Report on Operations Under the Bretton Woods and Related Agreements Act 2000

Canada

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International Trade and Finance Branch
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INTRODUCTION

The Bretton Woods institutions – the International Monetary Fund (IMF or the Fund) and the World Bank – were founded at a conference held in Bretton Woods, New Hampshire, in 1944. The IMF was established to promote the smooth functioning of the international monetary system, encourage international trade and support high rates of sustainable economic growth. The IMF has become a central institution in the international monetary system. It exercises a surveillance function by monitoring members' economic policies, provides policy advice and extends short- and medium-term financial assistance to countries faced with balance of payments difficulties.

The World Bank's goal is to reduce poverty by raising living standards and promoting sustainable development in developing countries. As the premier development institution in the world, it provides a wide range of assistance to developing countries, including lending and technical assistance for projects that promote sustainable growth and an improved quality of life, and structural economic policy advice. The World Bank Group comprises four organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation and the Multilateral Investment Guarantee Agency. The IBRD and IDA together are commonly referred to as the "World Bank" (or the "Bank" in the following). IDA is the component that provides assistance to the world's poorest developing countries.

Canada is the eighth largest member of the IMF, along with China, after the six other Group of Seven (G-7) countries and Saudi Arabia, and it is the sixth largest member of the World Bank. Canada also represents Ireland and a number of Caribbean countries at the IMF and the World Bank.[1] Canada's formal participation in the two institutions is authorized under the Bretton Woods and Related Agreements Act. Section 13 of the Act states that:

> The Minister of Finance shall cause to be laid before Parliament, on or before March 31 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.

[1] At the IMF, Canada represents 10 Caribbean countries: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. In addition to these countries, Canada represents Guyana at the World Bank.

This report has been prepared in accordance with this provision. The sections that follow review the activities and operations of first the IMF and then the World Bank for the year 2000. A final section deals with issues common to both institutions. The annexes contain detailed numerical summaries of the year's activities.

Roles of the International Monetary Fund and World Bank

International Monetary Fund

- Oversees the international monetary system and promotes international monetary co-operation.
- Promotes orderly exchange rate relations among member countries.
- Provides short- to medium-term financial support to members facing balance of payments difficulties.
- Draws its financial resources primarily from the quota subscriptions of its members.

World Bank

- Provides support for poverty reduction through investments in health and education.
- Promotes economic development and structural reform in developing countries.
- Assists developing countries through long-term financing of development projects and programs.
- Provides special financial assistance to the poorest developing countries through the International Development Association.
- Stimulates private enterprise development and private investment in developing countries primarily through its affiliates, the International Finance Corporation and the Multilateral Investment Guarantee Agency.
- Secures most of its financial resources by borrowing on international capital markets.
- Enhances the flow of capital and technology for productive purposes to developing countries by providing investment insurance against non-commercial risks for investments in developing countries.

INTERNATIONAL MONETARY FUND

Overview

As a major trading nation, Canada has a significant interest in efforts to promote a strong international monetary system that facilitates the free movement of goods, services and financial assets. The IMF promotes international financial stability and economic growth through the provision of policy, financial and technical assistance to countries experiencing unsustainable external imbalances and related economic difficulties.

Benefits of Membership

IMF membership provides a number of specific benefits:

- The Minister of Finance is a Governor of the Fund and elects an Executive Director to its 24-member Executive Board. This representation allows Canada to have high-level influence on decisions taken by the IMF on specific country assistance programs and major policy issues affecting the world financial system.
- The IMF, through its regular surveillance of the Canadian economy, provides Canada with an independent source of policy advice on macroeconomic policies and engages in regular dialogue on these policies with Canadian officials at the Department of Finance, other government agencies and the Bank of Canada.
- The efforts of the IMF to make sure that countries abide by their obligations, including those under Fund-supported programs, help ensure that they repay Canadian bilateral loans and use our bilateral development assistance effectively.
- Canada earns a market rate of return on its financial position in the IMF.
- Were Canada to experience severe balance of payments difficulties, it would have the right to draw on IMF financial assistance.

How the IMF Works

The IMF works like a credit union. It has a large pool of resources provided by its members that it makes available to help members finance temporary balance of payments problems.

Members provide resources to the IMF in amounts determined by "quotas" reflecting each country's relative importance in the world economy. A country's quota in turn helps determine the amount of Fund resources that it may use if it experiences economic difficulties. At the end of 2000 the total quotas for the Fund's 183 members was SDR 210.7 billion.[1]

A member country uses the general resources of the IMF by making a purchase (drawing) of other members' currencies with an equivalent amount of its own currency. A member repurchases (repays) its own currency from the IMF with other members' currencies over a specified period of time, with interest. In this way, a member country receives credit from other members.

Members seeking financial assistance can draw on a "reserve tranche" and four "credit tranches," each amounting to 25 per cent of their quota. For access to resources beyond the first credit tranche, the member and the IMF have to reach an agreement on a set of economic measures and reforms aimed at removing the source of the country's balance of payments difficulty and creating the conditions necessary for sustainable non-inflationary growth.

Depending on the prospective duration of the problem, these measures are agreed to as part of a Stand-By Arrangement, which typically lasts 12 to 18 months, or an Extended Fund Facility, which generally runs for three years. Emergency financing for countries in crisis situations that could spill over to other countries is also available through the Supplemental Reserve Facility, created in December 1997. A precautionary line of defence is available through Contingent Credit Lines, established in February 1999, to countries that are pursuing sound policies but are nonetheless vulnerable to contagion.

Members can also use financial facilities created for specific purposes, including the Compensatory Financing Facility, which provides financial support to members experiencing temporary export shortfalls or other unforeseen adverse external shocks.

Concessional financing to low-income developing countries under the Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility) is made available in the form of low-interest loans with extended maturity periods.

[1] The SDR (special drawing right) is the standard unit of account for the IMF's operations. It represents a weighted basket of four major currencies – the US dollar, the Japanese yen, the pound sterling and the euro. At the end of 2000 the exchange rate was SDR 1 = C$1.99.

Canada's Priorities at the IMF

Global Economic and Financial Stability

In its early years the Fund helped members address short-term balance of payments problems originating in the current account with a blend of financing and adjustment. But over time the Fund's role has evolved in response to a changing world economy, which has led to new problems, such as balance of payments problems with structural origins that require a longer period of adjustment. More importantly, the dismantling of capital controls has led to a sharp increase in the importance of private cross-border capital flows. The financial crises that have affected a number of emerging market countries since mid-1997 revealed weaknesses in the international financial system and underscored the need to reform the global financial architecture – the global institutions and rules that govern international economic and financial co-operation. The Fund itself faces the significant challenge of trying to prevent and resolve capital account crises.

The past year witnessed a number of studies and proposals to increase the effectiveness of the IMF in a world of large-scale private capital flows. In addition, the IMF/World Bank meetings last year in Washington and Prague took place against the background of large-scale protests about globalization and the role of the international financial institutions. These protests reflect, in part, the perception that while greater economic and financial integration generates enormous economic benefits, the global economy is not benefitting all countries or all groups within countries. Recognizing the need to address these concerns, there was strong support at these meetings to make globalization work for the benefit of citizens in every corner of the world, including the poorest and most vulnerable. The Fund, working in partnership with the World Bank, is viewed as uniquely placed to contribute to this global effort.

In co-operation with its international partners, Canada has played an active role in identifying areas where reforms are required and in taking steps to implement those reforms. In 1999 G-7 finance ministers made a number of recommendations intended to strengthen the international financial system, help reduce the risk of financial crises, and make it easier to manage future crises more effectively. This was followed by the G-7 Finance Ministers' Report to Leaders on strengthening the international financial architecture, released in July 2000 in Fukuoka, which outlined proposals to guide further work on IMF reform in the areas of strengthened surveillance, implementation of international standards and codes, reform of IMF facilities, and IMF governance.

The new Managing Director of the IMF, Horst Köhler, also emphasized the need to articulate a vision for the future role of the IMF to guide work on IMF reform. He called for a more focused role for the institution, concentrating in particular on promoting macroeconomic and financial stability.

A key objective for Canada is to ensure that the Fund is capable of promoting international financial stability. To meet this objective, the key priorities for reform should be:

- the development of an appropriate framework for private sector involvement in crisis prevention and resolution;
- the development of more effective IMF conditionality through a sharper focus on factors relevant to a country's macroeconomic and financial stability; and
- an increase in Fund accountability and transparency.

In line with these priorities, Canada supports:

- **strengthened surveillance** to prevent crises through greater attention to financial vulnerabilities and increased transparency of information;
- **implementation of international codes and standards**, with the IMF playing the lead role in assessing countries' observance;
- **reform of IMF facilities** to achieve a streamlined structure that encourages countries to seek private sources of capital and discourages excessively long or large use of IMF resources;
- **new procedures to safeguard IMF resources** to ensure that they are used for their intended purposes;
- **strengthened governance and accountability of the IMF** through a review of the quota determination process and the creation of an independent evaluation office; and
- **appropriate private sector involvement** in the prevention and resolution of crises.

Canada continues to place a high priority on **reducing poverty** and ensuring that debt relief does indeed go to this purpose. The IMF plays a crucial role in supporting macroeconomic stability – as a key tool for poverty reduction – in the poorest countries and integrating its efforts with those of the World Bank in working with countries to reduce poverty.

The Fund's involvement in the key areas outlined above, and Canada's priorities related to these efforts, are described in more detail in the section entitled "Efforts to Promote International Financial Stability," which follows the next section.

Economic and Financial Developments in Emerging Markets

Emerging market economies generally registered strong growth through much of 2000 against the backdrop of a relatively favourable external economic environment. Global economic conditions deteriorated late in the year, however, owing in large part to an economic slowdown in the U.S. Through 2000, international financial institutions continued to play an important role in promoting sound economic policies and providing emergency financial support, as demonstrated by the two emergency financial assistance packages put together by the IMF for Argentina and Turkey late in the year.

After experiencing robust growth during the first half of the year, Asian economies started to weaken in the latter part of 2000, reflecting political and economic uncertainties and a deterioration in the external environment. In the Philippines financial markets weakened dramatically as political uncertainty and the deteriorating fiscal situation continued to weigh on investor sentiment. Higher oil prices, falling technology stock prices and the slow pace of corporate restructuring began to weigh on the South Korean economy in the second half of the year. In China, on the other hand, inward foreign investment picked up in anticipation of its World Trade Organization accession in 2001.

In Indonesia the IMF approved a three-year US$5.0-billion Extended Fund Facility program in February 2000. In addition, the World Bank, the Asian Development Bank and bilateral donors pledged US$4.7 billion in assistance. However, after three disbursements, the IMF program was put on hold due to a disagreement on the timing and content of key reforms.

Overall, Latin American countries in 2000 continued to rebound from the financial market problems of 1998 and early 1999, helped by strong world demand and higher commodity prices. However, there were large divergences in economic growth rates throughout the region. Brazil, Chile and Mexico enjoyed strong recoveries, while Argentina, Venezuela and Colombia struggled to emerge from recession.

In Argentina financial market sentiment deteriorated in late 2000 owing to continuing weak economic growth as well as increased political uncertainty. Political developments also led investors to become increasingly concerned about the passage of the 2001 budget. In December the IMF and the Argentine authorities responded to the financial difficulties by arranging an IMF-led financial assistance package totalling US$39.7 billion. Argentina's existing three-year precautionary Stand-By Arrangement was activated and augmented. The package also included loans from the World Bank and Inter-American Development Bank, bilateral assistance from Spain, and financing from the private sector in the form of rollovers of existing debt and new bond purchases.

