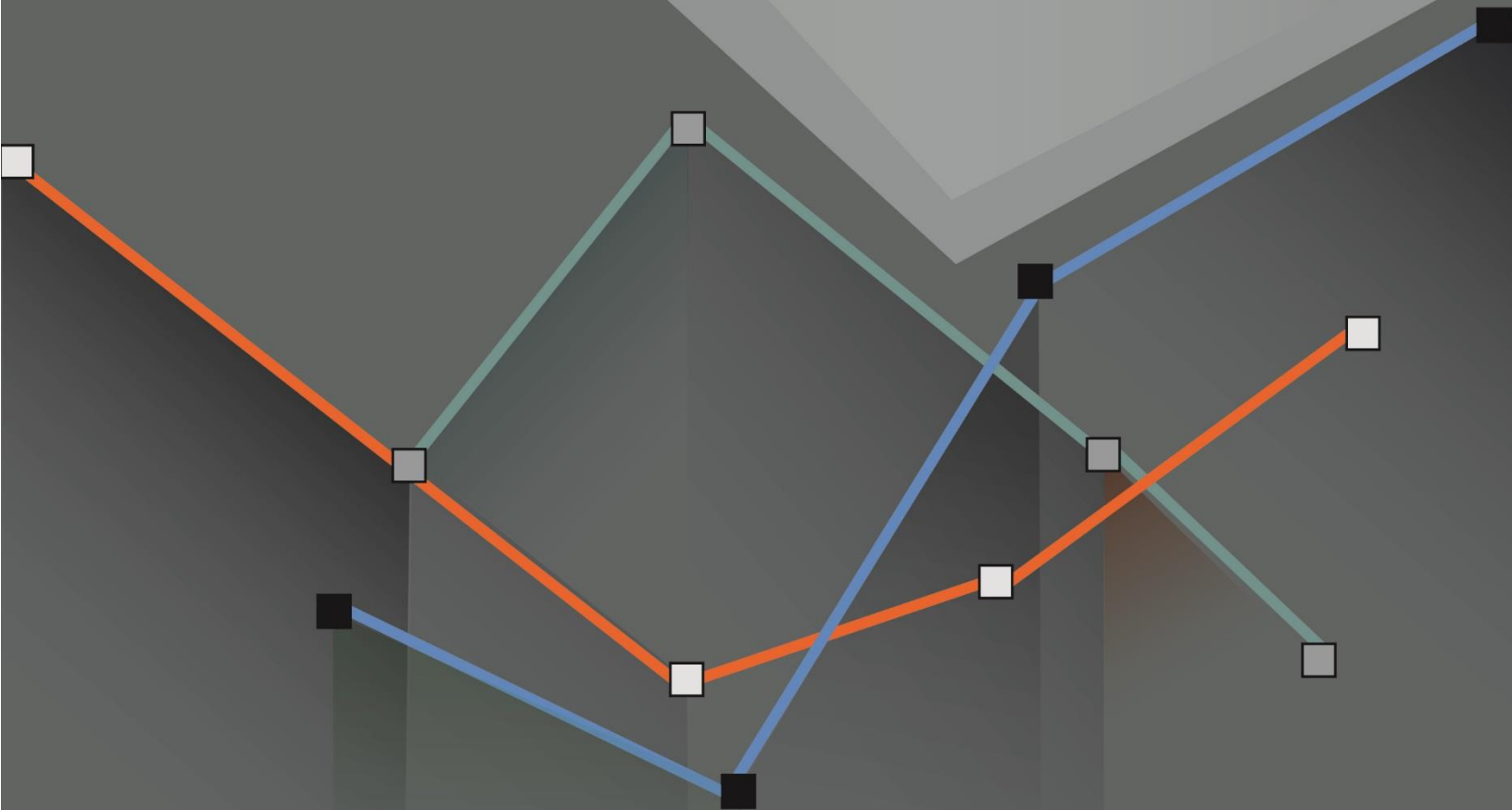
Department of Finance
Canada

Ministère des Finances
Canada

CANADA AT THE IMF AND WORLD BANK GROUP

Report on Operations Under
the Bretton Woods and Related Agreements Act

2017-2018



Canada

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Table of Contents

Foreword by the Minister of Finance	4
Purpose of This Report	5
Overview.....	6
The International Monetary Fund	8
Looking Back—Canada's 2017–18 Objectives.....	8
Looking Forward	13
The World Bank Group.....	16
Looking Back—Canada's 2017–18 Objectives.....	16
Looking Forward	21
Annex 1—Background on Canada's Engagement in IMF Operations	24
Annex 2—Background on Canada's Engagement in World Bank Group Operations	32
Annex 3—World Bank Procurement From Canada	39
Annex 4—Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF	40
Annex 5—Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF	47

Foreword by the Minister of Finance

Whether advising countries on policies to achieve more inclusive growth, or supporting education for girls and young women, the International Monetary Fund (IMF) and World Bank Group (WBG) do much to support economic growth and stability that benefits billions of people around the world. Together, they play a critical role in ensuring that economic growth benefits everyone.

Sustained economic growth and increased trade and investment are strengthening the foundation for our long-term prosperity. However, shared challenges—whether the widespread effects of protectionist policies, pressures from aging populations and climate change, or the way that technology is transforming the nature of work—mean that we have to work together to build a stronger global economy that benefits all people.

Over the last year, the IMF has taken steps to do just that—advancing discussions on how the international community can come together to support countries in times of need, encourage sustainable growth and economic inclusion, and ensure that technological change supports our people and economies. The WBG has also strengthened its commitment to achieving the United Nations' Sustainable Development Goals—securing additional financing and expertise to respond to increasingly complex development challenges, including helping people in fragile and conflict-affected countries or those vulnerable to climate change.

Canada's priorities for achieving more sustainable economic growth reflect those of the Bretton Woods Institutions. As Canada's Governor at both organizations, I will ensure that Canada continues to work closely with the IMF and WBG to promote shared solutions to today's most pressing challenges. Over the next year, Canada will push for continued IMF work on policies that foster growth, while championing open trade and strong partnerships guided by clear and fair rules. At the WBG, we will continue to encourage multilateral development banks to increase their impact by working together as a system.

Canada's G7 Presidency this year has given us a platform to amplify the efforts of both the IMF and WBG. Over the past year, these institutions have worked with like-minded G7 countries to improve access to education for women and girls living in crisis-affected countries, in line with Canada's Feminist International Assistance Policy. The IMF and WBG also continued important work to address the unique challenges faced by small island states, and to tackle governance and corruption issues. These efforts are an important part of ensuring that growth works for everyone.

Finally, as part of my pledge as International Gender Champion, I am committed to promoting gender parity at the Boards of international financial institutions where I am the Governor. This will help to ensure that decisions made by organizations like the IMF and WBG better reflect the diversity of the populations they serve.

I am pleased to present to Members of Parliament and to all Canadians this annual report, entitled *Canada at the IMF and World Bank Group 2017–2018: Report on Operations Under the Bretton Woods and Related Agreements Act*. This report sets out the key developments at these institutions in 2017–18, and discusses Canada's objectives at the IMF and WBG for the year ahead.

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 2017–18, 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, 2017 to June 30, 2018.

The Government of Canada is committed to ensuring information on its international assistance funding is open and transparent. This includes Canada's engagement at multilateral organizations such as the International Monetary Fund and the World Bank Group. As highlighted in Budget 2018, the Government is continuing to explore how to further enhance its international assistance reporting to better communicate these efforts to Canadians, non-governmental organizations and the international community.

Overview

The International Monetary Fund ("IMF" or "the Fund") and World Bank Group (collectively the Bretton Woods Institutions) were founded in 1944 at the United Nations Monetary Conference in Bretton Woods, New Hampshire, to promote international monetary cooperation and financial stability following the conclusion of World War II. Initially established by delegates from 44 nations, the Bretton Woods Institutions now have a membership of 189 countries. This growth in membership has coincided with a significant evolution in the global economic landscape—in terms of complexity, interconnectedness and multilateral cooperation—and reflects the critical role that the Bretton Woods Institutions play in today's global economic and financial order.

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 an important member in terms of financial contribution and voting share at both the IMF and World Bank Group, Canada plays an important role in the governance of both institutions. Each member country is represented by a Governor who serves on the Boards of Governors of each institution: the Minister of Finance represents Canada on the Board of Governors of both institutions. Governors delegate day-to-day decision-making to an Executive Director who represents a constituency of member countries at the Executive Board of each institution. Given Canada's financial contributions and level of engagement, a Canadian has always held the Executive Director position within the constituencies. The constituencies to which Canada belongs include Ireland and a number of Commonwealth Caribbean countries.¹

Canada and its Caribbean constituency partners share a deep history in terms of colonial and political traditions, long-standing trade and commercial linkages, and cultural values. These ties have fostered a special relationship and degree of cooperation that, through the Bretton Woods Institutions and more broadly, sees Canada act as a champion for sustainable socio-economic development, poverty reduction, resilience-building, and strengthening democratic institutions throughout the region and for small states in general. As one means of advancing these priorities, Canada's Executive Directors at the IMF and World Bank Group participate in their respective Small States Working Group and the Canadian Executive Director at the World Bank Group participates in the World Bank's annual Small States Forum.

Given their shared priorities and complementary delivery methods, Canada applies an integrated engagement approach to its relationship with the Bretton Woods Institutions, thereby allowing for a more thorough and holistic pursuit of strategic objectives. This report to Members of Parliament and the Canadian public discusses key developments at both the IMF and World Bank Group in 2017–18, describes Canada's engagement and contributions, and reports on the objectives that are of core importance to Canada.

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

1. Work with the IMF to raise awareness about the benefits of openness and multilateralism, and promote more inclusive and sustainable economic growth through policy advice;
2. Support IMF efforts to identify vulnerabilities and imbalances, and bring greater transparency to distortive policies, exchange rates and capital flow measures through surveillance;
3. Support IMF efforts to strengthen member country policies that promote gender equality and the economic empowerment of women and girls;

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.

4. Support efforts to strengthen the effectiveness of the IMF's lending tools and enhance coordination between the Fund and other parts of the system that safeguard global economic and financial stability;
5. Play a constructive role in efforts to strengthen the IMF's governance and accountability structures in order to foster a more representative, inclusive and effective institution.

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

1. Play a constructive role in the ongoing discussions on the World Bank Group's financial capacity, in order to ensure a more efficient use of the Bank's existing capital and unlock additional resources to eradicate poverty and promote shared prosperity;
2. Support the development of innovative financial instruments and the leveraging of private capital to enhance the World Bank Group's capacity to prioritize private sector solutions;
3. Promote gender equality and the empowerment of women and girls by encouraging the application of Canada's Feminist International Assistance Policy across Bank operations, especially in interventions in fragile and conflict-affected states and in the areas of climate finance, health, infrastructure development and governance.

The significant alignment between Bretton Woods Institutional priorities and the priorities espoused in Canada's domestic and international agendas makes for a natural and long-standing partnership. This partnership has proven invaluable in supporting Canadian delivery of a suite of important objectives during its 2018 G7 Presidency and the advancement of the Feminist International Assistance Policy's objectives—clear examples of the global benefit of robust multilateralism.

This report is prepared by the Department of Finance Canada in consultation with Global Affairs Canada, and with input from the 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, in close consultation with other government departments and agencies.

Links to more detailed and technical information are provided throughout the report. For full details on the end-of-year financial performance of the IMF and the World Bank Group, please refer to the institutions' annual reports.^{2,3} 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*.

² WBG Annual Report

³ IMF Annual Report

The International Monetary Fund

By mid-2017, the global economic upswing that began in mid-2016 was gaining momentum and employment was on the rise. The acceleration in global growth was being driven, in part, by an encouraging upswing in trade and investment. Financial market volatility was low as asset prices continued a steady climb. As a result, sentiment about the prospects for a continued resurgence in global growth was at its strongest since before the 2008–2009 global financial crisis. However, it was also recognized that the largely coordinated global recovery was not equally distributed across countries (low-income commodity exporters still struggled); low inflation and wage growth in advanced economies were a concern; and the medium-term outlook held a number of potentially serious downside risks, including high indebtedness and a proliferation of inward-looking sentiment. In this context, the IMF called for policymakers to take full advantage of the opportunity afforded by the period of economic strength to implement reforms needed to bolster growth over the longer term and build resiliency to future shocks.

Global economic integration has without doubt driven vast improvements in living standards and poverty reduction for decades. However, integration has bred complexity and the benefits of globalization have not been shared broadly enough. Therefore, it remains vitally important to have an international monetary system—the set of multilaterally agreed rules, conventions and supporting institutions that facilitate international trade and investment—that promotes cooperative solutions and facilitates needed economic adjustment. The IMF is charged with leading these efforts, helping to safeguard economic and financial stability, and advising on the appropriate policies to generate stronger and more inclusive growth.

In order to support IMF efforts in this regard, Canada identified five objectives for its institutional engagement over the course of 2017–18 focused on each of the Fund's core business lines, as well as corporate governance of the institution. A summary of the actions taken by Canada in 2017–18 to promote these objectives is provided below, followed by an overview of how these objectives have evolved and will continue to be advanced over the 2018–19 reporting period.

Looking Back—Canada's 2017–18 Objectives

1. Surveillance and Advice⁴

2017–18 Objective:

Continued improvement of IMF surveillance and policy advice, with a particular focus on inclusive growth, openness and gender empowerment

- Work with the IMF to raise awareness about the benefits of openness and multilateralism, and promote more inclusive and sustainable economic growth through policy advice.
- Support IMF efforts to identify vulnerabilities and imbalances, and bring greater transparency to distortive policies, exchange rates and capital flow measures through surveillance.

⁴ IMF Surveillance (<http://www.imf.org/en/About/Factsheets/IMF-Surveillance>)

The IMF monitors economic, monetary and financial sector developments at both the country and regional/global levels—referred to as bilateral and multilateral “surveillance” activities, respectively. These serve to inform the provision of advice on policies designed to promote financial and economic stability, and inclusive sustainable growth. Over the past year, the IMF provided member countries with tailored advice on macro-critical issues in an effort to promote more equitable and job-rich growth, mitigate risks and vulnerabilities, and reduce poverty. At the centre of this advice was a commitment to forward thinking—to ensuring that policy guidance aimed at improving economies today yields more broadly shared growth tomorrow.