In Turkey banking sector problems and the government's response to those problems threatened to precipitate a crisis in the broader economy in late 2000. In December the IMF approved a financial assistance package for Turkey totalling US$7.5 billion, adding to the US$2.9 billion remaining to be disbursed under the Stand-By Arrangement approved in December 1999. At the same time the World Bank approved up to US$5 billion in lending to Turkey over the next three years. The Turkish authorities also held meetings with private sector creditors to encourage them to roll over Turkish debt obligations.

The economic situation in Russia improved considerably in 2000, largely as a result of high oil prices and the effects of the sharp ruble devaluation following the 1998 financial crisis. Russia's IMF program, which was suspended in December 1999 because of missed structural benchmarks, expired in December 2000. As a result, Russia made a net repayment of about US$2.9 billion to the Fund in 2000, although it remains the Fund's largest creditor with around US$11.6 billion in outstanding loans as of December 31.

IMF-Led Packages for Emerging Economies

Contributions (in billions of US dollars)

Donor	Indonesia	Turkey	Argentina
IMF (% quota)	5.0 (175%)	7.5 (600%)	14.0 (500%)
Type of program and approval date	Three-year Extended Fund Facility (February 2000)	Supplemental Reserve Facility (December 2000)	Three-year Stand-By Arrangement,* Supplemental Reserve Facility (December 2000)
Other international financial institutions	4.7**	5.0	5.0
Bilateral			1.0
Private sector			20.0
Total	9.7	12.5	39.7

* The three-year precautionary Stand-By Arrangement approved in March 2000 was activated and augmented in December.

**Includes bilateral contributions.

Efforts to Promote International Financial Stability

Strengthening Surveillance to Prevent Crises

There is a consensus in the international community that strong surveillance must be at the centre of the IMF's efforts to strengthen the world economy and the international financial architecture. In light of globalization and the related phenomenon of large-scale private capital flows, the IMF needs to shift the nature and scope of its surveillance. The G-7 Finance Ministers' Report to Leaders called on the IMF to continue to:

- sharpen its focus on macroeconomic policy, capital flows and structural issues, which have an impact on macroeconomic stability, particularly in the financial sector, and on exchange rates;
- develop and publish financial sector vulnerability indicators. The Fund is committed to paying more attention to vulnerabilities arising from debt and reserve management, and will continue to work to develop an analytical framework for assessing vulnerability; and
- promote transparency and the flow of information. In a key decision, the Fund recently agreed on a set of principles for its publication policy, and authorized the publication of a broad range of documents, including the voluntary publication of IMF staff reports and other country papers.

Canada has continually supported measures to enhance the transparency and accountability of the Fund's own operations. Prior to the most recent decision, the Fund had responded to the concerns of members regarding transparency by making available significantly more information on its activities. The key initiatives include:

- The public now has access to IMF Executive Board documents that are more than 5 years old and other archival material that is more than 20 years old. At Canada's instigation, last year the Fund began to release summaries of the IMF's work program to help increase the public's awareness of Fund activities. Canada continues to press for further liberalization of archival material.
- The Fund has adopted a policy establishing a presumption in favour of publication of Letters of Intent and other documents that underpin Fund-supported programs.
- Since 1997 the IMF has released Public Information Notices (PINs), which provide background information on a member country's economy and the IMF's assessment of the country's policies and prospects. PINs are issued at the country's request following the conclusion of the Fund's regular Article IV consultation with the country. Canada's most recent PIN can be found on the IMF Web site at http://www.imf.org/external/country/CAN/index.htm. An increasing number of countries have agreed to the publication of PINs. The Fund is also issuing PINs on policy papers and regional economic reviews.

- The Fund also encourages countries to publish the "mission statements" that are prepared at the time of the IMF's annual Article IV consultations with member countries. Prior to the preparation of the staff's report to the Executive Board, the IMF mission often provides the authorities with a statement of its preliminary findings at the conclusion of its discussions with the authorities. A number of countries, including Canada, are now releasing these statements. Canada's most recent Article IV report can be found on the IMF Web site at http://www.imf.org/external/country/CAN/index.htm.

Implementation of International Codes and Standards

The international community has called upon the IMF and other standard-setting agencies to develop standards and codes covering a number of economic and financial areas to help improve economic policy making and strengthen the international financial system. The Fund is responsible for its core areas of expertise. For example, in 1998 the Fund adopted a Code of Good Practices on Fiscal Transparency to guide member countries in enhancing the accountability and credibility of fiscal policy. In 1999 the Fund adopted a similar code with respect to monetary and financial policies. Other institutions, such as the World Bank, Organisation for Economic Co-operation and Development and Basle Committee, take responsibility for other areas, including insolvency regimes, corporate governance and banking supervision.

In terms of assessing compliance, the Financial Stability Forum has highlighted 12 key codes and standards (in the areas of macroeconomic policy and data transparency; corporate governance; and financial regulation and supervision) as key for sound financial systems and deserving priority implementation depending on country circumstances. To enhance credibility, both the G-7 and Group of Twenty (G-20) have encouraged countries to articulate publicly their adoption of standards, announce their plans of action and participate in IMF-led assessment programs.

There is a general consensus that the IMF has a key co-ordinating role in assessing observance of codes and standards through its Reports on the Observance of Standards and Codes (ROSCs), as well as through the joint IMF-World Bank Financial Sector Assessment Programs (FSAPs). Over 30 countries have committed to undertake ROSC modules, and the IMF and the World Bank recently agreed to expand the FSAP program. Recent developments regarding the FSAP program are covered in the "Joint Issues" section.

With respect to ROSCs, the Fund has developed a modular approach whereby comprehensive assessments of members' adherence to a range of internationally recognized standards can be built up over time, standard by standard. ROSCs summarize the extent to which countries observe these standards, focusing primarily on the areas of direct operational concern to the

IMF such as data dissemination and fiscal transparency. ROSC modules for the financial sector are now being derived as a by-product from the FSAP process. Canada was the first country to publicly release as a ROSC the assessment of compliance with international standards conducted during its FSAP. Canada's ROSCs can be found on the IMF Web site at http://www.imf.org/external/np/rosc/can/index.htm. Overall, as of December 2000, 83 ROSC modules had been produced for 32 countries.

Financial Stability Forum

The Financial Stability Forum was established in April 1999 to promote international financial stability through enhanced information exchange and international co-operation in financial market supervision and surveillance. The Forum is well placed to promote this objective as it regularly brings together senior officials from finance ministries, central banks and financial sector supervisory bodies from countries with significant financial centres, as well as representatives of the international supervisors, the Bank for International Settlements, the IMF and the World Bank. The Forum has the role of identifying gaps in the regulation of financial systems and developing solutions to address these vulnerabilities.

At its October 25, 2000, meeting in Montréal, the G-20 agreed on the importance of international codes and standards to reduce countries' vulnerability to financial crises, and endorsed the Financial Stability Forum's recommendations. The G-20 countries reaffirmed their commitment, made at the inaugural meeting of G-20 ministers and governors in Berlin in December 1999, to undertake the completion of ROSCs and FSAPs.

Group of Twenty

The Group of Twenty (G-20) was established in the fall of 1999 to ensure broader participation in discussions on international financial affairs among countries whose size or strategic importance gives them a particularly crucial role in the global economy. The G-20 consists of finance ministers and central bank governors from 19 industrialized and emerging market countries, and representatives from the European Union, the European Central Bank, and the IMF and the World Bank and their policy committees. Canada's Minister of Finance, Paul Martin, was named the first chair of the G-20.

Following the 1995 Halifax Summit the Fund initiated work on new data standards to better inform markets of financial and economic developments and to strengthen Fund surveillance. Countries that are capital market borrowers are now making comprehensive data available to the public on a timely basis under the IMF's Special Data Dissemination Standard (SDDS) established in April 1996. Information on the statistical practices of members subscribing to the new standard is posted on the IMF's Dissemination Standards Bulletin Board (DSBB) on the Internet (http://dsbb.imf.org/). Canada was one of the first countries to subscribe to the new standard, and information on Canada's statistical practices is posted on the DSBB at http://dsbb.imf.org/country/cancats.htm.

In 1999 the Fund strengthened the SDDS by requiring the disclosure of additional information on international reserves on a monthly basis, with weekly disclosure of key reserve assets to be encouraged. A data template on international reserves was developed by the Fund in co-operation with the Committee on the Global Financial System of the Group of Ten (G-10) central banks. The template covers information on the amount and composition of reserve assets, other foreign assets held by the central bank and the government, short-term foreign liabilities, and related activities that can lead to demand on reserves (such as financial derivatives positions and guarantees extended by the government for private borrowing). In July 1999 Canada became one of the first countries to disseminate the additional data required by the expanded standard. Moreover, Canada currently exceeds the reporting standard by releasing key data on its international reserves on a weekly basis. The Fund reviewed progress under the SDDS in March 2000, and a new external debt category with quarterly data disclosure has been incorporated into the standard. Subscribing countries have a three-year transition period, ending in March 2003, to implement the new data category.

Reform of IMF Facilities

A major achievement at the Fund in 2000 was the reform of the IMF's non-concessional lending facilities. The objective of the review exercise was to adapt the Fund's financial operations to better reflect the changing nature of the global economy. In March 2000 the Fund agreed to eliminate a number of little used and obsolete facilities and to streamline the Compensatory Financing Facility. Further discussions were held to secure more fundamental "renovations" to ensure more effective use of IMF resources and shift the focus of Fund lending toward crisis prevention. In November 2000 agreement was reached on a streamlined structure of lending facilities that aims to encourage countries to seek private sources of capital and discourage excessively long or large use of IMF resources. The key changes are:

- The **Contingent Credit Lines facility**, which was established in 1998 to provide members that meet strict eligibility criteria with a precautionary line of defence against external contagion, and which has not been used, was enhanced by making resources more readily available. The interest rate charged has been reduced by halving the initial surcharge over the standard rate of charge to 150 basis points and reducing the commitment fee that applies to larger Fund arrangements. In addition, monitoring under the Contingent Credit Lines will be less intensive than under other arrangements.
- The terms of **Stand-By Arrangements** (the Fund's core lending instrument to address temporary payments imbalances) and the **Extended Fund Facility** (the Fund's facility for protracted balance of payment problems) have been adapted to encourage countries to avoid reliance on Fund resources for unduly long periods or in unduly large amounts.
- The problem of unduly long use of Fund resources will be addressed through the introduction of schedules of early repurchase expectations, under which members able to repay before the final maturities of their loans will be expected to do so.
- Interest surcharges have been added for the use of Fund resources above high levels of credit outstanding (i.e. above 200 per cent of quota) to discourage unduly large access.
- Use of the Extended Fund Facility will be confined to those cases where there is a reasonable expectation that a member's balance of payments difficulties will be relatively long-term, including because it has limited access to capital markets. In contrast to recent practice, the strength of the structural reform effort per se will not be considered sufficient reason for use of Extended Fund Facility resources. It is expected that the Extended Fund Facility would be especially appropriate for graduating Poverty Reduction and Growth Facility low-income countries and some transition economies that do not have access to capital markets.
- To provide additional safeguards for Fund resources, and to help ensure that the achievements of arrangements are preserved, it has been agreed there should be more formal **post-program monitoring** by the IMF of economic developments and policies following the expiration of arrangements. A presumption of more formal post-program monitoring would apply for members with substantial credit outstanding at the end of an arrangement.