In 2017–18, the IMF commended Canada for its growth agenda, noting that the Canada Infrastructure Bank and policies to improve gender equality and increase female labour force participation would help foster long-term growth.⁵ Generally, Canada and the IMF share a common view on the appropriate economic policy mix, the need to bolster the middle class and those working hard to join it, and the need for greater economic empowerment of women. This shared perspective has provided Canada with an important platform to promote its approach with the world, and made Canada the fastest growing G7 economy over the reporting period.

Over the course of 2017–18, the Minister of Finance was able to leverage the shared Canada/IMF vision to play an active role at the IMF and other global fora to promote the importance of rules-based international trade, the international monetary and financial system, and strong international institutions. For example, he participated in several public policy panels and discussions during the IMF's Annual and Spring Meetings. These events covered issues such as how to bolster the middle class, underscored the importance of ensuring an open and rules-based economic order that delivers benefits for everyone, and underlined Canada's support for private sector investment in the transition towards low-carbon, resilient economies. Additionally, Canada has leveraged its relationship with the IMF to promote its agenda for the 2018 G7 Presidency, particularly in advocating for policies on and investment in broad-based growth and gender equality.⁶

Highlighting practical examples of actions that can be taken by policymakers, and real-world results that people can relate to, is an important element in enhancing the traction of IMF analysis and advice. Many of these issues may appear technocratic, but they have profound implications for the prosperity of Canadian citizens and people around the world.

In 2017–18, Canada also advocated that IMF analysis and advice be focused and/or enhanced in a number of other areas. Examples include: support for the Fund in rolling out improved frameworks on governance and corruption; raising the prominence and vigour of the analysis of “global imbalances”; and the importance of considering emerging issues with potentially severe macroeconomic impacts.

⁵ <https://www.imf.org/en/Publications/CR/Issues/2018/07/16/Canada-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46084>

⁶ <https://g7.gc.ca/en/g7-symposium-investing-growth-that-works-everyone/>

- Global Imbalances and Transparency:** Global imbalances refer to the financial and trade surpluses/deficits among countries. Imbalances are a normal feature of the global economy—no country has ever perfectly balanced what they send abroad and what they bring in. However, “excessive” imbalances are not justified by economic fundamentals and could pose a risk to financial and economic stability. For example, excessive imbalances likely exacerbated the 2008–2009 global financial crisis: the U.S. appetite for debt led to a massive inflow of credit from the rest of the world (creating the excessive imbalance), and when that debt was found to be almost worthless, the whole world felt the consequences. One of the ways the IMF helps is by identifying imbalances and associated risks, and advising its members on actions needed to bring balances back to justified levels. This is the key aim of the IMF’s *External Sector Report*⁷ (ESR). Given the potential risks posed by excessive imbalances, Canada has consistently advocated that the ESR be given more prominence; that member countries improve transparency in order to improve the rigour of the report; and that the report’s findings be incorporated into the analysis behind, and production of, the Fund’s flagship reports. These efforts have paid off—ESR findings have been increasingly integrated into the IMF’s *World Economic Outlook* and *Global Financial Stability Report*, and as of the 2018–19 reporting year, the IMF will launch the ESR with a full press conference.
- Emerging Issues—Inequality, Gender and Climate:** Many issues of a non-economic/financial nature can have a significant impact on countries’ macroeconomic growth and stability. Cognizant of this fact, in recent years the Fund has attempted to ascertain the potential impacts of emerging issues on both member states and global stability more generally. Consistent with both Canada’s domestic agenda and priorities identified for the 2018 G7 Presidency, Canada has been highly supportive of associated work on policies designed to more equitably distribute the benefits of growth, improve female economic empowerment, and foster resilience to climate change. Individually and collectively, tackling these issues presents an opportunity to improve the inclusivity and durability of economic growth and job creation. Additionally, improving climate-resilience and preparedness strategies is a particularly important issue given the Canadian-led constituency includes a number of countries facing significant threats from natural disasters and climate change. Year over year, associated analyses have increasingly informed IMF bilateral and multilateral surveillance activities, where deemed “macro-critical”, and facilitated targeted capacity development and lending program activities in affected member states.
- Anti-Corruption:** Corruption affects an economy by undermining key state functions such as fiscal policy, market oversight and enforcement activities. As a result, systemic corruption can significantly undermine economic performance and the state’s ability to deliver inclusive and sustainable growth by reducing investment, the provision of social services, and confidence in the state more generally. Given the implications for stability and growth, effective institutions, transparency and public accountability are essential components of good governance and effective anti-corruption strategies—these are central themes of the IMF’s surveillance work. Recently, Canada has promoted IMF efforts to enhance its anti-corruption frameworks and, along with other G7 countries, committed to voluntary monitoring of anti-bribery and anti-money laundering/combating the financing of terrorism (AML/CFT) frameworks through annual IMF bilateral surveillance. These efforts see Canada and its partners taking a leading global role in ensuring these jurisdictions prevent the bribery of public officials and the concealment of the proceeds of corrupt acts.

⁷ IMF External Sector Reports (<https://www.imf.org/en/Publications/ESR/Issues/2018/07/19/2018-external-sector-report>)

2. Tools and Lending Programs⁸

2017–18 Objective:

An adequately resourced IMF that applies an effective, efficient and appropriate lending toolkit to facilitate macroeconomic adjustment and financial stability as needed

- Support efforts to strengthen the effectiveness of the IMF's lending tools and enhance coordination between the Fund and other parts of the system that safeguard global economic and financial stability.

The IMF provides repayable financial assistance to member countries experiencing economic or financial stress or crises. As part of “program engagement”, the IMF works with impacted countries to develop an economic adjustment program to tackle balance of payment issues, correct macroeconomic problems in order to stabilize their economies, and restore sustainable economic growth. Together, programs pave the way for economic stabilization and loans ensure countries have the fiscal space to pay for imports, social programs and other economic governance needs. This crisis resolution role is at the heart of IMF lending activities.

To be effective in this role, the IMF needs access to sufficient resources to respond quickly to both isolated and systemic crisis events: this comes in the form of both permanent and temporary resources. In normal times, the Fund's permanent resources (quotas paid by member countries) serve as its primary source of financing for loans to member countries. In exceptional circumstances, such as a major global economic shock, the IMF has access to temporary resources in the form of multilateral and bilateral borrowing agreements, which serve as a second and third line of defence, respectively. IMF lending capacity is the backbone of the global financial safety net, which provides precautionary insurance against a crisis, supplies liquidity when a crisis hits and incentivizes sound macroeconomic policies.

In addition to its quota share, Canada has committed to financing both multilateral and bilateral borrowing by the Fund. By participating in the multilateral New Arrangements to Borrow and the 2016 bilateral borrowing agreements, Canada is doing its part to ensure the IMF remains properly equipped to respond to major global crises. Additionally, in order to help ensure the IMF can support its poorest and most vulnerable members, Canada has committed support to the Poverty Reduction and Growth Trust (PRGT), which provides loans at concessional rates to eligible member countries.⁹ Annex 1 provides details on Canada's commitments to IMF financial resources.

Over the past year, the IMF has considered a number of ways to strengthen its lending tools, particularly its “precautionary instruments”—lines of credit that members with sound policies can call upon if needed. A key challenge associated with these instruments is a lack of incentives to graduate once an arrangement has been established. In 2017–18, Canada advocated for changes that would ensure that precautionary lending tools maintain strong qualification criteria and reasonable access limits, and that options to incentivize exit are more formally incorporated. Canada will continue to advocate for these changes in ongoing discussions.

⁸ IMF Lending (<http://www.imf.org/en/About/Factsheets/IMF-Lending>)

⁹ Financing the IMF's Concessional Lending to Low-Income Countries (<http://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/04/Financing-the-IMFs-Concessional-Lending-to-Low-Income-Countries>)

Additionally, efforts continue towards the goal of increasing the level of cooperation between the IMF, other international financial institutions and regional financing arrangements (RFAs). RFAs are formal arrangements amongst regional partners to provide each other financing in the event of an economic shock. Their increasingly important role has been a key development since the 2008–2009 global financial crisis. In 2017–18, Canada supported the creation of a new Policy Coordination Instrument designed to improve collaboration between the IMF and other international institutions, and promote a more efficient allocation of global financial resources. In addition, the IMF established clear operational guidelines for its interactions with RFAs. Canada and other like-minded countries continue to support efforts to enhance cooperation and promote the importance of the IMF sharing technical expertise to increase the capacity of RFAs. Moreover, Canada supports efforts to strengthen coordination between the IMF and the multilateral development banks (MDBs), advocating for continued enhancements and clear procedures that ensure MDBs take IMF assessments into due consideration in their own lending activities.

3. Capacity Development¹⁰

2017–18 Objective:

Provision of high quality technical assistance and training that is appropriately integrated with the Fund's core business lines

- Support IMF efforts to strengthen member country policies that promote gender equality and the economic empowerment of women and girls.

In 2015, the international community made a commitment to end poverty, protect the planet and promote peace and prosperity for all people through the UN's Sustainable Development Goals. The Fund's capacity development efforts, supported by Canada, help member countries work toward implementation of these goals through economic institution building and human capacity development, in turn helping to lift nations out of poverty, reduce inequality and address climate change. Strong and capable government institutions employing knowledgeable and skilled individuals are essential ingredients to these efforts. As such, IMF work on capacity development is one of its most impactful activities.

Canada continues to ensure that its priorities and approaches for economic growth are well aligned with the Fund's, and supports targeted capacity building activities aimed at promoting macroeconomic resilience and mitigating risks. Canada is particularly supportive of ongoing Fund efforts to strengthen advocacy and advice for policies that support inclusive growth, gender equality and women's economic empowerment. For instance, through Canada's support to the Caribbean Regional Technical Assistance Centre, gender and inclusive growth issues are gaining traction and being addressed within fiscal policy planning as well as budget preparation and presentation, with countries increasingly adopting gender budgeting.

During the reporting period, the Fund initiated a five-year review of its capacity development function to examine and assess its effectiveness with respect to strengthened governance, alignment with Fund priorities, integration with other core functions, as well as monitoring and evaluation. Through the Executive Board, Canada has been extensively engaged in this review, emphasizing the importance of country ownership and the IMF's new results-based management framework. By more fully integrating its capacity development with its surveillance and lending functions, the Fund can more effectively help member countries address their developmental challenges. Improving its ability to measure and compare the results of its technical assistance should ensure more effective, targeted and impactful capacity development.

¹⁰ IMF Capacity Development (<https://www.imf.org/en/About/Factsheets/imf-capacity-development>)

Canada's partnership with the Fund in support of its capacity development is aimed at improving the efficiency, effectiveness and transparency of public financial management systems in member countries, particularly countries in the Caribbean and Central America, Ukraine and countries in Sub-Saharan Africa. For more information on Canada's capacity building contributions, see Annex 1.

4. Governance and Accountability¹¹

2017–18 Objective:

Continued evolution of members' voice and representation to better reflect the growing importance of dynamic emerging economies in the global economy and the modernization of the Fund's corporate governance and accountability structures

- Play a constructive role in efforts to strengthen the IMF's governance and accountability structures in order to foster a more representative, inclusive and effective institution.

In order to maintain its central role in the global financial safety net (GFSN), the Fund must continually evolve alongside a dynamic global economy. Periodic governance reform is therefore an essential feature of the IMF's multi-year work plan. Known within the institution as the 15th General Review of Quotas, the latest round of governance reform provides a timely opportunity to: ensure the Fund is sufficiently resourced to meet the needs of the membership; refine how membership quotas are determined; and increase the voice and representation of underrepresented countries to better reflect their relative economic weight and integration in the global economy. Unfortunately, a divergence of views among IMF members has yielded slow progress in this effort.

Active engagement to strengthen the IMF's governance structure to reflect the realities of the modern era has been an important objective for Canada for more than a decade. Consistent with this long-held view, over the reporting period, Canada has advocated that members take a pragmatic approach to reaching consensus on governance reform in order to ensure that final agreement is reached no later than the Board of Governors' deadline of October 2019.

Canada has also continued to advocate for more equitable representation within the Fund, including among the executive ranks. Of 189 member countries, 146 are presently represented on the staff; however, underrepresented regions accounted for only 33 per cent of professional-level hiring in 2018. While the Fund has recently been recognized for its commitment to progress in monitoring, benchmarking and achieving workplace gender equality, only three (including Canada's) of twenty-four Executive Directors elected by member states are female. While progress has been achieved, more can be done, on the part of both the Fund and the membership, to foster a more representative environment.

Looking Forward

Canada's Medium-Term Goals at the IMF

As the cyclical recovery is expected to wind down in the coming years, the global community must take advantage of the present opportunity to address shared challenges and build resiliency against both identified and less understood risks on the medium-term horizon. It will be important to work together to adopt policies that maintain trade and financial flows, adapt to and leverage technological change, and foster opportunities to achieve sustainable growth and prosperity that benefit everyone. In this regard, Canada will continue to play an active role on the international stage in advocating for policies that propel more equitably distributed growth dividends alongside the need for openness and strong multilateralism guided by clear and fair rules.

¹¹ How the IMF Makes Decisions (<http://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/24/How-the-IMF-Makes-Decisions>)

The IMF is a critically important institution in this regard. Canada remains committed to working cooperatively with the IMF, and fellow member countries, to ensure the institution is properly equipped with the tools, resources and capacity needed to deliver sound analysis and policy advice and provide necessary financial support for countries in or at risk of crisis. These activities serve to strengthen the global economy and foster financial stability. The IMF has a central role to play in helping to support a stable international monetary system, promoting more sustainable and equitably shared global growth, and shaping policies that will help people thrive in the economy of tomorrow. Canada will continue to deepen its engagement with the Fund in an effort to help achieve progress on these goals. The Fund's priorities set out in the institution's Global Policy Agenda¹² are well aligned with Canada's. Over the coming years, Canada will work together with the IMF to further shared priorities.

In this light, Canada reiterates the need, over the medium term, for:

- Continued improvement and traction of IMF surveillance and policy advice, with a particular focus on inclusive growth, openness and gender empowerment;
- A sufficiently resourced IMF that applies an effective and appropriate lending toolkit to facilitate macroeconomic adjustment and financial stability as needed;
- Provision of high quality technical assistance and capacity development that is appropriately integrated with the Fund's core business lines; and
- Continued evolution of members' voice and representation to better reflect the growing importance of dynamic emerging economies in the global economy and the modernization of the Fund's corporate governance and accountability structures.