An important feature of IMF arrangements is the "conditionality" that borrowing countries undertake to correct the underlying balance of payments problem and to restore their ability to repay the Fund. The implementation of conditionality has evolved in response to changes in the world economy and that of the IMF's members. In particular, Fund conditionality has developed to reflect changes in adjustment needs and goals. Fund programs have broadened beyond traditional macroeconomic management to include structural or efficiency issues and the social dimensions of economic policies.

While this may have been appropriate in some cases, a number of concerns have been expressed about the impact and effectiveness of this conditionality. Critics generally contend that Fund conditionality has enjoyed only a moderate degree of success; programs stray outside the Fund's areas of expertise; conditionality has become over-extended, particularly in the area of structural policies; and borrowing countries may never take "ownership" of the programs.

The G-7 Finance Ministers' Report to Leaders emphasized that Fund conditionality should be focused and address issues of macroeconomic relevance. IMF Managing Director Köhler has acknowledged there has been a widening in the scope of the IMF's activities. He noted that ownership and implementation are promoted when the Fund's conditionality focuses on what is crucial for the achievement of macroeconomic stability and growth. Further, he noted that program design should take into account the social dimensions of adjustment programs and the unique characteristics of each country. At its meeting last fall in Prague, the International Monetary and Financial Committee – the IMF's ministerial advisory body – encouraged the Fund to streamline and focus conditionality to improve the quality of Fund programs and enhance program ownership. As follow-up, the Fund will be reviewing the conditionality issue in the coming months.

Safeguarding IMF Resources

Clear cases of misreporting of information and misuse of IMF resources are rare, but recurring allegations of misuse of IMF resources and misreporting in 1999 and early 2000 pointed to the need for the Fund to reassess the adequacy of its existing procedures to safeguard its resources. The IMF viewed such allegations and incidents with concern, as they represent a threat to the credibility and integrity of the institution. Aided by a panel of outside experts, who provided an independent assessment of staff proposals, in early 2000 the Fund adopted a multifaceted approach to strengthening the safeguards on the use of IMF resources. Central banks of member countries making use of Fund resources will have to publish annual financial statements, independently audited in accordance with internationally accepted audit standards.

A two-stage process was also introduced. In the first stage, the central bank of a country seeking a new IMF arrangement would be asked to provide the Fund with information and documentation related to its internal control and external auditing procedures, and provide access to its independent auditors. If the central bank's control, reporting and auditing mechanisms appear sound at this stage, no further steps would be undertaken. Otherwise, a second stage would involve on-site review, including by outside experts from recognized international accounting firms, and possibly technical assistance to improve control mechanisms. These measures are an important complement to existing safeguards provided through program design; conditionality and monitoring; the transparency and governance initiatives, including the establishment and monitoring of codes and standards; and legal procedures to address cases of misreporting. The procedures and tools to address misreporting of information were also broadened and strengthened.

Strengthening Governance and Accountability

Better information on the activities of the IMF contributes to greater public understanding of the institution. In addition to supporting measures to enhance the transparency and accountability of the IMF, one of Canada's priorities is the promotion of good governance. The Fund adopted guidelines in 1997 on its role in issues of governance and is more actively emphasizing the links between poor governance and weak economic performance. With respect to transparency and accountability, in the past year the IMF:

- Initiated the regular publication of information (the quarterly financial transactions plan) on the sources of financing for IMF lending. The IMF has been encouraged to explore ways to simplify its financial accounting to make its financial operations and statements more understandable to the public.
- Established an independent evaluation office, a policy that Canada has advocated for some time. Canada's representative on the IMF Executive Board, Thomas A. Bernes, chaired a Board committee that recommended the new unit and developed its terms of reference. Although the Fund has been conducting independent evaluations on an experimental basis since 1996, some member governments and public interest groups proposed that the IMF establish a more systematic evaluation of its operations and policies. The new evaluation office, which will undertake objective assessments of the IMF's operations, policies and programs, is expected to become operational later this year.
- Established a Code of Conduct to provide the Executive Directors of the 24-member Executive Board, and their Alternates and Advisors, with guidance on ethical standards in carrying out their roles and responsibilities in the IMF. The Code mandates regular financial disclosure reports and underlines the importance of the observance of the highest standards of ethical conduct.
- Approved a more systematic and transparent approach to adjusting the remuneration of the Managing Director, as recommended by a Board working group chaired by Canada's Executive Director. In addition, details on the total remuneration of IMF management will be published in the IMF's annual report.

In addition, the Fund is increasingly posting draft papers on important policy issues on its Web site so that the views of civil society and other segments of the public can be taken into account.

It is also important that the IMF decision-making structure remain accountable. The key challenge is to make IMF quotas more reflective of developments in the world economy and to ensure that Fund governance arrangements are representative of the membership. The report of an external experts group on the quota calculation process was reviewed by the Fund last summer, and IMF staff were asked to undertake additional work on the formulas that are used to help determine members' quotas. The Fund is expected to review the results of this work later this year. In the meantime agreement was recently reached to increase China's quota in order to better reflect its position in the global economy following the resumption of Chinese sovereignty over Hong Kong.

How to Access Information at the IMF

A vast array of Fund information – including fact sheets, press releases, speeches, the *IMF Survey*, annual reports, world economic outlooks, staff country reports, and working papers – is available on the Fund's Web site at http://www.imf.org/. In addition, the IMF's Publications Services provides a wide variety of Fund documents on the policies and operations of the IMF as well as world financial and economic developments:

- IMF annual reports
- *World Economic Outlook*
- *International Capital Markets*
- IMF staff country reports
- *International Financial Statistics*
- *Annual Report on Exchange Arrangements and Exchange Restrictions*
- press releases
- *IMF Survey*

Publications Services is located at 700 – 19th Street N.W., Washington, DC 20431, USA. Phone: (202) 623-7430; fax: (202) 623-7201. Internet e-mail address: publications@imf.org.

Private Sector Involvement in Crisis Prevention and Resolution

Ensuring that private investors are appropriately engaged in the prevention and resolution of international financial crises is generally agreed to be a critical aspect of ongoing initiatives to adapt the international financial architecture to reflect today's world of large-scale private capital flows. Indeed, an approach where the official sector shoulders the burden of financing the massive outflow of capital characteristic of recent financial crises is neither sustainable, given that the scale of private capital flows dwarfs the resources of the official sector, nor is it desirable, as it serves to distort the assessment of risk and return in international capital markets and encourages destabilizing lending decisions.

Over the past two years Canada has been outspoken on this issue and believes that the IMF has an important role to play in establishing an operational framework for improved private sector involvement in crisis management. This reflects the IMF's position at the centre of the international financial system and, more importantly, the fact that it has a number of mechanisms at its disposal (such as its ability to lend into arrears to private creditors) that could facilitate a more orderly and co-operative resolution of international payment problems. Discussions by the IMF Executive Board regarding the principles and modalities of private sector involvement have intensified over the past year, and encouraging progress has been made in outlining a broad set of operational guidelines.

This progress is reflected in the April 2000 International Monetary and Financial Committee communiqué, which elaborated on a Fund approach to those cases where the early restoration of market access on terms consistent with medium-term external sustainability is judged unrealistic and a debt restructuring or debt reduction is deemed necessary. This is clearly an encouraging step forward, but Canada attaches priority to articulating aspects of the framework that as yet remain undefined. This is particularly true with regard to the steps the official sector should take if a voluntary resolution of payment problems is not forthcoming.

Poverty Reduction and Debt Relief

Canada places a high priority on reducing poverty and ensuring that debt relief does indeed go to this purpose. Although the World Bank is the central institution for poverty reduction, macroeconomic stability – a key condition for achieving poverty reduction and growth – is the responsibility of the IMF. In conjunction with the enhanced debt reduction scheme for heavily indebted poor countries, and as part of its contribution to the global anti-poverty effort, the IMF replaced its concessional facility, the Enhanced Structural Adjustment Facility, with the more focused Poverty Reduction and Growth Facility in 1999. As a consequence, direct anti-poverty measures are playing a central role in programs supported by the IMF, World Bank and other lenders. Programs supported by the Poverty Reduction and Growth Facility (and the World Bank's concessional window – the International Development Association) are being framed around a comprehensive, nationally owned Poverty Reduction Strategy Paper prepared by the borrowing country and based on a process involving the participation of civil society, non-governmental organizations, donors and international institutions. The Fund's role in this area is covered more extensively in the "Joint Issues" section and in the World Bank report.

Lending Developments in 2000

A core activity of the Fund is to provide short- and medium-term financial assistance to members faced with balance of payments difficulties. The objective is to enable countries facing such difficulties to correct temporary payments imbalances with a minimum of disruption to the international monetary system. The provision of financing from the IMF, as well as the additional financing that an arrangement with the Fund often attracts from other sources, enables countries to undertake smoother economic adjustment.

At the end of 2000 the IMF had lending arrangements worth SDR 44.2 billion in place for 57 member countries (see Annex 1). Drawings by these countries in 2000 decreased to SDR 7.7 billion as demand for Fund resources continued to ease from the exceptionally high level experienced in 1998. The reduction in lending reflected the relatively favourable global economic and financial conditions throughout most of the year and the continuing recovery of some member countries from the severe crises that affected their economies in 1998. Turkey received the largest disbursement, drawing SDR 1.7 billion under the Supplemental Reserve Facility, the Fund's short-term lending facility that addresses crisis situations, and SDR 0.9 billion under a Stand-By Arrangement. Indonesia received the largest amount under the Extended Fund Facility – SDR 0.8 billion. As in the previous year, repurchases (repayments) exceeded purchases in 2000, in large part due to repayments from countries that had drawn large amounts during past financial crises. Brazil and Russia made large repayments, as did Mexico, which repaid all its obligations to the IMF.

Table 1
IMF Resource Flows

	1999	2000
	(in SDR billions)	
Total purchases	10.8	7.7
Of which:		
Stand-By Arrangements	7.5	5.8
Extended Fund Facility	1.9	1.3
Compensatory Financing Facility	0.7	0.0
Poverty Reduction and Growth Facility	0.7	0.5
Other	0.0	0.1
Total repurchases	19.4	15.8
Net repurchases	-8.6	-8.1

Lending decreased slightly under the IMF's concessional facility, the Poverty Reduction and Growth Facility. No drawings were made under the Compensatory Financing Facility, one of the Fund's other special-purpose facilities, which was streamlined and rationalized in early 2000.

Managing Canada's Interests at the IMF

The Minister of Finance is Canada's Governor at the IMF and is responsible for the management of Canadian interests at the Fund. The Minister exercises influence on IMF issues through Canada's Executive Director at the Fund's Executive Board, interventions at the spring and fall meetings of the International Monetary and Financial Committee, his plenary speech at the IMF and World Bank annual meetings, and periodic meetings with the Managing Director of the Fund (the Minister's speeches are available on the Department of Finance Web site at http://www.fin.gc.ca/). The Governor of the Bank of Canada is Canada's Alternate Governor of the IMF. The Governor also attends the Fund's spring and fall meetings.

The management of Canada's interests in the ongoing work of the IMF is the responsibility of the Executive Director, Thomas A. Bernes, Canada's representative on the Executive Board. He is one of 24 Executive Directors. In addition to Canada, he represents 11 other countries (Ireland and 10 Caribbean countries), which form a constituency at the Executive Board. Of the 24 members of the current Executive Board, 12 are from developing or transition countries and 12 from industrialized countries. As the main decision-making body of the Fund, the Board normally meets three times a week.