Canada's 2018–19 Objectives at the IMF

Achievement of these four overarching medium-term goals will require more targeted efforts over the short term. With this in mind, over the course of 2018–19, Canada will actively:

Canada's 2018–19 Objectives at the IMF

- Work with the IMF to promote the benefits of economic and financial integration, rules-based multilateralism and technological progress as means to facilitate economic growth and prosperity that benefit everyone.
- Support IMF surveillance activities, with a particular focus on identifying macroeconomic vulnerabilities and improving transparency on distortive policies (e.g. governance and corruption issues, exchange rates, debt operations and capital flow measures).
- Support efforts to strengthen the IMF's lending toolkit, with a particular focus on improving resiliency among the poorest and/or most vulnerable members, and enhance coordination among the Fund and other institutions that safeguard global economic and financial stability.
- Support IMF efforts to deliver effective technical assistance and capacity development, emphasizing the importance of women's economic empowerment, and the need to strengthen member countries' implementation capacity.
- Play a constructive role in ongoing Fund efforts to review its resource needs, and strengthen its governance and accountability structures in order to foster a more representative, inclusive and effective institution.

¹² The Managing Director's Global Policy Agenda, Spring 2018 (<http://www.imf.org/~media/Files/Publications/PP/GPA/2018/pdf/sm2018-gpa-041918.ashx>).

1. Surveillance and Advice

Despite the IMF having fostered 70 years of prosperity, relative stability and poverty reduction, growing trade tensions and angst about future prospects are eroding confidence in the fairness of the open multilateral system. As any deepening of mistrust of global partnerships poses a significant risk to global growth, Canada will continue to play a vocal role at the IMF and other international fora in support of rules-based international trade, the international financial and monetary system, and strong international institutions. Further, in order to assuage uncertainties about the future, Canada will advocate for the identification of policy tools that ensure the gains from integration and technological innovation are more broadly shared.

Moreover, in order to build upon ongoing efforts to identify risks to the stability of the international economic and financial system, in 2018–19, Canada will promote enhanced assessment of corruption, spillovers and macroeconomic vulnerabilities, as well as improvements in debt transparency, market interventions and the accumulation of reserves. The upcoming Comprehensive Surveillance Review provides the Fund with an opportunity to advance work in these areas, and for Canada to advocate for a vocal and candid IMF while emphasizing the benefit of improved traction of Fund advice.

2. Tools and Lending Programs

Canada firmly believes that a nimble and effective IMF that is equipped with the necessary tools to best serve its members should continue to be central to the GFSN. In 2018–19, Canada will support ongoing efforts to strengthen the GFSN, including via supporting regular and more systematic IMF-RFA coordination. Through a continued dialogue between the IMF, other international financial institutions and RFAs, the IMF will be able to share best practices and enhance the capacity of all layers of the GFSN.

The upcoming review of the Fund's facilities for low-income countries provides an opportunity for Canada to continue to back efforts to support the poorest and most vulnerable countries, with a view to considering eligibility criteria, access limits and post-catastrophic disaster debt relief for PRGT-eligible countries. Additionally, Canada will advocate for strengthening the toolkit to support small and remote states given the unique challenges they face associated with climate change, debt sustainability and resiliency, and the loss of correspondent banking relationships and the associated implications for financial inclusion.

3. Capacity Development

With the strong support of the Managing Director, the Fund's commitment to gender equality and women's economic empowerment is well aligned with Canada's international development priorities. Associated efforts will help to strengthen member country policies with a more responsive approach to the needs of women, children and vulnerable groups through targeted initiatives in gender analysis and gender-responsive planning and budgeting. In 2018–19, Canada will continue to advocate for more analysis of policy measures to promote women's economic empowerment, financial inclusion, as well as improvements in the collection of gender- and age-disaggregated data. The 2018 quinquennial review of the Fund's capacity development strategy is an effective context for advocacy in this regard.

Additionally, Canada will seek ways to leverage Fund technical assistance and capacity development efforts to improve members' macroeconomic and financial resiliency, stability and inclusivity via improved financial sector regulatory and supervisory frameworks, and promote the development of resilient debt instruments for small island developing states vulnerable to natural disasters and climate change.

4. Governance and Accountability

Canada will continue to take a constructive approach to ongoing IMF governance reform deliberations. Canada's objective remains the achievement of a broad consensus that results in a sufficiently resourced IMF in which members' ownership shares and representation on decision-making bodies are more closely aligned with their relative weight in the global economy.

Canada will also continue to encourage the adoption of internal policies to improve diversity in all its forms across all levels of the institution, in line with the Government's approach across international organizations, and promote modernization of the IMF's corporate governance and accountability structures by building upon work being undertaken by the Fund's Independent Evaluation Office.

The World Bank Group

As a member of one of the world's leading development institutions in which it entrusts significant resources, Canada has a strong interest in the World Bank Group's (WBG) institutional effectiveness and in the adequacy of its resources. In 2017–18, the WBG achieved a significant milestone, with the conclusion of negotiations for capital increases following over two years of active discussions at the institution. The capital increases will enable the World Bank to grow its lending to advance the twin goals of ending extreme poverty and boosting shared prosperity, in alignment with major Canadian priorities such as gender equality and climate change. A larger, better-resourced Bank also provides significant opportunities for the Bank to increase its institutional effectiveness, launch innovative financial instruments and pursue partnerships, including by working as a system with other multilateral development banks (MDBs) to increase its impact. This section describes actions taken in the past year to advance these objectives and outlines Canada's objectives for the year ahead.

Looking Back—Canada's 2017–18 Objectives

1. Financial Capacity and Efficiency

In April 2018, WBG shareholders endorsed the terms of capital increases for the International Bank for Reconstruction and Development (IBRD) and the International Financial Corporation (IFC). A total of US\$13 billion in paid-in capital and US\$52.6 in callable capital will contribute to increase the WBG financial capacity. New financial commitments made by shareholders will enable the World Bank to increase its annual financing to average US\$100 billion annually between 2019 and 2030, up from US\$62 billion currently. Beyond the additional financial capacity, complementary commitments will contribute to improving the institutional effectiveness, sustainability and representativeness of the Bank.

2017–18 Objective:

Play a constructive role in the ongoing discussions on the World Bank Group's financial capacity, in order to ensure a more efficient use of the Bank's existing capital and unlock additional resources to eradicate poverty and promote shared prosperity.

- In addition to paid-in capital contributed by shareholders, reductions in operating expenditures and improvements to financial sustainability will contribute just under US\$3 billion in additional resources.
- New balance sheet optimization measures will be explored, ultimately freeing up additional capital to devote towards the WBG's important development objectives.

Financial Capacity

To complement shareholders' financial contributions, Canada along with other countries pressed the WBG to consider measures to further leverage its existing capital and other internal levers to improve its financial capacity. A number of internal measures intended to grow capital available to the Bank were put forward as part of the capital increase package, aligning with Canadian priorities.

Canada has long advocated for the WBG to grow its balance sheets through retained earnings as a central component of financial sustainability. Canada's advocacy led to the Bank's commitment to retain IFC income previously distributed to the International Development Association (IDA) in exchange for a commitment to grow the proportion of funds allocated by IFC in IDA countries, including countries affected by fragility, conflict and violence. Retaining this income is expected to contribute an equivalent of US\$1 billion towards IFC's capital increase. This new emphasis on IDA countries at IFC will benefit the poorest developing countries by offering them assistance to remediate infrastructure gaps and support the emergence of thriving local industries, including small and medium-sized businesses, to create jobs and improve standards of living without increasing their sovereign debt burdens.

Canada has also championed the implementation of balance sheet optimization measures at various MDBs, including the WBG. While no new measures directly resulted from the capital increase package, the Bank committed to continue to explore options. Balance sheet optimization measures will play an important role, especially in the context of system-wide instruments, mobilizing external finance and transferring risks to help the Bank use its headroom as effectively as possible. Canada will continue its active outreach with the World Bank's Treasury and other practices to promote new innovative instruments and partnerships.

Institutional Effectiveness

As the WBG prepares for significant growth in its activities, its size will remain modest relative to the vast development challenges it is helping to address. In this context, the WBG will need to be as agile, effective and responsive as it can to marshal its resources towards the greatest impact. In this regard, Canada is pleased with the loan pricing revisions, the compensation methodology reviews and other administrative efficiencies that the WBG will implement to contribute up to US\$1.8 billion to the overall capital increase package.

The modest loan pricing revisions will contribute to increasing income, boosting reserves and strengthening the Bank's capital position, in line with Canada's interest in its sustainability. The loan pricing revisions will include the application of maturity premiums for loan tenures above 10 years and be adjusted in function of countries' income level and other circumstances. Small states will be exempted from loan pricing increases, an advantage for some Caribbean members of Canada's constituency.

The capital increase package also provides an opportunity to recalibrate IBRD's and IFC's shareholding. Canada played a constructive role in ensuring that countries' representation at the Bank evolve to reflect global economic changes in a manner that is transparent, rules-based and gradual.

2. Innovative Instruments and Partnerships

As outlined in this year's G7 Charlevoix Commitment on Innovative Financing for Development, public capital alone is insufficient to support the economic growth and sustainable development necessary to lift all populations out of poverty, and attain the aspirations outlined in the Sustainable Development Goals. For these reasons, MDBs must increasingly become catalysts of private finance and mobilize co-funding to further their mandates. This year, the World Bank proceeded with landmark bond issuances, paving the way for new innovative financial instruments and sustained partnerships with the financial sector. Canada has also taken advantage of its G7 Presidency to create linkages and nurture new partnerships for development among institutional investors in areas such as infrastructure, which benefit from MDBs' expertise base.

2017–18 Objective:

Support the development of innovative financial instruments and the leveraging of private capital to enhance the World Bank Group's capacity to prioritize private sector solutions.

- Over US\$1.5 billion in private capital was mobilized as part of IDA's inaugural bond issuance and an additional C\$1 billion was raised under the Sustainable Development Bond issue, which gathered significant participation from Canadian investors.
- Through a partnership with Argentina's G20 Presidency, Canada has advanced the creation of an infrastructure asset class which will mobilize private capital on a larger scale.

Further to Canada's advocacy as part of the 18th replenishment of IDA in 2016, IDA committed to transform its operating model in order to achieve its largest replenishment. As a result, IDA began leveraging its equity by blending donor contributions and repayments from previous loans with funds raised through debt markets. In April 2018, IDA proceeded with its inaugural bond issuance, issuing more than US\$1.5 billion in AAA-rated bonds in support of the poorest and most vulnerable countries. Until then, IDA's balance sheet was unleveraged, leading it to accumulate an equity base of US\$158 billion which is currently underutilized. Canada will promote active use of IDA's equity during IDA's 19th replenishment discussion.

Other major bond issuances included the Sustainable Development Bond, which raised awareness for women and girls' empowerment. The bond, which launched in January 2018 to mark the debut of Canada's G7 Presidency, raised C\$1 billion from institutional investors in the Canadian dollar market. The issuance had strong participation from Canadian investors representing 55 per cent of the demand for this bond. This first bond issuance targeting gender equality was quickly followed by another Canadian dollar bond issuance in support of the Global Financing Facility for Every Woman Every Child launched during the Charlevoix G7 Leaders' Summit. The Facility supports improved health outcomes for women, adolescents and children.

Highlights of G7 Charlevoix Commitment on Innovative Financing for Development

In furtherance of the Addis Ababa Action Agenda, G7 leaders committed to explore and support new innovative financing approaches and partnerships to support development, and to reinforce gender equality and women's economic empowerment. In particular, G7 leaders committed to: 1) encourage new efforts for the mobilization of countries' domestic resources and private capital to support development; 2) encourage MDBs such as the World Bank to work more closely with domestic capital markets, and in local currencies wherever possible, in order to build local markets; 3) explore opportunities to enhance the economic resilience of vulnerable developing countries, including small island development states, to improve their ability to respond to extreme weather events; and 4) fundraise up to US\$3 billion by Development Finance Institutions to fund business activities empowering women.

This year, Canada also worked alongside Argentina's G20 Presidency to advance the creation of an infrastructure asset class to mobilize private capital on a larger scale. Creating this asset class requires MDBs to work together as a system to align their credit enhancements to allow for a critical mass of standardized securities that investors would increasingly see as part of an asset class of emerging markets infrastructure debt. This work is already underway, with the WBG working alongside other MDBs as a system to mobilize private finance on a macro scale.

3. Promoting Canadian Priorities

Canada benefits from the global reach of the World Bank's operations, as well as the Bank's expertise, convening role and thought leadership through its partnership with the Bank on special initiatives. Canada channelled important contributions amounting to approximately \$1.3 billion in 2017–18 to the Bank's resources to support important international assistance priorities. This year's report covers the first full year of implementation of Canada's Feminist International Assistance Policy, launched in June 2017, and highlights early successes in empowering women and girls.

2017–18 Objective:

Promote gender equality and the empowerment of women and girls by encouraging the application of Canada's Feminist International Assistance Policy across Bank operations, especially in interventions in fragile and conflict-affected states and in the areas of climate finance, health, infrastructure development and governance.

- At the G7 Leaders' Summit in Charlevoix, Canada along with like-minded donors and the World Bank committed close to \$3.8 billion to support access to education for women and girls in crisis and conflict situations.
- A Canadian contribution of US\$13 million will unlock up to US\$62 million to support access to education and health care services for Rohingya refugees in Bangladesh.
- Canada actively promoted climate resilient debt instruments through its G7 Presidency in order to increase developing countries' resilience to climate shocks.

Delivering on Gender Equality

Canada has rooted its Feminist International Assistance Policy in the goal of empowering women and girls in order to eradicate poverty. Since the launch of the policy in June 2017, Canada has achieved very significant milestones in support of women and girls in partnership with the WBG. In particular, at the G7 Leaders' Summit in Charlevoix, Canada, along with the European Union, Germany, Japan, the United Kingdom and the World Bank, announced an investment of close to C\$3.8 billion to support access to education for women and girls in crisis and conflict situations. The World Bank contributed US\$2 billion over five years towards this investment, advancing the objectives of the Charlevoix Declaration on Quality Education for Girls, Adolescent Girls and Women in Developing Countries and complementing funds made available through the Sustainable Development Bond issuances described in Section 2.