The Department of Finance co-ordinates Canadian policy advice on IMF issues and Canada's operational interests in the IMF. The Bank of Canada also works closely with the Department of Finance in providing advice on issues of interest to Canada's Executive Director. Other involved government organizations include the Department of Foreign Affairs and International Trade and the Canadian International Development Agency. Within the Department of Finance, the Finance Minister's Meetings Secretariat and the International Finance and Economic Analysis Division are specifically responsible for conducting analyses and preparing advice on the policy issues and specific country programs that are brought before the Executive Board. The Department and Canada's Executive Director's office also work closely with Canada's World Bank Executive Director's office and meet frequently with Canadian non-governmental organizations.

Parliament is informed of the activities and operations of the Bretton Woods institutions through the tabling of the annual report on their operations, the communiqués of the International Monetary and Financial Committee and the Development Committee, and appearances of the Canadian Executive Directors and departmental officials before parliamentary committees.

Canada's Voting Record

Since most decisions at the Fund are taken on a consensus basis, formal votes by Governors and the Executive Board are rare. Canada attempts to influence the development of Fund policy proposals before they are brought to the Board (often through the circulation of memoranda outlining Canadian positions) or to influence other members in the course of Board discussions. But in 2000 Canada voted against an increase in the remuneration of IMF Executive Directors and abstained on a vote to increase IMF staff salaries. Canada also abstained on a decision on Rwanda's heavily indebted poor country debt relief package and did not support the restoration of Sudan's voting and related rights in the IMF (related to the country's protracted arrears to the Fund) in August 2000, considering it premature to lift the suspension.

Canada's Office at the IMF

In addition to the Executive Director, Canada's office is staffed by two Canadian advisors and a technical assistant. Ireland staffs the Alternate Director's position and the Caribbean countries staff a third advisor's position.

The primary responsibility of the Executive Director's Office is to represent the interests of Canada and the other members of the constituency at the Fund's Executive Board. The office participates in the Board's discussions of a wide variety of policy, operational and administrative matters, including surveillance issues and country assistance requests and reviews.

Canadian Members of the Executive Director's Office

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Canada's Financial Participation

Canada's financial participation in the IMF consists primarily of its quota subscription. Canada's quota following the increase associated with the Eleventh Review is SDR 6,369.2 million, or about 3 per cent of total quotas. Canada's quota subscription is a government asset, which is made available to the Fund partly in Canadian dollars and partly in reserve currencies, such as US dollars or SDRs. These latter non-Canadian dollar amounts continue to be part of Canada's foreign exchange reserves. As an asset, Canada's quota subscription is not recorded as an expenditure item in the budget of the Canadian government.

Only a tiny portion of the Canadian dollar part of its subscription is actually held in cash by the IMF. The balance is held by the Bank of Canada in the form of demand notes, which are available to the Fund in the event it needs to draw upon additional resources. Canada earns interest on its quota subscription when the Canadian dollar is used in Fund lending operations, i.e. drawn by other member countries. In 2000 Canada received SDR 72.9 million on its net creditor position in the IMF. The net income from Canada's net creditor position with the Fund is paid into the Government of Canada's Exchange Fund Account, adding to the foreign exchange reserves.

Table 2
Canada's Financial Position in the IMF

	December 31, 2000	December 31, 1999
	(in SDR millions)	
Quota	6,369.2	6,369.2
Fund holdings of Canadian dollars	4,443.4*	4,061.3*
Reserve position in the Fund	1,925.8**	2,307.9**

* In accordance with Fund regulations, at least 0.25 per cent of Canada's quota is held by the IMF in a Canadian dollar cash deposit at the Bank of Canada. The Fund's remaining Canadian dollar holdings are in the form of non-interest-bearing demand notes, also kept by the Bank of Canada.

**This is the amount Canada is entitled to draw on demand from the IMF for balance of payments purposes. Canada's reserve position in the Fund is the result of the portion of Canada's quota subscription made available to the Fund over time in reserve currencies, the use of the Canadian dollar in Fund financial transactions with other members, and loans to the IMF under borrowing arrangements such as the General Arrangements to Borrow and New Arrangements to Borrow. As the name suggests, Canada's reserve position in the Fund is a part of Canada's official foreign exchange reserves.

Special Drawing Rights

- The special drawing right (SDR) is an international reserve asset created by the IMF and allocated periodically to its members as a supplement to their foreign currency and gold reserves.
- A general SDR allocation requires a determination by the IMF Board of Governors that there is a global need to supplement existing reserve assets.
- SDRs were first allocated to members in 1970. There have been two other general allocations, the most recent undertaken in 1981. The outstanding stock of SDRs currently totals SDR 21.4 billion.
- In September 1997 IMF Governors approved a special one-time allocation of SDR 21.4 billion that will ensure that all members receive an equitable share of cumulative SDR allocations (the amendment to ratify the allocation has not yet been accepted by a sufficient majority of members).
- Canada has received allocations totalling SDR 779.3 million. Following the special one-time allocation, Canada's allocations will increase to SDR 1,266.5 million.

At the end of the year Canada's holdings of SDRs amounted to SDR 440.6 million, or 56.5 per cent of Canada's cumulative allocation of SDRs. In 2000 Canada held SDRs in an amount lesser than its allocation, and so paid net interest of SDR 16.0 million.[2]

Last year, in line with earlier commitments, Canada made further contributions to the IMF's Poverty Reduction and Growth Facility, formerly the Enhanced Structural Adjustment Facility. The facility provides financial support on concessional terms to low-income countries facing protracted balance of payments problems. In April 2000 the Government authorized an additional SDR 200 million of new lending to the facility. Canada's total commitment to the Poverty Reduction and Growth Facility is a loan of SDR 700 million and a grant of approximately SDR 190 million. At the end of 2000 loan payments under these arrangements totalled SDR 487 million of the SDR 700 million, and subsidy contributions equalled SDR 150.5 million of the SDR 190 million.

Further, Canada is a participant in a financing arrangement established to supplement the Fund's regular resources in the event of financial crises, the New Arrangements to Borrow (NAB), which was not activated in 2000 (see box next page). Canada is also a participant in the General Arrangements to Borrow (GAB), an earlier credit arrangement established by the G-10. Canada's GAB commitment is the equivalent of SDR 892.5 million. This line of credit was not used in 2000.

[2] When a member's holdings of SDRs is greater (lesser) than its cumulative allocation, that member (the Fund) receives interest on the difference.

New Arrangements to Borrow

The following are the main features of the NAB, which came into force in 1998:

- Participating countries will make loans to the IMF when supplementary resources are needed to forestall or cope with an impairment of the international monetary system, or deal with an exceptional situation that poses a threat to the stability of the system.
- Twenty-five countries have agreed to lend up to SDR 34 billion (about C$68 billion) to the Fund in the case of financial emergencies.
- Canada's share in the arrangement is 4.1 per cent, in the form of a commitment to provide non-budgetary loans to the IMF from its international reserves.
- The NAB does not replace the GAB, which will remain in force. However, the NAB will be the first and principal recourse of the IMF in the event of a need for supplementary resources.

Challenges Ahead

A key challenge for the Fund is to ensure that its mission meets the needs of an increasingly integrated global economic system. The evolution of the Fund's place in the international financial system must continue to reflect changes in the world economy. In particular, there is a need to assess the role of the Fund in a world of large-scale private capital flows. To meet these challenges:

- The Fund should continue to work in partnership with the World Bank and other global institutions to help countries adopt the policies that will enable them to benefit from globalization. The Fund is well placed to help ensure that the benefits of globalization are as widely shared as possible.
- The Fund also needs to enhance the ownership and implementation of Fund-supported programs. These objectives can be promoted when the Fund's conditionality focuses predominantly on the measures that are needed to achieve macroeconomic stability and growth and pays due respect to a country's specific circumstances and implementation capacity.
- The Fund should work to make IMF quotas more reflective of developments in the world economy and ensure that Fund governance arrangements are representative.

WORLD BANK

Overview

Membership in the World Bank affords Canada an important voice on key development issues in the world's premier multilateral development bank. With 182 members,[3] and loans and credits outstanding to 88 developing and transition member countries in fiscal year (FY) 2000 (ending June 30, 2000), the World Bank has a far-reaching impact on global development and poverty reduction. In addition, it provides policy advice and financial support crucial to improving members' longer-term development and poverty reduction prospects. It also assists members, both developing countries and countries in transition from planned to market economies, by providing concessional assistance and improved access to world financial markets for development purposes. In over 50 years of existence the World Bank has provided nearly US$470 billion in loans to the developing world (see Annex 3).

In FY 2000 the World Bank (International Bank for Reconstruction and Development [IBRD]/International Development Association [IDA]) committed loans and credits of about US$15.0 billion to developing and transition countries (see Annex 2). This amount was considerably below the FY 1999 total of US$29.0 billion and the FY 1992-97 average of US$21.5 billion. This decrease was mostly attributable to the 50-per-cent fall in IBRD (the World Bank's non-concessional loan window for middle-income countries) lending and reflected significantly lower Bank adjustment lending to countries in East Asia, particularly to the financial sector in the region, as these economies recovered from the effects of financial crises. IBRD lending fell to US$10.9 billion in FY 2000, compared to US$22.2 billion in FY 1999.

With the countries of East Asia recovering from the financial crisis of 1997-98, the geographic and operational focus of the Bank's lending activities has shifted. East Asia accounted for only US$1.5 billion in Bank lending in FY 2000 (or 10 per cent of total lending), down from US$8.8 billion in FY 1999 (or 30 per cent of total lending). While East Asia registered the largest regional decline in Bank lending, volumes fell in all geographic regions except Africa. Lending to a wider group of "crisis" borrowers (Argentina, Brazil, Indonesia, the Republic of Korea, Russia and Thailand), which had accounted for US$13 billion in Bank lending in FY 1999 (or 45 per cent of total lending), fell to US$1.8 billion in FY 2000 (or 12 per cent of total lending). This fall in demand for IBRD financing can be explained by the increasing access to private capital that many of these economies have regained since 1998. While the Latin American and Caribbean region accounted for the largest regional share of Bank loans, Turkey and China were the largest and second largest individual Bank borrowers in FY 2000.

[3] San Marino joined as the 182nd member of the World Bank on September 21, 2000. At the time of publication, the Federal Republic of Yugoslavia (FRY) was negotiating its membership application with the World Bank. Membership will depend on an agreement to settle the FRY's share of the outstanding debt to the World Bank arising from the membership of the former Socialist Federal Republic of Yugoslavia.

The Bank still plays a role in providing support to countries in financial difficulty. A rapid deterioration in Turkey's financial situation in November 2000 led to increased adjustment lending to that country late in the calendar year. In December 2000 (at the end of the first half of the Bank's 2001 fiscal year), the Bank approved US$5 billion in adjustment lending to Turkey for the December 2000 to June 2003 period. This adjustment lending will support efforts to create employment, protect and expand social services, and improve public sector and environmental management.

However, with significantly decreased overall demand from crisis-affected countries, the Bank is now refocusing on its central goal of supporting poverty reduction. The Bank's operations are being geared increasingly to assisting developing countries meet the International Development Goals to halve world poverty by 2015. These targets were adopted following a number of international conferences during the 1990s and were endorsed by world leaders at the Millennium Summit in September 2000.

The lower volume of total Bank lending operations in FY 2000 was also a reflection of a change in the nature of the projects being financed by the Bank. In line with its increasing stress on a comprehensive approach to supporting country-led poverty reduction strategies, Bank operations are moving away from large-scale infrastructure projects and are focusing more on smaller operations that support institution building and human development (i.e. education, health, nutrition, social protection, civil service reform and improved governance). This shift is reflected in smaller average Bank loans. In FY 2000 the Bank approved, on average, loans of US$69 million compared to US$93 million in FY 1990.