In July 2017, Prime Minister Justin Trudeau announced Canada's contribution of \$20 million toward the Women Entrepreneurs Finance Initiative (We-Fi), a German G20 Presidency initiative. Led by the World Bank, We-Fi will mobilize US\$1 billion to help women-owned and women-led businesses in developing countries around the world.

In addition, commitments made as part of the World Bank capital increases will also contribute to advancing gender equality over the coming years. For instance, more than half of IBRD's resources by 2023 will be allocated to operations narrowing gender gaps. Similarly, IFC plans on quadrupling its financial support for women entrepreneurs by 2030.

This year Canada worked alongside the WBG to improve the evidence base on existing gender inequalities, leading to the publication of high-profile reports such as *Unrealized Potential: The High Costs of Gender Inequality in Earnings*, which Canada co-financed. A joint op-ed written by Minister of International Development Marie-Claude Bibeau and World Bank Chief Executive Officer Kristalina Georgieva discussed the reports' findings in *Project Syndicate* in June 2018. Canada also benefitted from the findings of the *Women, Business and the Law* report in shaping its Feminist International Assistance Policy and in informing other important domestic policy reflections.

Canada also received public accolades from the World Bank President at the Spring 2018 Development Committee Plenary for the work of Canadian Executive Director Christine Hogan in chairing the working group tasked with improving gender diversity on the Executive Board of the World Bank Group. Going forward, the Minister of Finance will assist in these efforts through the pledge he made as International Gender Champion to achieve gender parity in Canadian appointments to the boards of international financial institutions in which he is the Governor.

Support for Fragile and Conflict-Affected States

Canada continues to advocate for development assistance to be deployed where it is most needed—in the poorest and most vulnerable countries. Canada has continued to contribute to a number of special initiatives in countries in situations of fragility, conflict and violence, in addition to the Global Partnership for Education and other measures.

In particular, in 2017–18, Canada contributed to an interest rate buy down under the IDA Refugee Sub-Window to enable the Bangladeshi government to support delivery of health care and education to Rohingya refugees present in the country. Under this mechanism, Canada contributed US\$13 million in grant funding, allowing the Bank to devote up to US\$62 million in support to Rohingya refugees. This support complements previous investments made by Canada in support of refugees in previous years, including the Global Concessional Financing Facility, which supports access to concessional financing by middle-income countries, such as Jordan and Lebanon, hosting large influxes of refugees and experiencing severe impacts due to their proximity to the conflict in Syria.

Addressing Climate Change With a Focus on Small Island Developing States

This past year Canada has sustained its efforts to address climate change through existing mechanisms and promoted new instruments assisting countries that are vulnerable to climate shocks, such as the Caribbean members of its constituency. This year Canada committed C\$250 million to support the second phase of the Canada Climate Change Program delivered in partnership with IFC. The program supports clean energy projects by blending private finance and concessional funds to catalyze investment in renewable, low-carbon technologies. Through IFC, Canada also contributed \$150 million to support the Africa Renewable Energy Initiative, which supports Africa's transition to cleaner energy sources, as described in Annex 2.

Through its G7 Presidency, Canada also advanced consideration of new and expanded financial instruments to increase the resilience of developing countries to climate shocks, including small island developing states. In particular, Canada has promoted the adoption of climate resilient debt instruments by MDBs, including a term sheet developed by the Paris Club. Along with its G7 peers, Canada also committed to continue to support risk insurance such as the Caribbean Catastrophe Risk Insurance Facility.

Canada also convened a meeting at the margins of the Charlevoix G7 Leaders' Summit involving the heads of international financial institutions, including the World Bank and the IMF, and leaders from small island developing states to discuss how to better respond to their particular circumstances, including their vulnerability to climate change. This work was advanced alongside Canada's continued Chairmanship of the Small States Working Group at the World Bank Executive Board.

Looking Forward

Canada's Medium-Term Goals at the World Bank Group

Over the medium term, Canada will continue to have a strong interest in the World Bank Group's effectiveness and in the adequacy of its resources in advancing the twin goals of ending extreme poverty and boosting shared prosperity. Consistent with previous years' engagement, Canada's medium-term objectives will be focused on:

- The development of financial instruments and inclusive partnerships that strengthen the World Bank Group's capacity to deliver development results, including by working as a system with other MDBs to increase development impact;
- Improvements in the institutional effectiveness of the World Bank Group through ongoing reforms, accountability mechanisms and governance structures;
- Promoting Canadian priorities in World Bank Group policies and programming, with a particular focus on gender equality within the institution and through its operations.

Canada's 2018–19 Objectives at the World Bank Group

Financial year 2018–19 will provide Canada with important opportunities to advance the above objectives at the upcoming mid-term review of the 18th replenishment of IDA (IDA18), through early discussions for the 19th replenishment of IDA (IDA19) and through the finalization of the World Bank Group's capital increase package. Canada also intends to build on the growing interest of G7 and G20 shareholders to improve the coordination of MDBs' interventions. This fiscal year, drawing on the recommendations of the Department of Finance Canada's *Evaluation of Canada's Payments to the International Development Association*, Canada will also engage with the World Bank to improve IDA's impact and supervision. In view of these opportunities, Canada's engagement with the World Bank in 2018–19 will be guided by the near-term goals detailed in the text box below.

Canada's 2018–19 Objectives at the World Bank Group

- Contribute to a successful mid-term review of the 18th replenishment of the International Development Association (IDA18) and engage in discussions towards the IDA19 replenishment, including by putting increased emphasis on demonstrating results.
- Promote and support World Bank Group efforts to deploy innovative financial instruments, partnerships and other measures to bolster institutional effectiveness and achieve greater development impact, including by encouraging the Bank to work together as a system with other MDBs.
- Ensure that Canada's international priorities, including the promotion of the Feminist International Assistance Policy and advancement of gender equality at the institution, are reflected in World Bank Group's operations.

In the context of IDA18's mid-term review and replenishment discussions, Canada will continue to advocate for a more efficient use of resources, including usage of the equity accumulated on IDA's balance sheet that is consistent with the evolution of its client base. Through these discussions, Canada will be pressing to improve the quality of projects funded by IDA and the supervision of their implementation to ensure that projects can fully deliver on their development potential for recipient countries. Canada will also use the dialogue to encourage a careful analysis of the appropriateness of IDA's toolkit for countries in situations of fragility, conflict and violence.

Evaluation of Canada's Payments to IDA—Summary of Findings. Recommendations and Management's Response

Conducted by the Corporate Management and Evaluation Division, the Department of Finance Canada's internal evaluation found that the Department manages Canada's IDA contributions effectively and efficiently and concluded that Canada's payments to IDA provide good value for money in supporting sustainable poverty reduction and economic growth in poor countries. The evaluation also made the following recommendations:

1. Canada should raise the high risks to development outcomes of IDA-financed projects in its engagement with the WBG and in future IDA replenishment discussions and seek commitments from the World Bank's management to address issues of poor quality at entry and sub-optimal implementation supervision.
The Department of Finance Canada will work in collaboration with Global Affairs Canada and the Executive Director's Office to improve the effectiveness of the World Bank and will raise specific measures to mitigate risks and improve development outcomes and implementation performance during the IDA18 medium-term review and the IDA19 replenishment discussion.
2. Officials should ensure that the Minister of Finance has access to the views and recommendations of the participants to the latest *Official Development Assistance Accountability Act* (ODAAA) consultations prior to approving Canada's pledge to IDA replenishment.
The Management agrees to implement this recommendation ahead of the IDA19 replenishment decision.
3. The Department of Finance Canada should improve the quality and completeness of its reports to Parliament to meet the ODAAA reporting requirements.
Budget 2018 committed to explore further enhancing its international assistance reporting. As part of this work, the Department will explore ways to improve reports to Parliament to meet the ODAAA requirements.

The significant value of resources that Canada commits to the Bank's core operations and trust funds in relation to its overall assistance envelope heightens for Canada the importance of the Bank's sound stewardship of its resources. This year, Canada will continue to press the WBG to demonstrate the efficiency and economy of its operations by, for example, streamlining the IDA19 replenishment discussions while still allowing for comprehensive dialogue. Canada will also seek for the Bank to achieve further savings as part of the upcoming revision of compensation methodologies of non-headquartered staff, as agreed as part of the capital increase discussions.

Beyond operating efficiencies, achieving further gains in institutional effectiveness will require the World Bank to adopt innovative financial instruments and new partnerships, including by working as a system with other MDBs to help increase its impact. In particular, the adoption of new balance sheet optimization measures such as securitization and risk transfers will allow the Bank to deploy additional capital in support of new development projects in client countries. Adoption of system-wide instruments, such as those emerging from the creation of an emerging market infrastructure asset class, also provides the opportunity for the World Bank and other MDBs to work as a system to mobilize private capital on a much larger scale.

In promoting its development assistance priorities, Canada will advocate for measures that contribute to narrowing gender gaps and address causes and impacts of climate change in a manner that is responsive to the needs of the poorest and most vulnerable countries. Canada will also seek to contribute to gender equality within the World Bank's administration, in line with the pledge the Minister of Finance made as an International Gender Champion to achieve gender parity in Canadian appointments to the boards of international financial institutions in which he is the Governor. This objective will be reflected as part of this year's election of the Executive Director representing Canada at boards of the WBG's institutions.

Annex 1

Background on Canada's Engagement in IMF Operations

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. As one of the 29 countries that signed the original IMF Articles of Agreement in 1945, Canada has been a central and influential member of the IMF since its inception. Since that time, 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 living standards. 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.

Additional details on IMF operations, including IMF surveillance, lending, capacity building and institutional governance, are available on the IMF's website.¹³

Governance and Representation

Canada's Voting Share

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

Table 1

IMF Voting Shares of Top 20 members

per cent of total votes

Rank	Country	Share (per cent)	Rank	Country	Share (per cent)
1	United States	16.5	11	Canada	2.2
2	Japan	6.2	12	Saudi Arabia	2.0
3	China	6.1	13	Spain	1.9
4	Germany	5.3	14	Mexico	1.8
5	France	4.0	15	Netherlands	1.8
6	United Kingdom	4.0	16	Korea	1.7
7	Italy	3.0	17	Australia	1.3
8	India	2.6	18	Belgium	1.3
9	Russian Federation	2.6	19	Switzerland	1.2
10	Brazil	2.2	20	Turkey	1.0

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 is the Board of Governors, which is the highest decision-making body of the IMF. While the Board of Governors delegates most of its powers to the IMF's Executive Board, it is tasked with taking the most important institutional decisions required by the Articles of Agreement (e.g. approving quota increases, admitting new members) and voting on amendments to the Articles of Agreement and By-Laws of the Fund. 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.

¹³ IMF (<http://www.imf.org/>).

Canada at the Executive Board

The IMF's 24-member Executive Board takes care of the daily business of the Fund and is chaired by the IMF Managing Director (currently Christine Lagarde). The constituency system allows the 24 board members to represent all 189 member countries, making it easier to conduct day-to-day business. Canada holds one of the 24 seats on the Executive Board and represents a constituency of 12 countries.¹⁴ With all constituency members combined, the Executive Director for Canada holds a voting power of 3.38 per cent—making it the 12th largest constituency by voting share.

The Executive Board usually takes consensus-based decisions, 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.

Canada's current Executive Director is Nancy Horsman. Ms. Horsman succeeded James Haley in October 2016. The Executive Director representing Canada, Ireland and a number of Caribbean countries is supported by a small staff of seconded individuals from constituent countries.

To learn more about the governance, representation and accountability structures of the IMF, please visit the IMF's Governance webpage.¹⁵

Canada at the International Monetary and Financial Committee (IMFC)

Canada's Minister of Finance represents the shared constituency at the IMFC, an important advisory body to the IMF. The IMFC is composed of 24 members 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 the constituency's views on the specific governance, surveillance and lending activities of the Fund. On October 14, 2017 and April 21, 2018, the Minister of Finance tabled IMFC statements on behalf of the 12-country constituency.

¹⁴ Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

¹⁵ Governance Structure (<http://www.imf.org/external/about/govstruct.htm>).

IMF Resources and Lending

IMF Financial Resources

The IMF's total financial resources are composed of both permanent and temporary resources. Members' permanent quota¹⁶ subscriptions form the primary source of financial resources for the IMF. Quota resources are supplemented by two standing multilateral borrowing arrangements that are renewable every five years:¹⁷ the New Arrangements to Borrow (NAB) and General Agreements to Borrow (GAB). Canada is a participant in both the NAB and GAB. These multilateral borrowing arrangements form a second line of defence for the Fund. The IMF also currently maintains temporary bilateral borrowing arrangements¹⁸ with 40 members (including Canada), which serve as a third line of defence. These lines of credit can be drawn in the event of another major global economic crisis in the unlikely event that all other resources have been effectively depleted.

While these resources can be used to support the adjustment needs in any member country, the IMF also maintains a special trust fund to enable concessional lending to its poorest and most vulnerable members.¹⁹ The Poverty Reduction and Growth Trust (PRGT) is financed through loan and grant contributions from members such as Canada, as well as through the transfer of IMF net-income resources.

Table 2 summarizes the IMF's resource base and Canada's commitments and financial position at the Fund as of June 30, 2018.²⁰

Table 2

Summary of Canada's Financial Position at the IMF IMF-Related Finances, as of June 30, 2018

SDR billions¹

	Total	Canada's Contribution	Amount Drawn From Canada's Contribution
General Resources Account			
Quota	475.5	11.0	1.3
New Arrangements to Borrow	182	3.9	0.4
General Agreements to Borrow	18.5	0.9	0
2016 Note Purchase Agreement	316 ²	8.2	0
Poverty Reduction and Growth Trust (PRGT)			
Active loan commitments		1.0	0.2 ³

Source: IMF.

¹ 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 June 30, 2018, 1 SDR equalled 1.85 Canadian dollars.

² As of June 30, 2018, 40 member countries have committed a total of about SDR 316 billion in bilateral borrowed resources.

³ As of June 30, 2018, SDR 0.14 billion was outstanding.

¹⁶ IMF Quotas (<http://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>).

¹⁷ IMF Standing Borrowing Arrangements (<http://www.imf.org/en/About/Factsheets/Sheets/2016/08/05/17/55/IMF-Standing-Borrowing-Arrangements>).

¹⁸ IMF Bilateral Borrowing (<http://www.imf.org/en/About/Factsheets/Sheets/2016/10/20/IMF-Bilateral-Borrowing>).

¹⁹ Financing the IMF's Concessional Lending to Low-Income Countries (<https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/04/Financing-the-IMFs-Concessional-Lending-to-Low-Income-Countries>).

²⁰ Canada: Financial Position in the Fund as of June 30, 2018 (<http://www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=130&date1key=2099-12-31>).

For more information on the IMF's balance sheet, see the IMF's 2018 Annual Report, which contains an in-depth examination of the IMF's finances. For up-to-date information on the state of the IMF's finances, the IMF prepares a weekly summary of its financial assistance to member countries, available IMF resources, arrears, key IMF rates and lending capacity.

IMF Lending Programs²¹

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, and (2) concessional lending for low-income members. Non-concessional lending is financed out of the Fund's normal resources grouped under the General Resources Account, whereas concessional lending is financed out of the PRGT. Details on the IMF lending process and instruments are available on the IMF website.

Lending Arrangements

During its 2017–18 fiscal year (May 1, 2017 to April 30, 2018), the IMF approved three new non-concessional lending arrangements and one augmentation to an existing arrangement totalling SDR 63.3 billion (approximately \$116.6 billion). The value of new arrangements is down from the 2016–17 fiscal year, when new non-concessional lending arrangements totalled SDR 96.9 billion. The change in new non-concessional lending is largely due to fewer biennial renewals of large precautionary programs (i.e. arrangements that will only be used in the event of an economic shock). The only major renewal that occurred was with Mexico for an arrangement under the Flexible Credit Line of SDR 62.4 billion, a successor to a previous arrangement in the same amount that was cancelled. Overall, there are currently 18 active non-concessional arrangements with the Fund, totalling SDR 140.4 billion (approximately \$258.6 billion).

The IMF also committed to nine new concessional arrangements and five augmentations to existing arrangements under the PRGT amounting to SDR 1.7 billion (approximately \$3.1 billion). Overall, there are currently 19 active concessional arrangements with the Fund, totalling SDR 3.2 billion (approximately \$5.9 billion).

Table 3 provides a summary of new IMF lending arrangements approved in 2017–18 and Chart 1 provides an overview of current active IMF lending arrangements. A complete list of the IMF's active lending arrangements is available on the IMF's website.²² For more information on IMF lending and the facilities it uses, please visit its website and consult its Annual Report.²³

Table 3

Summary of New Lending Arrangements Approved During 2017–18

	Number of New Arrangements	Size (SDR Billions)	Size (C\$ Billions)
Non-concessional lending	4	63.3	116.6
Program lending	2	0.8	1.5
Precautionary lending	1	62.4	115
Augmentations to existing arrangements	1	0.1	0.2
Concessional lending (PRGT)	14	1.7	3.1
Program lending	9	1.5	2.8
Augmentations to existing arrangements	5	0.2	0.4
Total Lending	18	65	119.7

Notes: C\$/SDR = 1.85217 (as of June 30, 2018). Totals may not equal sum of components due to rounding.
Sources: IMF; Bank of Canada calculations.

²¹ IMF Lending (<http://www.imf.org/en/About/Factsheets/IMF-Lending>).

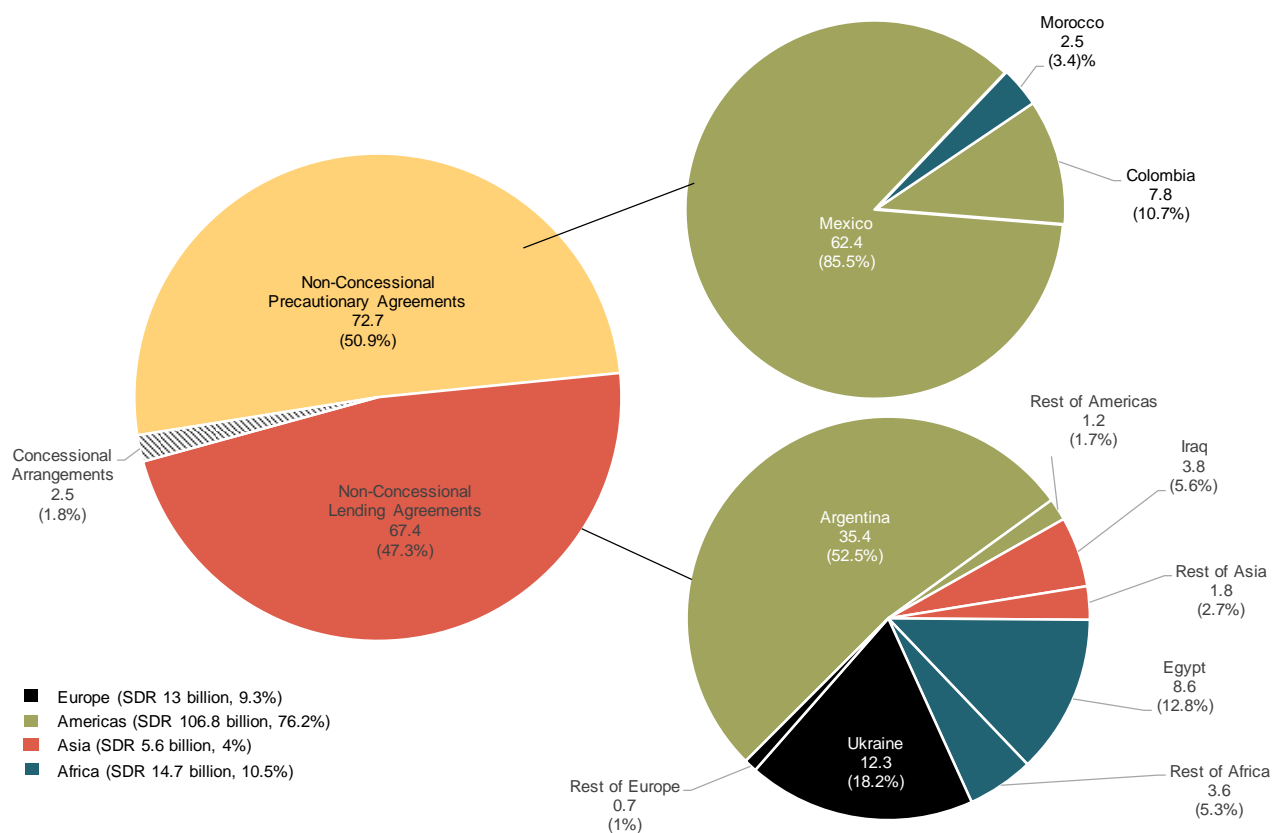
²² IMF Lending Arrangements as of June 30, 2018 (<http://www.imf.org/external/np/fin/tad/extarr1.aspx?memberKey1=ZZZZ&date1key=2020-02-28>).

²³ Annual Report of the Executive Board (<http://www.imf.org/en/publications/areb>).

Chart 1

Current IMF Lending Arrangements

SDR Billions



Sources: IMF, Department of Finance Canada calculations.

Capacity Development

Canada's Contributions to Capacity Development

For more than 50 years, the IMF has worked with countries to strengthen their economic policies, modernize institutions and build human capital. Driven by demand, the Fund's capacity development represents about 30 per cent of its total budget, 55 per cent of which is externally financed, compared to only 27 per cent in 2008. In 2017–18 total direct spending on capacity development activities (externally and IMF financed) was US\$303 million, with the externally funded component amounting to US\$170 million.

Historically, Canada has been among the largest contributors of financing to IMF capacity development activities, providing approximately US\$99.3 million over the 2010–2018 period (see Table 4 for details). This support has helped low-income and lower-middle-income countries build technical and human capacity in areas such as central bank functions, public financial management, and financial sector development and oversight. Canadian financing for IMF technical assistance has been delivered in three distinct ways:

1. **Regional Technical Assistance Centres:**²⁴ The IMF has 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, the Pacific and the Middle East. Each centre helps deliver more accessible and regionally tailored programming to member countries across the globe.

Canada most recently renewed its support for Phase V (2017–22) of the Caribbean Regional Technical Assistance Centre (CARTAC). Over the years, Canada has also supported the Central America, Panama and the Dominican Republic Regional Technical Assistance Centre, and all five of the Africa Regional Technical Assistance Centres (AFRITACs West, West 2, South, East and Central).

Canada's partnership with the IMF in supporting these initiatives is aimed at improving the efficiency, effectiveness and transparency of public financial management systems. Canada and the IMF continue to work together to encourage the use of best practices in capacity development to address the particular challenges faced by women and girls. For instance, over the reporting year, CARTAC has been active in improving gender-responsive planning and budgeting. Through research and training, CARTAC is helping to increase the ability of Caribbean governments to conduct gender-based analysis and develop gender-responsive budgets.

2. **Country-Directed Initiatives:** The IMF maintains individual country "subaccounts" for targeted technical assistance initiatives of particular importance to the donor country and the IMF. Canada maintains such subaccounts to support targeted capacity development activities in the Caribbean, Ukraine and the Middle East and North Africa. For instance, key fiscal structural reform commitments under the Ukrainian authorities' economic reform program were implemented with the support of Fund technical assistance, financed in part by Canadian resources. Examples of the types of Canadian-directed initiatives that have been pursued are presented in the box below, entitled "Selected Applications of Canadian Technical Assistance Funding".

3. **Multi-Donor Trust Funds:**²⁵ The IMF manages several thematic trust funds. Examples include the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Fund, along with others that focus on improving data availability, public debt management and other public financial capacity issues. In addition, two Fragile State Funds are specifically focused on supporting South Sudan and Somalia.

Canada has previously supported multi-donor trust funds including the AML/CFT Fund and IMF-Somalia Trust Fund for Capacity Development. The AML/CFT Fund's technical assistance aims to improve AML/CFT regimes worldwide and to provide concrete support to the IMF's membership. This assistance is delivered through timely and high-level programs customized to fit the specific needs and priorities of IMF member countries and their respective institutions. Canada's support to the IMF-Somalia Trust Fund has helped Somalia to improve its macroeconomic institutions, policies, and data systems. IMF staff, in the most recent Article IV Staff Report for Somalia, noted that the Somali authorities' commitment to the staff-monitored program is strong and they continue to implement difficult reform measures.

²⁴ IMF Regional Capacity Development Initiatives (<http://www.imf.org/en/about/factsheets/sheets/2017/06/14/imf-regional-capacity-development-initiatives>).

²⁵ Funds for Capacity Development (CD) (<http://www.imf.org/en/About/Factsheets/Sheets/2017/04/19/Funds-for-Capacity-Development>).

Table 4

Canadian Technical Assistance

US\$ millions

	Amount Disbursed FY2010–11 to FY2016–17	Amount Disbursed FY2017–18
Regional Technical Assistance Centres		
Caribbean Regional Technical Assistance Centre	20.9	2.4
Central America, Panama and the Dominican Republic Regional Technical Assistance Centre	9.5	1.5
Africa Regional Technical Assistance Centres (AFRITACS)		
AFRITAC West	2.1	–
AFRITAC West 2	2.1	>0.1
AFRITAC Central	2.1	–
AFRITAC South	3.1	–
AFRITAC East	1.0	–
Country-Directed Initiatives		
Caribbean & Middle East and North Africa (MENA)	26.2	–
Ukraine	21.5	–
Afghanistan (AML/CFT)	1.0	–
MENA (CFT)	0.9	–
Panama (AML)	0.2	–
Other Africa (Tanzania Aid Effectiveness Project)	0.3	–
Multi-Donor Trust Funds		
Somalia	2.5	–
Anti-Money Laundering/Combating the Financing of Terrorism	2.0	–
Total Amount	95.4	3.9

Notes: Table only includes initiatives to which Canada has contributed. FY = fiscal year.

Source: IMF.

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

Selected Applications of Canadian Technical Assistance Funding

Canada's support of IMF technical assistance has contributed to the following results over the past year:

- **National Bank of Ukraine (NBU) Modernization and Strategic Planning**

Project implementation was significantly strengthened during the reporting period. The NBU has shown much progress in building a suitable forecasting framework resulting in the evolution of conditions compatible with inflation targeting over this period. The project also enhanced analytical capacity at the NBU that resulted in the publication of short- and medium-term inflation targets. The NBU has significantly eased currency market restrictions, which had been introduced at the height of the 2008–2009 global financial crisis. Benefiting from this and other supportive initiatives, the exchange rate has remained relatively stable. The NBU plans to continue liberalizing the market, provided there are no unforeseen external shocks and financial stability concerns.

- **Anti-Money Laundering to Support Anti-Corruption Efforts in Ukraine**

The NBU has strengthened its AML/CFT supervisory activities (offsite monitoring and onsite inspection), which has resulted in 68 banks being served regulatory actions as a result of breaches of regulatory requirements and inadequacies in their controls and systems. There have been 101 cases relating to suspicious activities of members of parliament, judges, prosecutors and high-level civil servants found by the Financial Intelligence Unit and disseminated to the National Anti-Corruption Bureau of Ukraine for further investigation.

- **Eastern Caribbean Currency Union (ECCU), Barbados, Belize and Jamaica—Strengthening Debt Management**

Progress in the ECCU countries has been strong, where the debt management, institutional and legal frameworks have been strengthened, and the quality of the analysis improved. All the beneficiary countries now produce Medium-Term Debt Management Strategies, demonstrating notable improvement in the understanding of the cost and risks embedded in their respective debt portfolios, and in the selection of borrowing strategies appropriate to the circumstances of each country. Graduates of the Junior Debt Managers Programme have boosted the overall skill level in the various Debt Management Offices and have taken on a greater number of leadership positions.

- **Strengthening Public Financial Management in Haiti**

Despite a challenging environment in Haiti, good progress has been made on setting up a Treasury Single Account (TSA) system and on government accounting. The TSA, which was opened at the central bank in 2016, now covers most of the Ministry of Economy and Finance's budgetary units. Government accounting functions have been expanded to all line ministries and one (the Department of South) of the ten departments since January 2018. Accounting for capital projects, which had initially remained outside the scope of the Ministry of Economy and Finance, has also started.