In contrast to its falling lending volumes, in FY 2000 the Bank increased its emphasis on non-lending services in order to enhance the aid effectiveness of its operations. The Bank provides a wide range of advisory, analytical, training and knowledge-related services in support of building domestic capacities. Through its non-lending activities, the Bank provides valuable policy advice that can bolster the effectiveness of its investment and adjustment lending.

FY 2000 was the final year of the three-year Strategic Compact between Bank management and shareholders, which was approved by the Executive Board on March 31, 1997, and provided a US$250-million increase in budgetary resources for a 30-month period in support of an ambitious program to refocus the Bank's activities on support for country-driven poverty reduction initiatives. The Strategic Compact aimed to make the Bank more responsive to shareholders. Reflecting management's commitment under the Strategic Compact to return to pre-Compact levels, the Bank's administrative budget for FY 2000 was US$1.445 billion, or US$106 million lower than FY 1999. In June 2000 Executive Directors approved a total administrative budget for FY 2001 of US$1.442 billion.

World Development Report 2000-2001

In mid-2000 the Bank released the *World Development Report 2000-2001: Attacking Poverty* (WDR), which is a landmark study of the causes of and possible approaches to combatting poverty. Building on the Bank's last comprehensive assessment of poverty that was published in 1990, the WDR extends the analysis of poverty reduction beyond the impact of economic growth and examines the impacts of more equitable distribution of opportunities. The WDR concludes that, to combat poverty effectively, developing countries need to develop strategies that go beyond the promotion of labour-intensive growth and human capital development. They need to focus on the broader institutional context and address structural inequalities and social barriers to disadvantaged groups (e.g. the very poor, women and minorities) that perpetuate poverty within countries.

The WDR proposes, at the country level, a general framework for action based on three pillars:

- promoting economic opportunities for the poor through equitable growth, better access to markets and expanded assets;
- facilitating empowerment by making state institutions more responsive to the poor and removing social barriers that exclude women, ethnic minorities and the socially disadvantaged; and
- enhancing security by preventing and managing economy-wide shocks and providing mechanisms to reduce the vulnerability of the poor.

Beyond country actions, the WDR concludes that international actions are also required to promote poverty reduction. These would entail actions to promote international financial stability and lessen the risks of financial crises; ensure that technological, scientific and medical innovation benefit poor countries; reduce developing country debt; ease the administration of Official Development Assistance; improve access to developed country markets; and increase the voice of developing countries in international fora.

How the World Bank Group Works

The World Bank Group is made up of four complementary but distinct entities: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC).

The IBRD and IDA (together commonly known as the World Bank) both provide funding for investment projects and for adjustment – or economic reform – operations. The IBRD lends funds on commercial terms (charging an interest rate that is slightly above its own borrowing costs) to the better-off borrowing members, while IDA provides interest-free credits to the poorest borrowers. The IBRD gets its funds primarily from borrowing on international markets, on the basis of its triple-A credit rating. In effect, the IBRD on-lends to borrowing countries at a rate of interest much lower than that which they could secure on their own borrowings. IDA, on the other hand, receives grant funding from donors and other sources, including World Bank net income. As of June 2000 the outstanding IBRD loans and IDA credits amounted to US$120.1 billion and US$85.2 billion, respectively.

The IFC supplements the activities of the IBRD and IDA by undertaking investments on commercial terms in productive private sector enterprises. The IFC provides such services as direct private sector loans, equity investments, resource mobilization and technical assistance. As of June 2000 the total outstanding loans and equity investment of the IFC were equivalent to nearly US$11 billion. MIGA's mandate complements that of the IFC: it promotes private foreign direct investment in developing countries, primarily by providing insurance against non-commercial risk, such as the risk of currency inconvertibility during civil conflict. MIGA's outstanding portfolio as of June 2000 amounted to US$4.4 billion.

Benefits of Membership

- Canada's voting share of about 3 per cent in the World Bank gives it a seat on the Bank's 24-member Executive Board and on the joint IMF/World Bank Development Committee. Canada has the opportunity, both at the Executive Board and in discussions with Bank staff, to provide direct input into the formulation of Bank policies and operational decisions. Canada and other shareholders help to guide the Bank in improving developing countries' economic, social and environmental performance. Given the Bank Executive Board's constituency representation system, the Executive Director for Canada also represents Ireland and 11 Caribbean countries. The Canadian Executive Director is the only G-7 representative on the World Bank board that represents a heavily indebted poor country (HIPC) (Guyana).
- Participation in the Bank affords an opportunity to influence international development policy issues of concern to Canadians. Canada is a leading voice at the Board of Directors' discussions on the implementation of the enhanced HIPC debt initiative, as well as at the policy discussions that led to establishing a closer link between the HIPC debt initiative and poverty reduction goals.
- Canada benefits from the Bank's leadership role in bringing together donors to respond quickly to emergency situations in countries in post-conflict situations. The World Bank provided Canada with a forum for working with other donors to establish a common position to deal with the financial crises in emerging markets. In the context of the Middle East peace process, Canada has been closely involved with the Bank's efforts to mobilize resources for the West Bank and Gaza. Through our engagement with the World Bank, Canada's influence in the developing world can be leveraged beyond what could be achieved through its bilateral programs.
- Canada benefits from the role the World Bank plays in bringing together donors for Consultative Groups (CGs) to provide assistance to specific countries in need. Through CGs, donor countries are able to better co-ordinate their policy advice and operational programs to provide more coherent advice to borrowers and to maximize the impact of their operations. Last year the World Bank participated in 25 separate CGs and donor groups. The Canadian International Development Agency (CIDA) and other donors also benefit from the Bank's co-ordination of major international programs, such as the Strategic Partnership with Africa. This co-ordination process is now being enhanced through the Poverty Reduction Strategy Papers and the Comprehensive Development Framework of the Bank.
- The Canadian government is able to draw on the Bank's research and policy work to enrich its understanding of international development. Consultation with Bank managers and analysts allows CIDA staff to draw on the Bank's significant analytical and technical expertise, gain a more comprehensive understanding of the social and economic policy environment in recipient countries and situate Canadian bilateral assistance appropriately.
- Finally, Canadian companies and individuals enjoy substantial procurement benefits from Canada's membership in the World Bank Group. Disbursements in FY 2000 for Canadian goods and services totalled US$95 million, bringing total cumulative disbursements to more than US$3.7 billion.

Supporting Country-Led Development and Poverty Reduction Strategies

Over the past year the Bank has continued to assimilate into its operations the principles of country-led development that underpin the Comprehensive Development Framework (CDF). The Bank continued with the 12 CDF pilot cases in 2000.[4] Under the pilots national authorities formulate a long-term strategic vision that seeks to incorporate social, structural and institutional factors into national development strategies. The CDF pilots have sought to use national consultative processes to promote ownership of development programs among governments and civil society stakeholders. While the 12 CDF pilots showed uneven progress in FY 2000, some non-pilot countries initiated more comprehensively based development strategies, and within the Bank there was a continuing shift in development strategy away from project-based planning to country-based planning. An even more dramatic development, however, has been the rapid evolution of Poverty Reduction Strategy Papers (PRSPs) into more comprehensive statements of national development policy. The PRSPs were originally conceived in 1999 as a comprehensive policy mechanism to link HIPC debt relief more closely with poverty reduction initiatives. In drafting PRSPs, developing country governments are working towards the types of widely based consultative processes and broader development planning that underpin the CDF.

As an example of the Bank's new approach to supporting nationally driven poverty reduction initiatives, in January 2001 the Bank approved loans of US$60 million and US$30 million for Nigeria and Senegal respectively. These loans were provided to the national governments and local communities to help boost their capacity to implement poverty reduction initiatives by working together to develop community-based initiatives for basic social and economic infrastructure.

The main challenges of the CDF and PRSP approach are: enhancing the institutional capacity of the developing country governments to both plan and implement comprehensive poverty reduction strategies; ensuring governments are willing and able to sustain, over the medium and longer term, commitments to good governance and the principles of the CDF; ensuring an appropriate balance between CDF/PRSP consultative processes and the legitimate mandate of elected officials in recipient countries to set strategic priorities and to make decisions; and enhancing donor co-ordination.

This shift in Bank operations to support country-owned development and poverty reduction strategies is partially reflected in the continuing high level of adjustment lending in overall Bank financing.[5] While the share of adjustment lending fell to 41 per cent of overall Bank lending in FY 2000, compared to 63 per cent in FY 1999 (when the mechanism was used to provide social and financial sector support to crisis countries), adjustment lending is used

[4] The countries and regions covered under the CDF pilot are: Bolivia, Côte d'Ivoire, the Dominican Republic, Eritrea, Ethiopia, Ghana, the Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam and the West Bank/Gaza.

[5] An "adjustment loan" is a rapidly disbursing lending instrument used by the Bank to provide support for a government's structural reform program. The bulk of the Bank's total lending operations, however, are in the form of "investment loans," which are disbursed over the medium- to long-term implementation periods of specific development projects.

to support sector-wide reforms and restructuring in a number of areas. Sector-wide and adaptable lending programs support efforts by developing countries to address complex and interrelated problems in a sector or sub-sector. A sector-wide approach encourages donor co-ordination and partnership, and potentially reduces the cost to government of dealing with multiple development agencies. Bank sector-wide and adaptable program lending have expanded considerably. In the Africa region sector-wide and adaptable lending now account for 35 per cent of Bank loans. In sectoral terms, most of the Bank's adjustment lending supports public sector management, financial sector reforms and improved governance.

In its FY 2000 annual report on the development effectiveness of Bank activities, the Operations Evaluation Department (OED), the independent unit that assesses Bank operations, judged that the adjustment lending outcomes strengthened during the 1990s. OED attributes this steady improvement to the incorporation of lessons from early Bank experiences with adjustment lending, including increased attention to borrower ownership, fewer loan conditions, and increased use of single tranche operations that disburse on the basis of policy actions taken, rather than on the basis of policy commitments. OED also attributes the improvement in the development effectiveness of adjustment lending to the increased focus in Bank operations on countries that are committed to and implementing good policies.

To ensure that poverty reduction remains at the heart of the Bank's operations, the Poverty Reduction and Economic Management Network (PREM) was established in 1997. PREM, which is charged with developing an overall approach to poverty evaluation, advises Bank country teams on the poverty reduction impacts of emerging policies, programs and individual projects. Country-specific poverty assessments continue to provide valuable support for the Bank's poverty reduction efforts. Given a stronger emphasis on strengthening rule of law, PREM is also developing institutional and governance assessments to be incorporated into Country Assistance Strategies. In FY 2000 the Bank completed 10 country poverty assessments, which covered roughly one-third of the world's poorest people. However, the quality of poverty data is uneven, and the Bank continues to work to improve the consistency of these assessments.

Global Public Goods

Issues that affect poverty reduction are not restricted to the country level. Responding to requests from shareholders, the Bank has become much more active, in co-operation with other multilateral and bilateral agencies, in addressing development challenges that cross national frontiers through the promotion of "global public goods." Five broad areas of global public goods were endorsed by the Development Committee in 2000 for potential support from the World Bank. The areas identified were financial and economic governance; trade; communicable and infectious diseases such as HIV/AIDS; the global environment; and information and knowledge. In FY 2000 the Bank increased its operational focus on combatting infectious disease, and HIV/AIDS in particular.