- **Strengthening Bank Supervision in Tunisia**

The supervisory process in Tunisia has made steady steps toward the transition from a compliance-based to a risk-based approach. The Central Bank of Tunisia is now able to develop various elements of risk-based supervision, including preparing a prudential quarterly report for banks, designing new risk-based reporting templates, developing a new bank rating system, and drafting some modules/procedural notes for various elements of the onsite inspection process. Banking regulations (mainly related to AML/CFT), internal control, liquidity risk and operational risk) were developed. Furthermore, the 2015–2020 banking supervision action plan was prepared to enhance the risk-based supervision framework and regulations, as well as train supervisors on AML/CFT supervisory tools.

Annex 2

Background on Canada's Engagement in World Bank Group Operations

The twin goals of the World Bank Group are 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.

The World Bank Group is made up of five complementary but distinct entities: 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). Each institution plays a unique role in promoting global poverty reduction. Further information on the mandate of each of these entities can be found on the World Bank Group's website.²⁶

Information on the World Bank Group's 2017–18 fiscal year (July 1, 2017 to June 30, 2018) is provided in the financial statements of each entity.²⁷ Further information on the World Bank Group's performance can be found on its Results webpage.²⁸

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 representatives on the Board of Governors and their Executive Directors.

Canada is among the 11 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\$12.2 billion in contributions to IDA (see Table 5).

Canada's current 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 a function of the shareholdings held by a country. 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 resulted in a shift in voting shares in favour of developing countries and emerging economies as member states subscribe to the general and selective capital increases. Assuming that both capital increases at IBRD and IFC are formally approved by Governors in the coming months, Canada's shareholding at both institutions would be expected to be marginally reduced at IBRD and to remain largely unchanged at IFC. Overall, the capital increases will continue to rebalance the shareholding to allow for greater voice for and recognition of certain major emerging market countries.

²⁶ World Bank—Who We Are (<http://www.worldbank.org/en/who-we-are>).

²⁷ World Bank Financial Statements (<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:22669594~menuPK:8336873~pagePK:51123644~piPK:329829~theSitePK:29708,00.html>); IFC Financial Statements (http://www.ifc.org/wps/wcm/connect/092fd15b-c878-4324-b228-62738342099b/IFC+FY17+MDA+and+FS_Final.pdf?MOD=AJPERES); MIGA, Management's Discussion & Analysis and Financial Statements, June 30, 2017 (https://www.miga.org/Documents/miga_documents/MIGA%20MDA%20and%20Financial%20Statements%20June%2030%202017.pdf).

²⁸ World Bank Group Results webpage (<http://www.worldbank.org/en/results/>).

Table 5

Canada's Capital Subscriptions, 2017–18

US\$ millions, unless otherwise indicated

	IBRD	IDA	IFC	MIGA
Capital subscriptions and contributions	7,039.5	12,237.3 ¹	81.3	56.5
Amount paid in	433.1	11,461.1 ²	81.3	10.7
Amount not paid in but contingent on future capital requirements	6,606.5	–	–	45.8
Subscription or contributions share (%)	2.56	4.55	3.17	2.95
Voting power (%)	2.45	2.64	3.02	2.50

Note: Figures are from the 2018 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 2018 as part of our commitment to the 18th replenishment of IDA.² Represents Canada's cumulative contributions to IDA and the first three actual payments of a series made as part of the 18th replenishment of IDA.

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. 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. Canada's Governor at the World Bank Group is the Minister of Finance, the Honourable William Francis Morneau, and as of August 2017, the Alternate Governor for Canada at the World Bank Group is Diane Jacovella, Canada's Deputy Minister of International Development.

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. Canada holds one of the 25 seats on the Executive Board and represents a constituency of 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 her positions and applies her 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. Given the preference for decisions by consensus, shareholders typically raise concerns about specific Bank operations before they are brought forward to the Executive Board. In addition, Executive Directors may abstain or vote against projects or policies in consultation with their constituencies. Since November 2016, the Canadian Executive Director is Christine Hogan. Further information on Canada's Executive Director's office can be found online.²⁹

To learn more about the governance of the Executive Board, please visit the World Bank Group's Boards of Directors webpage.³⁰

²⁹ Office of the Executive Director (<http://www.worldbank.org/en/about/leadership/directors/eds07>).³⁰ Boards of Directors (<http://www.worldbank.org/en/about/leadership/directors>).

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 2017–18, 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 14, 2017 and on April 21, 2018 in Washington, D.C.³¹

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.³²

- 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 75 poorest countries. IDA loans ("credits") and grants are allocated based on Country Partnership Frameworks, 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 lower-income countries that are creditworthy. The cooperative structure, which treats certain 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.

³¹ Development Committee Statement by the Honourable Bill Morneau, Minister of Finance, Canada, October 14, 2017 (<http://siteresources.worldbank.org/DEVCOMMIT/Statements/23760797/DCS2017-0044-Canada.pdf>) and April 21, 2018 (<http://documents.worldbank.org/curated/en/574011524662835559/pdf/DCS2018-0007-Canada-04212018.pdf>).

³² The Official Development Assistance Accountability Act (<http://www.international.gc.ca/development-developpement/partners-partenaires/bf-oo/odaaa-lmado.aspx?lang=eng>).

- IFC is the largest public global development institution focused on the private sector in developing countries. As most 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.

As Canada continues its engagement with these institutions, officials will monitor and assess the effectiveness of Canada's contributions to ensure that development outcomes are met.

Canada's Financial Contributions to the World Bank Group in 2017–18

Canada is an important provider of funding for the World Bank Group. In 2017–18, Canada made the following contributions, which are reported as Canadian official development assistance:

IDA Contribution: \$441.6 million

IDA is one of the largest sources of assistance for the world's 75 poorest countries,³³ 39 of which are in Africa. Strongly aligned with Canada's international assistance priorities, IDA-financed operations address primary education, basic health services, clean water and sanitation, environmental safeguards, business climate improvements, infrastructure and institutional reforms. IDA provides countries with low-interest loans, interest-free loans and grants based on countries' level of income and record of success in managing their economies and their ongoing IDA projects.

During the reporting period of July 1, 2017 to June 30, 2018, Canada provided \$441.61 million as agreed under the IDA18 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.

Based on donor contributions from Canada and others, IDA has delivered the following results over the three years of IDA17 (fiscal years 2014–15 to 2016–17):

- 69.2 million children received immunizations;
- 263.4 million people received essential health, nutrition and population services;
- An additional 23.7 million people were covered by social safety nets;
- 61,054 kilometres of roads were built or fixed;
- 34.2 million people received access to water;
- 14.5 million people obtained access to better sanitation facilities; and
- 1,492 megawatts of renewable energy generation capacity were developed or upgraded.

³³ This number excludes Bolivia, Sri Lanka and Vietnam, which graduated from IDA at the end of IDA17 (FY2015–2017) but will receive transitional support on an exceptional basis through the IDA18 period (FY2018–2020).

Multilateral Debt Relief Through the World Bank: \$51.2 million

Under the Multilateral Debt Relief Initiative (MDRI), the World Bank, IMF and African Development Fund (ADF) 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 the World Bank, IMF and ADF for the debts they cancelled on behalf of poor countries, so as not to undermine the ability of these institutions to provide new financial support to low-income countries. Canada's total commitment over the 50-year lifespan of the MDRI is \$2.5 billion and payments are made annually. Debt relief under the Heavily Indebted Poor Countries Initiative and the MDRI has substantially reduced debt burdens in recipient countries. During the reporting period of July 1, 2017 to June 30, 2018, Canada provided \$51.2 million to the World Bank Group for the MDRI.

World Bank Group Trust Funds: \$788.1 million

World Bank Group trust funds are an effective instrument for channelling donor funding 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, with the majority of its contributions going to multi-donor trust funds.

Canada's engagement with the World Bank Group reflects a strong focus on:

- The Feminist International Assistance Policy, which puts the empowerment of women and girls at the centre of its development efforts;
- The poorest countries and countries in conditions of fragility and conflict through both IDA and the IDA/IBRD trust fund portfolio;
- Global public goods such as health, including maternal and child health, and climate change mitigation, through IBRD/IDA trust funds and Financial Intermediary Funds (FIFs);
- Private sector development, reflected in the funding of IFC advisory services and investments and FIFs (such as the Global Infrastructure Facility); and
- Country operations, with the majority of IBRD/IDA trust fund agreements either country- or region-specific, and a high share of overall IBRD/IDA trust funds recipient-executed (85 per cent).

Global Affairs Canada manages Canada's trust fund relationship at the World Bank Group. The following table provides a list of Global Affairs Canada trust fund disbursements in 2017–18.

Trust Funds	Disbursements Between July 1, 2017 and June 30, 2018 (\$ millions)
Asia	
Nepal Housing Reconstruction Project	4.7
Indonesia Agribusiness Development (Indonesia)	1.0
Disaster Risk Financing in the South Pacific	0.9
Public Private Infrastructure (Accelerating Sustainable Private Investments in Renewable Energy) (Indonesia)	4.0
Private Sector Engagement for Agricultural Development (Vietnam)	1.0
Natural Resources for Development Program (Indonesia)	2.4
Support to the Afghanistan Reconstruction Trust Fund	45.1
Africa	
Support to Phase II of the Agricultural Growth Program (Ethiopia)	2.1
Kenya Petroleum Technical Assistance Project	3.6
Strengthening National Sexual and Reproductive Health in Mozambique	15.0
West African Regional Disease Surveillance	3.5
Africa Renewable Energy Initiative	63.5
Enhancing Farmers' Access to Markets in East and West Africa	1.0
Business Enabling Environment Support (Tanzania)	2.0
Middle East	
Global Concessional Financing Facility (Jordan and Lebanon)	20
Middle East and North Africa Concessional Financing Facility	0.5
Municipal Services and Social Resilience (Jordan)	10.0
Global Initiatives and Strategic Policy	0.5
Global Fund to Fight AIDS, Tuberculosis and Malaria	267.7
Global Partnership for Education	30.0
Canada-IFC Partnership Fund II	6.0
Global Financing Facility	90.0
Canada Climate Change Program Phase II	193.5
Women Entrepreneurs Finance Initiative	20
Total ¹	788.1

¹ Total may not add due to rounding.

Sources: Global Affairs Canada; CFO - Statistics.

Objectives and Results of Canada's World Bank Group Trust Funds

As Canada continues to engage with the World Bank Group through trust fund arrangements, the effectiveness of these partnerships is assessed to ensure that development outcomes are being achieved. Key areas of progress include:

• Global Partnership for Education (GPE)

- Canada provided a contribution of \$30 million to the GPE in 2017–18, the final disbursement in a pledge totalling \$120 million over 2014–2018. Over this period, the GPE has contributed to 18.5 million children, of which over 8.8 million were girls, attending school, helping narrow the equity index in recipient countries.
- In January 2018, Canada announced at the World Economic Forum's annual meeting its intent to support the GPE with a follow-on commitment of \$180 million over 2018–2020, doubling its pledge to support girls' education and help strengthen education systems in developing countries.

• Global Financing Facility in Support of Every Woman Every Child (GFF)

- As a founding member and important donor to the GFF, Canada contributed a total of \$240 million to the GFF between 2015 and 2020, and offers advice on the strategic and operational direction of the Facility.
- The 16 countries that receive support from the GFF represent 46 per cent of the US\$33.3 billion global health financing gap. In 9 countries, the GFF has mobilized US\$1.2 billion in concessional financing using US\$292 million in grant resources from the GFF Trust Fund.
- Sexual and reproductive health and rights (SRHR) are a focus of 30 per cent of its financing. Recognizing the multi-dimensional nature of SRHR, many countries are using multi-sector approaches to address women's, children's and adolescents' health, including approaches combining skills, education and other factors leading to improved health outcomes.

• Women Entrepreneurs Finance Initiative (We-Fi)

- Canada committed C\$20 million over 2017–2020 in support of We-Fi, which provides access to finance, advisory and networking services for women-owned and women-led small and medium-sized enterprises in developing countries.
- Through financing and other services, We-Fi will contribute to remediating widespread challenges faced by women entrepreneurs including lack of access to financing and other challenges, such as legal and policy barriers and difficulty accessing markets, which hinder the growth of their businesses.
- In February 2018, the We-Fi Governing Committee, of which Canada is a member, approved allocations of up to US\$120 million, of which US\$75 million to the World Bank Group, to help women entrepreneurs grow their businesses.
- Minister of International Development Marie-Claude Bibeau announced that Danièle Henkel would serve as Canada's Leadership Champion to We-Fi. In this role, Ms. Henkel will mobilize support for women's entrepreneurship internationally.

• Africa Renewable Energy Initiative (AREI)

- Canada will contribute \$150 million to AREI through IFC to support African countries' efforts to transition to more efficient, less expensive and cleaner forms of energy. This contribution is expected to lever US\$350 million in additional public and private investments.
- The Initiative is set to achieve at least 10 gigawatts (GW) of new and additional renewable energy generation capacity by 2020 and mobilize African potential to generate at least 300 GW by 2030.
- Ultimately, the Initiative will lead to 340,000 metric tons of CO₂ per year either being reduced or avoided, benefitting up to 930,000 people through improved access to clean energy. The Initiative will adopt a gender-sensitive implementation approach.
- Canada is also supporting an advisory services projects to help reach underserved populations, including the identification of bankable off-grid projects in rural areas.

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
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
2016–17	19.6
2017–18	35.2

Notes: Based on World Bank Group figures as of July 31, 2018.