The Bank Helps Countries to Fight HIV/AIDS

HIV/AIDS is no longer only a public health issue: the high infection rates in developing countries are killing or incapacitating many of the most productive individuals in these economies and have transformed the disease into a development crisis that threatens economic and social stability. In the hardest-hit countries, most of which are in Sub Saharan Africa, HIV/AIDS threatens to reverse all of the development gains achieved over the last 30 years. Some 24 million people, or 8.6 per cent of the population of Sub Saharan Africa, are infected. By the end of FY 2000 the Bank had committed more than US$1 billion for 99 HIV/AIDS-related projects in 56 countries. HIV/AIDS programming is likely to rise in the near future as more countries turn to the Bank for technical and financial assistance. The Bank is committed to dramatically increasing the level of its HIV/AIDS response. At the April 2000 meeting of the Development Committee, the Bank stressed that it would provide substantial support for well-designed national HIV/AIDS programs.

In FY 2000 the Bank put in place a number of HIV/AIDS programs, including IDA's Multi-Country HIV/AIDS Program for Africa (MAP). The MAP is an innovative, fast-disbursing and flexible US$500-million loan framework facility for prevention and treatment throughout the continent. Sub-projects for Kenya, Ethiopia and Ghana have already been approved under the MAP, with additional sub-projects for Uganda, Cameroon and Gambia expected to be ready for consideration in early 2001. A separate HIV/AIDS project that supports health sector reform in Kenya was also approved in 2000. The Bank has also committed to HIV/AIDS prevention projects in Bangladesh, the Caribbean countries, Asia (especially India) and Russia.

Other transnational issues that the Bank is focusing on include environmental protection and natural disaster response. Bank support has taken the form of direct financing as well as research and advocacy and advisory services, capacity building, standard setting, donor co-ordination activities and resource mobilization. Specific examples of Bank support for global public goods include its partnership with the Joint United Nations Programme on HIV/AIDS and the Global Alliance for Vaccines and Immunization in Sub Saharan Africa. Another example is its partnership with other international agencies, donor governments and private organizations in the persistent organic pollutants (POPs) trust fund, which was established in 2000 with funding from a variety of donors, including CIDA, to help developing countries. In March 2000 CIDA and the World Bank established a $20-million POPs trust fund that will support capacity building in developing and transition economies to reduce or eliminate releases of POPs. Financial stability is another important global public good, and the Bank has launched the Global Development Network to support the sharing of information and views from a worldwide network of research and policy institutes on issues such as competition strategies and corporate governance.

The Bank is also increasing its efforts to catalyze private sector support for development and poverty reduction programs. In FY 2000, in co-operation with the United Kingdom and Japanese governments, the World Bank launched a multidonor technical assistance facility – the Public-Private Infrastructure Advisory Facility (PPIAF) – to help developing countries improve the quality of their infrastructure through private sector involvement. The PPIAF channels technical assistance to developing countries and identifies, disseminates and promotes best practices on private sector involvement in infrastructure. In FY 2000 the PPIAF approved grants of over US$15 million for some 70 separate activities.

Consultation and Information Disclosure

Consultations with civil society, organized by national governments, are a cornerstone of the Poverty Reduction Strategy Papers. For its part, the Bank has been expanding its own consultations with civil society groups on its own policies and procedures. In FY 2000 the Bank conducted consultations with civil society and with national and international non-governmental organization (NGO) representatives on a wide range of operational issues, including natural disaster responses, social sector intervention and long-term development initiatives. To promote greater dialogue with national and international NGOs, the Bank organized a series of briefings for NGOs at the Bank/Fund spring and annual meetings in 1999 and 2000, which covered topics such as HIPCs, civil society engagement in the Comprehensive Development Framework, and the Bank's independent Inspection Panel.

Over the past eight years the Bank has steadily expanded the categories of information that it makes available to the public. For instance, all Country Assistance Strategies for IDA countries are released as are, among others, Board documents related to the HIPC debt initiative, project information documents, and environmental assessments of high-risk projects. However, with shareholders calling for increased transparency in all international financial institutions, combined with the introduction of a number of new categories of documents as well as more recent concern about the scope of the application of the Bank's disclosure policy, in 2000 the Bank initiated a review of its information disclosure policy. The preliminary results of this review were presented to Executive Directors in mid-2000; a draft information disclosure policy document was posted on the Bank's Web site and global public consultations on the draft policy were initiated. These consultations are expected to close at the end of March 2001, at which time a final policy will be drafted and presented to the Executive Board for consideration.

The Bank's draft information disclosure policy continues to be based on the premise of disclosure, subject to certain minimum constraints (such as those needed to protect confidential or proprietary information received from third parties, the integrity of the deliberation process and the personal privacy of Bank staff). The draft policy proposes to expand the categories of documentation that would be released to the public, such as Transitional Support Strategies for post-conflict countries, safeguard assessments, evaluation documents, operational memoranda and the Board Chairman's concluding remarks following discussion of documents that are themselves subject to disclosure. The proposed policy would also open documents in the Bank's archives following a 20-year waiting period, subject to safeguards to protect confidential and private information. The draft policy proposes an assumption of disclosure of information concerning the Bank's approach to resettlement plans and indigenous peoples development plans. The proposed policy, however, stops short of requiring public disclosure of IBRD Country Assistance Strategies. Disclosure of these documents is proposed to remain at the discretion of the governments of the country concerned.

In 2000 Bank staff, Bank Executive Directors and Canadian government officials were closely engaged with NGOs on the issue of the Bank's involvement in two specific Bank projects: the Chad-Cameroon petroleum development and pipeline project and the Qinghai provincial component of the China: Western Poverty Reduction Project. In the case of the former, NGOs expressed concern about the openness of the project consultation process, the potential impact of the project on indigenous populations and the environment, and the commitment of both governments to channelling project revenues to poverty reduction. Similarly, in the latter case, which proposed Bank support for the transfer of some 60,000 poor from densely populated to more sparsely populated regions of Qinghai province, NGOs also expressed concern about the level of consultation undertaken with affected persons as well as the environmental impact of the project.

In the case of the Chad-Cameroon pipeline project, Canada recognized the contribution that petroleum revenues could make to poverty reduction, but took a strong position advocating exceptional World Bank monitoring of the use of petroleum revenues to ensure they are directed to poverty reduction. Along with other shareholders, the Government of Canada made its support for this project conditional on this exceptional monitoring. Both governments accepted this condition and the Board of Directors has begun receiving semi-annual reports on project implementation.

In the case of the Qinghai component of the China: Western Poverty Reduction Project, the Bank was criticized by the independent Inspection Panel for not following its own policies and procedures during project preparation. The government of China withdrew its request for financing after a majority of Bank Executive Directors (including the Executive Director representing Canada) sought Board endorsement of the additional environmental work that the Bank proposed to undertake to address the Inspection Panel's concerns. (The Inspection Panel report on the Qinghai provincial component of the China: Western Poverty Reduction Project is available on the Bank's Web site.)

Improving Co-ordination With Other Agencies

In 1998, at the request of shareholding governments, the Bank and the IMF undertook a frank assessment of their joint work and developed substantive measures to improve mutual co-operation. These measures, which are now being implemented, include a better delineation of responsibilities between the institutions and the establishment of a senior management Liaison Committee charged with enhancing joint Bank/Fund work with relevant international supervisory agencies. Through these closer links, the IMF has been able to benefit from the experience of the Bank in assessing the longer-term development impact of its own structural adjustment lending. Collaboration between the Bank and the Fund has been particularly close in critical financial sector work. These activities are described in detail in the "Joint Issues" section.

Over the past year the World Bank has also worked to deepen its partnerships with regional development banks and other multilateral agencies (including the World Trade Organization and the United Nations Conference on Trade and Development) as well as with bilateral agencies.

- A tripartite consultation mechanism involving the Bank, the IMF and the Asian Development Bank has been established to co-ordinate programs in Asian crisis economies.
- The Bank has signed Memoranda of Understanding with the European Commission, the Council of Europe Development Bank and the European Bank for Reconstruction and Development that cover co-operation among these institutions with respect to activities in Central and East European countries that are candidates for accession to the European Union.
- In a move to enhance World Bank and United Nations co-ordination, the two organizations have formed the "Philadelphia Group" (symbolic of the fact that Philadelphia is halfway between Washington and New York) to share views and work programs in areas of common interest, such as social policy, poverty reduction and governance.
- The Bank co-operated with the IMF, World Trade Organization and several United Nations organizations in establishing the Integrated Framework to help least developed countries effectively participate in the international trading system.
- To strengthen its strategic partnerships with regional development banks, the Bank signed a Memorandum of Understanding with the African Development Bank Group in March 2000 that provides a framework for closer co-ordination of their activities. The Bank is working on similar Memoranda of Understanding with the other regional development banks.

Other World Bank Operations in FY 2000

A) Helping Institutional and Governance Reforms

Strong institutions and good governance are necessary to reduce country vulnerability to crises. They also encourage private investment and promote economic growth and poverty reduction. With its adjustment loans and technical assistance projects, the Bank is supporting various public sector reforms that aim to improve governance by enhancing public accountability and transparency of government agencies. The Bank also provides governments with advice on drafting governance-related laws, including legislation to combat corruption. This work is being supported by extensive Bank analysis of budgetary processes and institutional effectiveness.

In order to enhance the overall transparency and accountability of public sector activities, the Bank, in co-operation with the IMF, supports measures to strengthen public expenditure management systems in borrower countries. A number of countries are seeking Bank assistance in the conversion of military-run industries (China, South Africa and Hungary), while others, including Angola, Rwanda, Cambodia and Sierra Leone, have asked for help with demobilization and demilitarization.

The World Bank Institute (WBI)[6] is an important delivery instrument for training on governance and anti-corruption issues. Through its public sector reform program, the WBI helps build and implement anti-corruption strategies for those who directly seek Bank support in this area. The WBI has helped nearly 30 countries, including Bolivia, Chile, Ethiopia, Nicaragua, Uganda and Ukraine, to undertake in-depth analyses of institutional and policy weaknesses behind corrupt practices. These analyses are prepared with broad participation of civil society groups and help governments design strategies to combat corruption.

With respect to the corporate sector, the Bank is assisting governments in developing corporate restructuring and bankruptcy frameworks, stronger competition policy, and corporate governance and legal reforms. In co-operation with the IMF, the Bank has intensified its support of financial sector reforms in FY 1999. Having increased the number of in-house experts by 50, the Bank supported governments in improving financial sector supervision and regulation, developing capital markets and training domestic regulators.

[6] In March 1999, to improve the efficiency of the Bank's education and training programs, the Economic Development Institute was merged with the Bank's Learning and Leadership Centre, with the new institute working under the name of World Bank Institute.

The Toronto Centre

Recognizing the need to strengthen financial sector regulation and supervision in crisis economies, in 1997 the Government of Canada and the World Bank announced the creation of the Toronto International Leadership Centre for Financial Sector Supervision. The Toronto Centre provides experience-based training for senior financial supervisors and regulators in emerging markets. It focuses on the leadership dimension of the supervisory function, offering pragmatic programs based on the premise that experience is the best teacher. Canadian funding for the Toronto Centre has been provided by CIDA and several Canadian banks (Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Royal Bank of Canada and The Toronto-Dominion Bank). The IMF and the Bank for International Settlements' (BIS') Financial Stability Institute each committed US$500,000 in financial support to the Centre, while the World Bank has committed US$1.38 million.

The Toronto Centre added new courses on securities and insurance in 2000 to its regular courses on banking supervision. The Centre also began to offer joint programs with the BIS' Financial Stability Institute in Basle, Switzerland, as well as regionally focused programs. The Centre has also planned several country-specific programs to be held in emerging market countries throughout 2001. In February 2000 David Winfield replaced Paul Cantor as the new Executive Director of the Centre.

The Toronto Centre can be reached through its Web site at http://www.torontocentre.org/.

B) Post-Conflict and Emergency Assistance

In 1997 the Bank established a Post-Conflict Fund to provide financing in the early stages of the institution's involvement in post-conflict situations and to promote best practices in conflict prevention. By the end of FY 2000 this fund had provided US$22 million in grants across 25 countries. This included, for example, financing for teachers' and health workers' salaries in Kosovo, and financing of the international community's initial assessment mission and the start-up of the governance program in East Timor. In countries emerging from conflicts, the Bank's support is designed to facilitate their transition to peace. The Bank helps post-conflict countries rebuild physical infrastructure, reconstruct institutional capacity and put in place key economic reforms.

C) Assisting Small States

In July 1998 the World Bank and the Commonwealth Secretariat established a Joint Task Force on Small States to address small states' special development challenges. The Task Force's final report, *Small States: Meeting Challenges in the Global Economy*, was submitted to the Development Committee at its meeting in April 2000. During this discussion Finance Minister Paul Martin, representing both Canada and 11 Caribbean small states, invited Owen Arthur, Prime Minister of Barbados, to address the report. Development Committee ministers welcomed the report and noted the recommendation that the circumstances of small states should be taken into account in the policies and programs of multilateral development, trade and finance institutions. They supported the World Bank and IMF proposals for work program activities on small states issues, as set out in the Bank's framework of assistance for small states in the report, and agreed that these could make a valuable contribution in helping small states face their development challenges.

The Task Force report concluded that small states share characteristics that pose challenges to their development (lack of institutional capacity, difficulty in attaining economies of scale in production, limited capacity to diversify risk within their domestic economies) and that addressing these challenges successfully will require co-operation and assistance from multilateral and bilateral development institutions as well as improvements in the external environment. The report identified an ongoing agenda for action and analysis, by small states and the international community, that highlighted four main areas of challenge: tackling volatility, vulnerability and natural disasters; strengthening capacity; addressing issues of transition to the changing global trade regime; and managing new opportunities and challenges arising from globalization.

As part of its small states work program, the World Bank agreed to host an Annual Small States Forum, where small states' representatives can exchange experiences, meet with development partners to assess progress on the small states agenda, and set priorities for future work. The First Annual Small States Forum was held in September 2000 with very broad country representation. Owen Arthur, Prime Minister of Barbados, chaired the event. Representatives of six multilateral institutions – the World Bank, the Commonwealth Secretariat, the IMF, the European Union, the World Trade Organization and the United Nations Conference on Trade and Development – confirmed their commitment to working with small states and to the agenda set out in the Task Force report. The group also agreed to an agenda and overall work plan leading up to the next annual Forum in the fall of 2001. They noted the importance of trade to small-state economies and the need to take small-state concerns into account as the global trading regime develops. They identified addressing volatility and vulnerability as a priority area for the coming year including work on disaster management and mitigation, and catastrophe risk insurance mechanisms. Participants welcomed the focus on reducing transaction costs of accessing donor assistance. They also noted the need for technical assistance to help small states deal with international initiatives on offshore financial centres and harmful tax competition.

Of the 175 developing countries worldwide, 42 are small states. Since Canada represents 11 Caribbean small states at the World Bank, it will continue to work with its Caribbean partners to ensure that the special characteristics and challenges of small states are properly articulated and addressed. Canada has worked hard to ensure that the views, experiences and expertise of the small states themselves are included in the policy development process.

D) Rural Development

The rural sector received roughly 10.5 per cent of total Bank lending in FY 2000. Rural development is critical in pursuing the Bank's poverty reduction objective, with 70 per cent of the world's poor living in rural areas. The Bank's work in rural development is wide-ranging and includes sustainable natural resource management, irrigation, river basin management, rural finance and agricultural research and extension work. The Bank approved a total of 38 projects in FY 2000 that were targeted at the rural sector, totalling US$1.6 billion. The Bank also works with the Consultative Group on International Agricultural Research, which brings together a network of 16 international agricultural research centres to mobilize the best agricultural knowledge to the developing countries.

International Development Association

IDA is the World Bank Group's concessional lending window. It provides long-term loans at zero interest to the poorest of the developing countries in its mission to reduce their poverty and improve their quality of life. IDA does this by supporting projects that improve their living standards and by promoting equitable access to the benefits of economic development. IDA eligibility is based on an assessment of an individual country's per capita income (in FY 2000 the operational cut-off for IDA eligibility was US$884 per capita). At the end of FY 2000 China, which has been one of the largest IDA recipients, graduated from IDA's programs given the country's increase in per capita income.

IDA focuses on:

- results – to get the biggest development return from scarce aid resources;
- sustainability – to achieve an enduring development impact within an environmentally sustainable framework; and
- equity – to remove barriers and open up opportunities for the disadvantaged.

In FY 2000 IDA lending commitments totalled US$4.4 billion for 126 new operations in 52 countries. This represents a 35-per-cent decline in the value of lending commitments made in FY 1999. This fall reflected a confluence of country specific factors (such as renewed conflict in borrowers such as Ethiopia and Eritrea) and the application of performance-based lending criteria for IDA operations. India remained the largest individual country borrower in FY 2000, benefiting from support for poverty alleviation programs, governance and basic social services.

IDA is funded largely by contributions from the governments of the richer member countries and is replenished every three years. The Twelfth Replenishment (IDA 12), which was agreed to in November 1998, will finance projects over the three-year period that began in July 1999. Funding for this replenishment will allow IDA to lend about $20.5 billion over the period.

Discussions among IDA donors on the priorities and funding levels for the Thirteenth Replenishment (IDA 13), which will cover the FY 2003-05 period, began in early 2001.

IDA resource allocations are based on each recipient country's policy performance. For this purpose, the Bank has developed a rating system based on 20 indicators that reflect performance in three broad policy areas: sustainable growth and poverty reduction, reduction of inequalities, and governance/public sector management.

IDA Priorities

Poverty reduction is the cornerstone of IDA's development efforts. Sound macroeconomic and structural policies, institutional reforms and good governance are essential to achieving a sustainable decline in poverty. In recent years IDA has devoted significant resources to improving the quality and effectiveness of its assistance efforts. The participation of governments, NGOs and civil society is crucial. The degree of borrower ownership and the level of participation by NGOs and civil society have increased substantially through the course of IDA replenishments.

IDA focuses its work on areas shown to have a significant development impact. For example, work is underway to improve IDA's track record in assisting borrowing countries to formulate and implement poverty reduction strategies that adequately incorporate gender. As well, in recognition of the fact that weak governance, including corruption, can constrain development, IDA has incorporated governance considerations in its work.

Lending for social services has been a focal point of the World Bank's – and particularly IDA's – poverty reduction efforts in recent years. IDA places particular emphasis on lending targeted directly at the poor under the Program of Targeted Interventions (PTI). For example, a PTI project in Algeria provides affordable housing and land titles to about 50,000 households in low-income areas, including urban slums. The project will also offer basic infrastructure services, including roads, safe drinking water, sewage, drainage and electricity. Over the 1996-2000 period PTI lending has consistently accounted for more than 50 per cent of IDA's investment lending.

IDA's assistance in girls' education has been another strong feature of its poverty reduction efforts in the past decade. The share of IDA education lending going to girls' education rose from 39 per cent in 1996 to 48 per cent in 1999. And while 23 IDA education projects targeted girls at the start of IDA9, about half the 98 projects in IDA's education portfolio did so at the end of IDA11. In 1997 a Bank girls' education program identified 31 active borrowers as having significant gender disparities in education and targeted 15 of these because of exceptionally large gaps between boys' and girls' enrollment rates (all of them in Sub Saharan Africa, the Middle East and North Africa). Evaluations of projects closing in 1995-2000 indicate that where there are large gender disparities, the Bank has integrated gender concerns into virtually all education projects and has contributed to positive trends in enrollment.

Table 3
IDA Lending for the Program of Targeted Interventions
Fiscal Years 1997–2000

	1997	1998	1999	2000
IDA PTI lending (in US$ millions)	1,874	3,267	3,033	1,828
As % of IDA investment lending	53	54	62	51
As % of all IDA lending	41	44	45	42
Number of IDA PTI projects	36	55	69	40

An important result of the IDA 12 replenishment process was the conclusion that these new resources would be directed to countries that have good policies. IDA 12 resources, therefore, focus on four key areas:

- **Investing in people** – IDA has placed a high priority on investments in basic social services, including primary education and health care, clean water and sanitation, nutrition, and social protection. This funding will address such needs as ensuring that children who are forced to work to help support their families do not have to sacrifice opportunities to learn. Social sector lending will remain around 40 per cent of investment lending during IDA 12.
- **Promoting broad-based growth** – Development experience shows clearly that sustainable, broad-based economic growth is essential for poverty reduction. IDA therefore supports policy changes and projects that encourage the role and growth of the private sector, including local small businesses, micro enterprises and small holding farms.
- **Supporting good governance** – Good governance is critical to sustainable, broad-based economic development and improvements in human well-being. As discussed above, IDA has strengthened its analytical framework to assess the quality of overall policy performance in recipient countries; the resultant standards will be applied in the allocation of IDA 12 resources.
- **Protecting the environment** – IDA will support strategies that promote environmentally sustainable development since the effects of poverty and environmental damage are often mutually reinforcing.

IDA also recognizes that a special effort is needed in Africa – a region that continues to present a particularly difficult development challenge. Weak economic and governance policies across Africa have contributed significantly to the continent's poor performance. IDA's performance-based lending criteria reinforce good policies. Recognizing the impact that better policies will have on development and poverty reduction, many African countries are now strengthening their policies and have begun to benefit from improved growth rates. This opens a window of opportunity to improve the lives of their poorest citizens. Yet investment levels in these countries are too low to sustain this growth.