Disbursements by IBRD and IDA Borrowers: Suppliers of Goods and Services From Canada, 2017–18

US\$

Supplier	Sector	Category	Amount
CCISD	Agriculture, Fishing and Forestry	Consultant Services	\$2,608,560
Individual Consultant	Agriculture, Fishing and Forestry	Consultant Services	\$168,000
Individual Consultant	Agriculture, Fishing and Forestry	Consultant Services	\$270,456
Dalhousie University	Agriculture, Fishing and Forestry	Consultant Services	\$2,462,124
Paterson, Grant & Watson Limited	Agriculture, Fishing and Forestry	Consultant Services	\$4,413,964
MaRS Center for Impact Investing	Agriculture, Fishing and Forestry	Consultant Services	\$177,089
Chinook Helicopters	Agriculture, Fishing and Forestry	Non-consulting Services	\$268,322
Éducation Internationale	Education	Consultant Services	\$187,464
Individual Consultant	Education	Consultant Services	\$158,800
St. Francis Xavier University and Mindbloom Consulting	Education	Consultant Services	\$199,350
CIDE Inc.	Energy and Extractives	Consultant Services	\$150,000
Manitoba Hydro International Ltd.	Energy and Extractives	Consultant Services	\$190,957
Individual Consultant	Energy and Extractives	Consultant Services	\$83,300
CRC Sogema	Industry & Trade Services	Consultant Services	\$189,033
Great Village International Consultants	Information & Communications	Consultant Services	\$743,549
Cowater International	Public Administration	Consultant Services	\$13,365,024
Individual Consultant	Public Administration	Consultant Services	\$32,500
Individual Consultant	Transportation	Consultant Services	\$109,224
CPCS Transcom International	Transportation	Non-consulting Services	\$1,494,371
Exp International Service Inc	Water, Sanitation and Waste Management	Consultant Services	\$3,627,154
Cowater International Inc.	Water, Sanitation and Waste Management	Consultant Services	\$1,928,888
Individual Consultant	Water, Sanitation and Waste Management	Consultant Services	\$52,000
Individual Consultant (Michael J. Wills)	Not Assigned	Consultant Services	\$33,798
Groupeement Roche Ltée - Aelcium - Odyssee - BCR	Not Assigned	Consultant Services	\$1,298,000
CIMA International	Not Assigned	Consultant Services	\$785,938
Individual Consultant	Not Assigned	Consultant Services	\$152,380

Note: Based on World Bank Group figures as of July 31, 2017.

Annex 4

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

Communiqué of the Thirty-Sixth Meeting of the International Monetary and Financial Committee (IMFC)

October 14, 2017

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

Global economy

The global upswing in economic activity continues, as we strive for higher, sustainable, broad-based growth. The outlook is strengthening, with a notable pickup in investment, trade, and industrial production, together with rising confidence. But the recovery is not yet complete, with inflation below target in most advanced economies, and potential growth remains weak in many countries. Near-term risks are broadly balanced, but there is no room for complacency because medium-term economic risks are tilted to the downside and geopolitical tensions are rising.

Policy response

The welcome upturn in global activity provides a window of opportunity to tackle key policy challenges and stave off downside risks, including by ensuring appropriate buffers, and to maximize returns on structural reforms to raise potential output. We reinforce our commitment to achieve strong, sustainable, balanced, inclusive, and job-rich growth. To this end, we will use all policy tools—monetary and fiscal policies and structural reforms—both individually and collectively. We will work together to reduce excessive global imbalances in a way that supports global growth by pursuing appropriate and sustainable policies. Strong fundamentals, sound policies, and a resilient international monetary system are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes. We reaffirm our commitment to communicate policy stances clearly, avoid inward-looking policies, and preserve global financial stability. We welcome the conclusions of the G-20 Hamburg Summit on trade and are working to strengthen its contribution to our economies.

Supporting the recovery and reinvigorating growth prospects : Monetary policy should remain accommodative, where inflation is still below target and output gaps are negative, consistent with central banks' mandates, mindful of financial stability risks, and underpinned by credible policy frameworks. Monetary policy, however, must be accompanied by other supportive policies. Fiscal policy should be used flexibly and be growth-friendly, while enhancing resilience, avoiding procyclicality, and ensuring that public debt as a share of GDP is on a sustainable path. To boost productivity and promote inclusiveness, fiscal policy should prioritize high-quality investment, support structural reforms, including more efficient tax systems, and promote labor force participation. Structural reforms, well-sequenced and adapted to individual country circumstances, should aim to lift productivity, growth, and employment; promote competition and market entry; and enhance resilience, especially given present high debt levels, while effectively assisting those bearing the cost of adjustment.

Safeguarding financial stability : We will continue to strengthen the resilience of the financial sector to support growth and development, including addressing legacy issues in some advanced economies and vulnerabilities in some emerging market economies, as well as monitoring potential financial risks associated with prolonged low interest rates and continued accommodative monetary policy. Effective financial supervision and macroprudential frameworks are key to guard against financial stability risks. We stress the importance of timely, full, and consistent implementation of the agreed financial sector reform agenda, as well as finalizing remaining elements of the regulatory framework as soon as possible.

Promoting inclusion and building trust in institutions : We will strive to implement domestic policies that develop an adaptable and skilled workforce and enhance inclusion, so that the gains from technological progress and economic integration are widely shared. We will strengthen governance to enhance the credibility of institutions and build support for reforms needed to raise growth and adjust to a rapidly changing environment.

Cooperating to tackle shared challenges : Recognizing that all countries benefit from cooperation, we will work to tackle common challenges, support efforts toward reaching the 2030 Sustainable Development Goals (SDGs), and support the orderly functioning of the international monetary system (IMS). We will work together to achieve a level playing field in international taxation; address tax and competition challenges, as appropriate, raised by the digitalization of the economy; tackle the sources and channels of terrorism financing, corruption, and other illicit finance; and address correspondent banking relationship withdrawal. We will support countries dealing with the macroeconomic consequences of pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises.

IMF operations

We welcome the Managing Director's *Global Policy Agenda*. The IMF has a key role in supporting the membership to seize the window of opportunity to:

Sustain the recovery : We call on the IMF to provide member-tailored advice on the policy mix to deepen the global recovery. We support the work on fiscal rules and medium-term frameworks and the application of the fiscal space framework in bilateral surveillance. We support efforts to further enhance surveillance activities, including embedding analysis of macro-financial issues in IMF surveillance. We look forward to the Interim Surveillance Review, which will take stock of the IMF's policy advice across the membership. We welcome further work on the impact of prolonged low interest rates and the role of macroprudential policies. We support continued progress toward addressing data gaps.

Raise prospects for sustained growth : We call on the IMF to continue to analyze the causes of the productivity slowdown and the measurement challenges of the digital economy, and help members identify structural reform priorities and analyze their impact on macroeconomic resilience. We support drawing lessons from applying the Infrastructure Policy Support Initiative in surveillance and work updating the framework for assessing public infrastructure management. We welcome the IMF's continued support to the G-20 Compact with Africa initiative to improve investment frameworks and foster private sector investment.

Assist low-income countries (LICs) and small and fragile states : We extend our sympathy to those hit by natural disasters, and welcome the IMF's readiness to help. We call on the IMF to identify policies and scale up capacity development that will help LICs and small and fragile states unlock their growth potential and enhance resilience to shocks, including by encouraging ex-ante risk management strategies, and through advancing economic diversification, enhancing revenue mobilization, and containing rising public debt vulnerabilities. We welcome the IMF's work in support of the 2030 SDGs, where relevant to its mandate. We look forward to the review of LIC facilities, including options to help countries prepare for, and respond to, natural disasters and recover from conflicts. We welcome financial commitments made so far and look forward to the successful completion of mobilization efforts to ensure adequate PRGT loan resources over the medium term.

Bolster trust and resilience : We look forward to further work on good governance and addressing corruption issues, where these are macro-critical, while ensuring evenhanded treatment across the membership. We support further efforts to strengthen policy frameworks, including on fiscal issues, AML/CFT, and financial regulation and supervision. We also support the IMF's work on inequality. We look forward to the review of the framework for debt sustainability analysis for countries with market access. We welcome the update of the IMF/World Bank low-income countries (LIC) debt sustainability framework, which is expected to become operational in the second half of 2018, benefiting from staff's technical support. We call for enhanced transparency on debt issues.

Promote cooperation across countries : We support the IMF's increased efforts to provide a rigorous, evenhanded, and candid assessment of imbalances and exchange rates in both Article IV consultations and the External Sector Report, further refining the external sector assessment methodologies, and the review of policies on multiple currency practices. We support the strengthened analysis of spillovers from domestic policies to the global economy as part of the IMF's surveillance. We also look forward to enhanced communication on, and the effective and consistent implementation of, the IMF's Institutional View on capital flows, while further exploring the role of macroprudential policies to increase resilience to large and volatile capital flows. We welcome work studying the macroeconomic impacts of fintech and virtual currencies. We support the IMF's collaboration with international standard setters to help members complete the global financial regulatory reform agenda. We support the IMF's continued role in international taxation and domestic revenue mobilization, including through the Platform for Collaboration on Tax, and in helping countries strengthen capacity to tackle illicit finance and address correspondent banking relationship withdrawal. We support the IMF's continued assistance to countries dealing with macroeconomic problems arising from shocks, including those affected by conflict, refugee crises, and natural disasters. We emphasize the importance of the IMF's collaboration with other multilateral institutions in pursuit of shared objectives.

Strengthen the IMS : We continue to support the work streams toward further strengthening the global financial safety net (GFSN): collaborating with Regional Financing Arrangements; exploring possible enhancements to the IMF's lending toolkit; and examining the possible broader use of the SDR. We look forward to the review of IMF-supported programs and use of conditionality.

Support the membership with capacity development : We welcome the IMF's provision of capacity development to complement its surveillance and program engagement, and look forward to the forthcoming review, aimed at strengthening its effectiveness and accountability.

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the GFSN. We are committed to concluding the 15th General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for 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, while protecting the voice and representation of the poorest members. We call on the Executive Board to work expeditiously toward the completion of the 15th General Review of Quotas in line with the above goals by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We welcome the first progress report to the Board of Governors and look forward to further progress by the time of our next meeting. We welcome the new commitments received under the 2016 Bilateral Borrowing Agreements. We call for full implementation of the 2010 governance reforms.

We reiterate the importance of maintaining the high quality and improving the diversity of the IMF's staff. We also support promoting gender diversity in the Executive Board.

Our next meeting will be held in Washington D.C., on April 21, 2018.

Communiqué of the Thirty-Seventh Meeting of the International Monetary and Financial Committee (IMFC)

April 21, 2018

Chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank

The Committee expresses its deep gratitude to its former Chair, Mr. Agustín Carstens, for his invaluable contribution to the work of the Committee during 2015-17, and extends its best wishes to him as the General Manager of the Bank for International Settlements. The Committee welcomes Governor Lesetja Kganyago as its new Chairman.

Global outlook and policy priorities

Global growth has further strengthened and is increasingly broad-based, driven by a strong rebound in investment and trade. Risks are broadly balanced in the near term, but remain skewed to the downside beyond the next several quarters. Rising financial vulnerabilities, increasing trade and geopolitical tensions, and historically high global debt threaten global growth prospects. Demographic headwinds and subdued productivity growth may reduce the potential for higher and more inclusive growth going forward.

The window of opportunity remains open and should be used expeditiously to advance policies and reforms that sustain the current upswing, enhance resilience, and raise medium-term growth for the benefit of all. We will continue to use all policy tools to achieve strong, sustainable, balanced, inclusive, and job-rich growth. In line with central bank mandates and mindful of financial stability risks, monetary accommodation should continue where inflation remains weak and be gradually withdrawn where inflation looks set to return to central bank targets. Fiscal policy should be flexible and growth-friendly, rebuild buffers where needed, avoid procyclicality, create space to invest in infrastructure and workforce skills, and ensure that public debt as a share of GDP is on a sustainable path.

Structural reforms should aim to lift productivity, potential growth, and employment, while effectively assisting those bearing the cost of adjustment. We stress the importance of timely, full, and consistent implementation and finalization of the financial sector reform agenda as soon as possible to further strengthen financial sector resilience. We will continue to monitor and, if necessary, address emerging risks and vulnerabilities in the financial system. Policies should also enhance inclusion to widely share the gains from technology and economic integration and manage associated risks. We will work together to reduce excessive global imbalances in a way that supports global growth by pursuing appropriate and sustainable policies.

Strong fundamentals, sound policies, and a resilient international monetary system (IMS) are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes.

We will cooperate to tackle shared challenges. We reaffirm the importance of implementing the conclusions of the G-20 Hamburg Summit on trade and recognize the need for further dialogue and actions. We are working to strengthen the contribution of trade to our economies. We will continue to work for a globally fair and modern international tax system, address tax and competition challenges, including from digitalization, as appropriate; and tackle the sources and channels of money laundering and terrorism financing, proliferation financing, corruption, and other illicit finance.

We support efforts toward reaching the 2030 Sustainable Development Goals (SDGs). We will work toward enhancing debt transparency and sustainable financing practices by both debtors and creditors and addressing debt vulnerabilities in low-income countries (LICs). We will support countries dealing with the macroeconomic consequences of pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises.

IMF operations

We welcome the Managing Director's *Global Policy Agenda Update*. In line with its mandate, the IMF will continue to support its members and collaborate with others to:

- *Promote a stable international monetary and financial system.* We welcome efforts to conduct a rigorous, evenhanded, candid, and transparent assessment of excessive global imbalances and exchange rates in the 2018 External Sector Report. We look forward to the stock-take on capital flow management measures based on the Institutional View.
- *Help members tackle shared challenges.* We support the IMF's collaboration with relevant stakeholders on financial technology, crypto assets, and cyber security. We support the IMF's continued role in international tax issues and domestic resource mobilization, including through the Platform for Collaboration on Tax. We call on the IMF to set out a clear process for supporting country authorities in developing their medium-term revenue strategies. We support further efforts to address the withdrawal of correspondent banking relationships and its adverse consequences, including on remittances, trade flows, and financial inclusion. We reaffirm our support for the IMF's work to help countries achieve the 2030 SDGs. We support the IMF's continued efforts to assist countries in dealing with the macroeconomic consequences of large refugee inflows.
- *Safeguard debt sustainability.* Debt vulnerabilities are rising in many countries, particularly in LICs. We call on the IMF and the World Bank Group to work together on a multi-pronged work program to enhance debt transparency and sustainability and address LIC debt vulnerabilities. We urge the IMF to work closely with members to strengthen fiscal frameworks and improve debt management capacity, and to work with debtors and creditors on promoting sustainable lending practices and tackling data gaps.
- *Enhance resilience and raise medium-term prospects.* We welcome the IMF's enhanced engagement on governance issues, including corruption, as well as efforts to establish a framework to guide its involvement in social protection issues. We agree that the IMF will need to consider the effects of technology and digitalization in its macroeconomic analysis, including on inequality, productivity, labor and financial markets, fiscal policy, monetary policy, and measurement of the digital economy. We also welcome work on youth unemployment and the impact of gender inclusion and labor force participation on growth. We look forward to the IMF's management implementation plan in response to the IEO Evaluation—The IMF and Fragile States.
- *Upgrade policy tools to develop tailored policy solutions to members.* We welcome the findings of the Interim Surveillance Review and look forward to further improvements in surveillance practices to ensure evenhandedness, enhance traction and effectiveness for crisis prevention, improve the coverage of spillovers, and adapt to evolving macro-critical challenges. We support work on the reviews of the AML/CFT program, the Financial Sector Assessment Program, the capacity development strategy, and the debt sustainability framework for countries with market access.
- *Strengthen the IMS.* We continue to support work toward further strengthening the global financial safety net (GFSN) and collaboration with regional financing arrangements. We support the IMF's contributions to the G-20 Data Gaps Initiative. We look forward to the reviews of LIC facilities, including with regard to small and fragile states, and of conditionality and design of IMF-supported programs. We appreciate continued efforts to strengthen the effectiveness and accountability of capacity development and assist countries in implementing the updated LIC debt sustainability framework.

IMF resources and governance

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the GFSN. We are committed to concluding the 15th General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for 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, while protecting the voice and representation of the poorest members. We call on the Executive Board to work expeditiously toward the completion of the 15th General Review of Quotas in line with the above goals by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We note the progress report to the Board of Governors and look forward to further progress by the time of our next meeting. We welcome the progress made in securing commitments under the 2016 Bilateral Borrowing Agreements. We call for full implementation of the 2010 governance reforms.

We reiterate the importance of maintaining the IMF's high-quality staff and strengthening efforts to meet the 2020 diversity targets. We support promoting gender diversity in the Executive Board.

Our next meeting will be held in Bali, Indonesia, on October 13, 2018.

Annex 5

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

World Bank-IMF Annual Meetings 2017: Development Committee Communiqué

October 14, 2017

1. The Development Committee met today, October 14, in Washington, D.C.
2. Global growth has improved over the past year with a recovery in investment, trade and commodity prices as well as supportive global financial conditions. Still, risks to the global outlook remain skewed to the downside, and prospects for growth vary widely across countries. While there has been encouraging progress in poverty reduction globally; high rates of inequality persist within and among countries, and stubborn pockets of poverty remain. Complex, interlinked challenges also risk rolling back the important gains of recent decades in an increasingly interconnected global economy.
3. The urgency and scale of today's risks to development require national and global coordinated action to achieve robust, sustainable, and inclusive development outcomes. The WBG is an effective and accountable leader in the global development arena, and we acknowledge its strong track record of supporting countries' long-term development ambitions. With its capable staff, it is well-positioned to catalyze and deploy public and private finance to serve all clients using a range of financial, risk, advisory and knowledge products. It also has the capacity to convene partners at the global, regional, and national levels. These factors make it a unique institution within the development community.
4. Recent human losses and economic shocks caused by natural disasters, famine, conflict, and displacement demonstrate that hard-earned economic and social gains can easily be lost. The need for fiscal adjustment also poses challenges in many economies, especially in highly indebted countries. We call on the WBG and the International Monetary Fund (IMF) to remain alert to the risk of debt distress amid the cyclical and structural headwinds that confront many developing economies, including through enhanced support for private investment in Africa. Their continued assistance is critical to countries' efforts to achieve sustainable and inclusive growth, enhance human capital, and strengthen resilience.
5. To promote sustainable and inclusive growth, we urge enhanced coordination and partnership across multilateral development banks (MDBs) and other international financial institutions (IFIs) to help leverage the financing required to create jobs and build healthy economies. We are encouraged by WBG efforts to maximize finance for development, including through the Cascade approach, which is intended to ensure that public and private investments are complementary. We ask the WBG to help countries maximize their development resources by drawing appropriately on private sector solutions to achieve the WBG's twin goals and the Sustainable Development Goals (SDGs).

6. To enhance human capital, we encourage systematic approaches to health, nutrition, education, and social protection that create the foundations for long-term development. In particular, we welcome the World Development Report, Learning to Realize Education's Promise. Improving learning outcomes for all is an important practical strategy for eliminating poverty and achieving shared prosperity. It is also a moral imperative. When children attend school without learning even the most basic life skills, it is not just a wasted opportunity; it is also a grave injustice. We urge the WBG to work with clients to adapt and design policies which over time can help them bolster learning and prepare their citizens for technological changes that will transform labor markets.

7. Closing gender gaps for women in access to property, finance and decent work is critical for achieving the SDGs. We are encouraged by the WBG's creation of the Women Entrepreneurs Finance Initiative, which is expected to leverage more than US\$1 billion to help unlock the potential of women entrepreneurs. We also welcome the creation of a Gender Diversity Working Group at the Board of Executive Directors and request an update on its progress by the Spring Meetings in 2018.

8. To strengthen resilience, we urge continued investment in policies and programs that enable economic diversification and minimize the negative impact of acute and long-term challenges to development. Macroeconomic shocks arising from such crises as conflict, pandemics, natural disasters, and extreme weather events can displace communities and create high costs in terms of lost lives, livelihoods, infrastructure and social cohesion. Moreover, cyclical shocks place pressure on vulnerable financial systems. We call on the WBG and IMF to continue to work with countries to strengthen domestic resource mobilization, reduce illicit financial flows, create instruments for crisis and disaster prevention and preparedness, and ensure economic and social resilience when crises and disasters occur.

9. We highlight the need for action to address challenges - climate change, migration and forced displacement, global health, as well as fragility, conflict and violence (FCV) - that threaten all countries. We applaud platforms such as the Caribbean Catastrophe Risk Insurance Facility, the Global Concessional Financing Facility and the Pandemic Emergency Financing Facility as examples of WBG leadership in helping countries apply solutions at national, regional, and global levels. We note the ambition set out in the WBG Climate Change Action Plan. We recognize that small states are disproportionately affected by disaster risks and note the continued importance of facilitating their access to finance.

10. We welcome the start of IDA18, its record replenishment of US\$75 billion, its new financial model and Triple A rating, and its focus on jobs and economic transformation, gender, climate change, governance and FCV. We look forward to successful implementation, including the contribution that increases in funding and staff will make in countries affected by FCV. We especially commend the renewed focus on facilitating private sector investment to boost growth for the poorest and most vulnerable. In this regard, we recognize the importance of IDA18's IFC-MIGA Private Sector Window to mobilize private investment and create markets in the most challenging environments.

11. We are encouraged by the Forward Look implementation update and recognize the importance of the WBG serving all client segments, noting that resources should be strategically deployed to meet global and client needs and targeted to areas of the world that most need funding and have least access to capital, with a tailored value proposition to the full range of clients. We support the initiatives that seek to optimize operational and administrative simplification without compromising the quality of WBG operational and analytical support. We expect the WBG to continuously strive for improvement through initiatives such as the Environment and Social Framework implementation, the Agile program as well as the Compensation Review. Increasing efficiency and effectiveness are also critical to support the institution's goals of reducing poverty and boosting shared prosperity in a sustainable manner. We look forward to a further update at the Spring Meetings 2018, including targets for measuring progress.

12. We welcome the progress report to Governors on the Shareholding Review. We endorse the continuing work that provides for further consideration of options and call on the Board to bring these discussions to a successful conclusion by Spring Meetings 2018.

13. We recall the high ambition set out in the Forward Look and recognize the expectations placed on the WBG. We ask the Board and Management to review all possible options to enhance the WBG's financial capacity and develop a package of measures, including internal levers and general and selective capital increases, for Governors' consideration, with the aim of reaching a decision at the 2018 Spring Meetings.

14. The next meeting of the Development Committee is scheduled for April 21, 2018.

World Bank-IMF Spring Meetings 2018: Development Committee Communiqué

April 21, 2018

1. The Development Committee met today, April 21, in Washington, D.C.
2. We welcome the fundamental reforms that have been negotiated as part of the proposed capital package and that will allow the World Bank Group (WBG) to more effectively deliver development results in a financially sustainable manner. We recognize that the WBG has set out an ambitious strategy to support achievement of the 2030 development agenda, and that it is committed to implementing the necessary operational changes and effectiveness reforms to successfully deliver on the vision of the Forward Look. We also recognize that the WBG must strengthen its financial capacity to meet the aspirations of its shareholders, mobilize capital at scale, and respond to global development challenges.
3. We welcome the Forward Look Implementation Update report, including the metrics put forth for measuring progress and the continued efforts toward becoming a better and stronger Bank. We recognize the importance of staying engaged with all clients, while continually ensuring that WBG resources are strategically deployed to meet global and client needs and targeted to areas of the world that most need funding. Engagements with shareholders on the Forward Look strongly affirmed the WBG's role as a premier institution in development. We reiterate our commitment to the twin goals of eliminating extreme poverty and boosting shared prosperity and to the four key priorities that the Forward Look established: (i) stay engaged with all clients; (ii) lead on the Global Public Goods agenda; (iii) mobilize capital and create markets; and (iv) continually improve effectiveness and the internal operational model.
4. We welcome the successful conclusion of the negotiations on the financial and policy package contained in the Sustainable Financing for Sustainable Development report. The financial package includes a US\$13 billion paid-in capital increase, consisting of US\$7.5 billion for IBRD and US\$5.5 billion for IFC, via general and selective capital increases. In addition, there will be a callable capital increase for IBRD. This is a transformative package, comprising fundamental institutional and financial reforms. These include internal efficiency and revenue measures, and an increase in capital that will support a financially sustainable and efficient WBG. We look forward to the policy commitments in the package and the Forward Look being regularly monitored and reported on in an integrated way and independently assessed after five years. We ask that Board-related and senior management budgets, including salaries, be reviewed by the appropriate bodies, to identify possible additional cost-saving measures with the aim of making a meaningful contribution to the financial package.
5. We welcome the Report of the Shareholding Review and accept its recommendations. The recommended Selective Capital Increase (SCI) for IBRD will result in rebalanced shareholding and reduce extreme under-representation while continuing to deliver voice reform in manageable steps. The recommended SCI for IFC will result in more closely aligned voting power between the institutions of the WBG and contribute to the IFC capital increase.
6. We appreciate the intensive engagement by the Board and management on the new financial, shareholding, and institutional reform packages. We ask the Board and management to submit draft resolutions to Governors by the end of June for approval by the Annual Meetings 2018.
7. As agreed by Governors in 2010, the next five-yearly Shareholding Review will take place in 2020. This will provide an opportunity to review under-representation relative to updated calculated shareholding from the IBRD Dynamic Formula, as well as the other issues identified in the Lima shareholding review principles, including the rights and responsibilities of shareholders. It will also provide an opportunity to consider further the methodology for IFC shareholding.

8. The capital package has been developed against the backdrop of a changing and increasingly complex development landscape. Despite impressive gains in recent decades, development progress remains uneven. Keeping up the pace of past progress and addressing emerging challenges will require sustained effort in the face of persistent global headwinds and structural changes to the global economy. Although global growth is expected to be robust in the near term, the continued weakness of productivity growth and lingering financial vulnerabilities call for wide-ranging reforms that will lay the foundation for strong growth over the longer term.

9. As the main driver of investment, innovation and jobs, the private sector needs to play a much greater role in development. We call on the World Bank, IFC, and MIGA to work closely together to tackle market and regulatory imperfections, strengthen policies and institutional capacity, and collaborate to mobilize private investment for inclusive development and poverty reduction. The WBG must continue to crowd in private sector resources to contribute to stability and growth potential, quality infrastructure, and human capital, including through strengthened health and education systems and enhanced skills development and local job creation. We recognize the value of the multilateral development banks working together more systematically and encourage the WBG to continue coordinating with others in order to maximize financing and development impact. We urge the WBG and the IMF to further enhance their support for governments seeking to boost domestic resource mobilization and combat illicit financial flows.

10. The WBG is uniquely placed to address global development challenges, combining knowledge, convening power and financial leverage. We encourage it to intensify its engagement to provide global public goods, help clients embed resilience in their growth trajectories, and address global development issues including gender equality, climate, regional integration, and pandemics.

11. We welcome progress on implementing IDA 18, where a record replenishment and innovative initiatives have the potential to meet the most urgent development challenges. IDA's increased focus on jobs and economic transformation, including through the innovative Private Sector Window, is encouraging investment in IDA countries. We also welcome overall WBG engagement in situations of fragility, conflict and violence, especially where humanitarian crises cause hardship and forced displacement. We support management's efforts to increase its field presence in these areas.

12. We note with concern the marked increase in public debt levels in low-income countries in recent years, and call on the WBG and IMF to work together on a multi-pronged approach to reduce public debt vulnerabilities. They should continue to work closely with governments to strengthen fiscal frameworks and debt management capacity, and to tackle debt data gaps and improve debt transparency, working with creditors where relevant. We welcome the upcoming roll-out of an upgraded Debt Sustainability Framework for low-income countries by the two institutions, which will enable a richer analysis and assessment of public debt vulnerabilities by governments.

13. We acknowledge the Progress Report on Mainstreaming Disaster Risk Management in WBG operations and look forward to an update in two years. We are encouraged by overall financing commitments, portfolio distribution, and continued demand for specialized policy instruments and investments to support resilience and disaster risk and recovery. We call on the WBG to strengthen capacity by engaging in strategic partnerships, including with the UN, IMF, and public and private partners to mobilize finance, develop relevant tools, forge south-south cooperation, and stay attentive to the needs of vulnerable clients such as small island states.

14. We welcome the Update to Governors on Gender Diversity in the WBG Executive Boards. We support the continuing work to enhance and promote gender diversity at the Board and are committed to work alongside Executive Directors in this regard. We look forward to the progress report in advance of the 2019 Spring Meetings.

15. We appreciate the WBG's continued commitment to protecting the most vulnerable in society and promoting environmentally sound development practices. We expect rigorous implementation of the new Environment and Social Framework. We look forward to continued WBG follow up on the recommendations of the Gender Based Violence Task Force.

16. The next meeting of the Development Committee is scheduled for October 13, 2018, in Bali, Indonesia.