IDA Success Stories

- Community Action Programmes (CAPs) in Sub Saharan Africa, supported by IDA financing, are designed to make resources available to local people for homegrown development programs. CAPs channel resources directly to poor people. In addition, CAPs help improve the local institutional and governance environment by empowering communities to design and implement their own initiatives. A credit supporting the first CAP, targeting rural infrastructure in Senegal, was approved in January 2000. CAP funds will be used to pilot initiatives that will improve the mobility of some 1.3 million people living in rural areas as well as to assist communities in preventing the spread of HIV/AIDS. In Bangladesh one of IDA's most successful pro-poor investments has been in rural electrification. The rural electrification project has expanded existing distribution networks to underserved areas and has rehabilitated distribution systems taken over from parastatals. The project's achievements have been outstanding in many areas: the number of consumer connections has far exceeded the original estimates; improved household lighting has increased opportunities to study and earn income; and the project has led to more efficient energy use in industry and agriculture. A socio-economic study showed that average household income in the program villages is about 50 per cent higher than that in non-electrified villages, and attributes 22 per cent of the difference to electrification. Not surprisingly, the poverty rate in electrified villages is lower as well.
- The Ghana Community Water and Sanitation Project assisted in the launch of a new community-based water and sanitation policy. Each community decided whether to participate in the program and selected a preferred technology and service level based on willingness to pay and capacity to sustain the service. Each community was required to pay part of the capital costs (5 per cent to 10 per cent in cash) and to assume full responsibility for operations and maintenance. An intensive community development program included hygiene and sanitation promotion and in-service management training. The private sector and NGOs provided all goods and services with government facilitation. From 1994 to 1999, the program financed projects in four regions covering 700 rural communities and 30 small towns. It also served as a platform for the government to lead extensive stakeholder consultations and co-ordinate external support.
- Gender analysis for the Ethiopia Education Sector Development Program revealed that girls in rural areas were not attending school because they had to fulfill household chores such as obtaining water and grinding grain. Based on this analysis, the program linked up with other ministries to create water sources and grinding mills near schools so that the girls could meet family obligations on their way to and from school.
- In Nepal the National Rural Water Supply and Sanitation Project provides for subprojects to be designed and implemented by communities in a participatory manner. As project managers, communities are carrying out their own monitoring and evaluation. This has proved highly effective in many villages, where women have gained status by taking charge of choosing project performance indicators and monitoring personal hygiene and sanitation practices in the households and public areas of their communities. It also has enabled them to participate more actively in water and sanitation committees. The approach should reach 900 communities by the end of the project.
- The Arsenic Mitigation Water Supply Project in Bangladesh is helping to stop contamination that is estimated to be affecting at least 15 per cent of the population.
- In Benin forestry management plans have been designed and implemented for 268,000 hectares of forest and involving 320,000 people within or around the forests.
- With the help of an IDA-supported transport rehabilitation project, 984 kilometres of roads were repaired in Georgia, significantly reducing travel times. Broad-based road maintenance is reaching most of the country.

Sustaining and building on the efforts of African governments will require substantial support from the international community, including both the private and public sectors. To support African countries that are committed to poverty reduction, economic reform and sustainable, broad-based growth, IDA intends to increase Africa's share of IDA resources to up to 50 per cent of IDA 12 resources, as long as the performance of individual countries warrants it.

While the application of performance-based lending criteria caused a dip in the overall IDA lending to Africa at the outset of the IDA12 period, there has been some recent progress towards meeting this 50-per-cent goal. The Africa region continues to receive the largest level of IDA support in both absolute and relative terms. In FY 2000 IDA approached the 50-per-cent target for the region. This represented a substantial increase over the continent's FY 1999 32-per-cent share of IDA commitments. In FY 2000 Nigeria became an active IDA borrower and received financing for capacity building, primary education and water/sanitation projects.

Canada's Priorities at the World Bank

A) Developmental Priorities

Poverty Reduction: Despite considerable progress over the past two decades in improving living standards worldwide, over 3 billion people remain in poverty. Canada has long been a key player in international efforts to assist the poorest and strongly supports poverty reduction as the overarching objective of the World Bank. As such, Canada endorses the Comprehensive Development Framework, under which the Bank promotes broad-based poverty reduction strategies in developing countries, and the Poverty Reduction Strategy Papers, under which developing country governments develop and implement poverty reduction programs. The Bank has increasingly recognized that poverty reduction cannot be addressed in isolation. Private sector development, good governance, monitoring of non-productive expenditures (especially military), external debt and environmentally sustainable policies are just a few of the factors that need to be considered in designing strategies to help improve the living standards of the poor in member countries. In the case of small states, the Bank has to take into account additional factors of economic and physical vulnerability.

Canada strongly supports the Bank's efforts to increase the prominence of social sector issues in macroeconomic stabilization programs. Good macroeconomic policy is key to boosting growth, thereby reducing poverty. At the same time, adequate attention to social issues is key to the success of macroeconomic stabilization and sustainable development goals.

Canada's Voting Record

World Bank Executive Board decisions are usually taken on a consensus basis, without recourse to a formal vote. On occasion, however, individual Executive Directors have been unable to join the Board consensus for various reasons. In 2000 the Canadian Executive Director did not join the Board consensus on 24 occasions.

- Canada registered its abstention or opposition in the cases of 18 World Bank and IFC loans and investments in India and Pakistan as, in Canada's view, these operations were inconsistent with the internationally agreed sanctions applied against the two countries following their testing of nuclear weapons devices in May 1998.
- In April 2000 Canada abstained during the discussion of the World Bank's US$87-million and US$145-million Second Primary Health Care and Nutrition Loan and Tehran Sewerage Loan for Iran, given concerns that the Bank was starting lending operations before the Executive Board had had the opportunity to discuss the Bank's overall assistance strategy for the country.
- In May 2000 Canada abstained during the discussion of an IFC loan of up to US$40 million in support of the Ghana Telecommunications Company Limited as the borrower was the Ghanian state, rather than a private sector company. In May the Canadian Executive Director also abstained on management's recommendations regarding Bank staff compensation.
- In July 2000, together with countries representing a majority of World Bank shareholders, Canada opposed Bank management's response to the Bank's independent Inspection Panel's report on the China: Western Poverty Reduction Project (Qinghai component) since management's response did not include returning to the Executive Board for approval after additional environmental studies had been undertaken. As a result of this Board decision, the Chinese authorities withdrew their request for World Bank funding of the Qinghai regional component of the project.
- In December 2000 Canada abstained during the discussion of Rwanda's HIPC decision point due to concerns over Rwandan involvement in the conflict in the Democratic Republic of the Congo.

Gender Issues: Canada actively promotes gender issues as a priority for World Bank operations. World Bank lending in almost all sectors includes activities that specifically benefit women. In FY 2000 the Bank undertook to develop a Gender Sector Strategy, which will outline ways in which the Bank can better integrate gender into its work. It is expected that this strategy will be considered by Executive Directors later this year. In the meantime the Bank is working to integrate gender issues into Country Assistance Strategies. In general, the Bank-funded projects in agriculture, education, health and infrastructure take particular care to incorporate gender analyses and actions. In the Bank's Ghana Community Water and Sanitation Project, for example, local NGOs work with community organizations to ensure that women actively participate in decision making. Women account for 48 per cent of the membership of local water and sanitation committees and 38 per cent of executive committee members. CIDA is currently working closely with the World Bank to improve the Bank's capacity in gender equity. To expand exchange of knowledge with its development partners, the Bank has made a number of statistical indicators on gender available to the public through its Web site.

Private Sector Development: Canada has encouraged the increasingly co-ordinated approach to private sector development that has grown within the Bank Group over the past three years. It is now clear that the private sector plays an important role in addressing virtually all development challenges, from protecting the environment to assisting in privatization in transition economies.

The Bank uses a wide range of instruments for this task – adjustment lending, technical assistance, investment lending, guarantees and adaptable program lending.

Altogether, the World Bank provided some US$4.2 billion in financing to support private sector development. Of this amount, some US$2.9 billion supported private sector, projects in the transport, water and sanitation, and urban development sectors, where private sector investment is still very modest. The remainder focused on energy, mining and telecommunications. In FY 2000 the Bank had underway 306 operations designed to stimulate private investment in infrastructure, and roughly 60 per cent of the Bank's total operations in infrastructure included private sector participation as a key objective.

In a shift of emphasis that reflects the growing importance of private capital and investment to developing countries, the World Bank Group has restructured to better align and expand its work related to the private sector. The reorganization, which took effect on January 1, 2000, strengthened the link between the World Bank Group's public sector work and its private sector development work done through the IFC by integrating the staff and work programs of the two institutions. The reorganization includes both a new structure within the Bank Group, and a new approach to creating a favourable business environment and helping finance small and medium-sized enterprises. A new combined unit co-ordinates Bank Group activities to disseminate the knowledge that will encourage creation of local intermediaries to help capitalize local financial institutions, and provide training for financing small and medium-sized enterprises. The new unit, in combination with increased IFC investments in local intermediaries that finance small businesses, reflects a significantly higher priority for this sector within the Bank Group.

The Bank also uses **guarantees** to expand developing countries' access to international and domestic capital markets. Complementing products offered by the IFC and MIGA, the Bank provides partial risk and partial credit guarantees for private investment in priority projects. In FY 2000 the Bank provided a partial risk guarantee of US$61 million to support the creation of a private power plant in Haripur, Bangladesh.

Expanding the benefits of information and communications technology (ICT) to developing countries is prominent on the Group of Eight policy agenda. Canada supports the efforts by international organizations, including the World Bank, to promote the ICT agenda in the developing world and to reduce the digital divide. The Bank's global reach and its ongoing program of country and sector work have made the institution one of the leading players in the international effort to bridge the digital divide between the developed and developing countries. In January 2000 the telecommunications groups of the IFC and World Bank were integrated into a new World Bank Global Information and Communication Technology (GICT) Department. The GICT Department plays an important role in promoting private participation in developing telecommunications services in developing countries. It provides governments and private companies with capital and expertise needed to liberalize the telecommunications sector, to attract additional private investment and to leverage information and communications technologies for export-based development.

In FY 2000 the Bank launched the Cities Alliance in partnership with the United Nations Centre for Human Settlements: Habitat, bilateral donors (including CIDA), NGOs and the business community, as an initiative to improve living conditions for poor people living in urban slums. The Cities Alliance aims to promote pro-poor city development strategies and to increase the scale of slum upgrading efforts worldwide. CIDA has provided approximately $800,000 in grant financing in support of this initiative.

Another example of the private sector's role in development is the growing impact of **micro-credit operations** (relatively small loans made to the poor by grassroots organizations such as the Grameen Bank in Bangladesh). With a small investment, these organizations have been successful in improving the living conditions of the poor, particularly women, in developing countries. Evidence from these operations is compelling; it shows that the poor can be very good entrepreneurs as well as very good credit risks.

The Consultative Group to Assist the Poorest (CGAP), which includes the World Bank, Canada and 26 other multilateral and bilateral donors, was established in 1995 to support the development and expansion of sustainable institutions that provide micro-financing services to the poor.

During the initial phase (1995-98), CGAP provided US$26 million in grants to support micro-finance operations, as well as technical assistance for financial management training and the development of “best practices policies” for micro-finance providers. In June 1998 CGAP was renewed for an additional five years. Building on its earlier achievements, during this second phase, CGAP has a more explicit focus on institution building and poverty reduction. CGAP members and donors are responsible for the maintenance of a core fund to support micro-finance programs in the developing world. The Canadian government approved a $1.5-million, three-year agreement between CIDA and CGAP, which started in 1999. As part of its involvement with CGAP and in partnership with the Aga Khan Foundation, CIDA is undertaking research to better understand the relationship between micro-finance and the promotion of social capital among the poor.

Micro-Credit: The Consultative Group to Assist the Poorest

In FY 2000 the Consultative Group to Assist the Poorest (CGAP) made 22 new investments totalling US$13 million in direct support to micro-finance institutions and a further four investments totalling US$7.6 million in wholesale funding to retail micro-finance institutions. CGAP also provided US$7.5 million in funding for training and capacity building and a further US$115,000 for funding technical advice

For CGAP’s second phase, donors have adopted the following strategies:

- to support micro-finance institutional development through the creation of tools and the delivery of capacity-building activities;
- to support changes in the practices of CGAP members, especially as they relate to the management of micro-finance portfolios;
- to increase understanding of the impact of micro-financing on poverty reduction;
- to improve the legal and regulatory framework for micro-finance; and
- to facilitate the commercialization of the micro-finance sector.

Through this work, CGAP seeks to strengthen the ability of micro-finance organizations with a proven track record and to provide assistance to the poor. The World Bank contributed US$30 million to the first phase of the facility and has provided a further US$7 million for the first year of the second phase until a multi-year commitment is put into place. CGAP bilateral donors have also agreed to provide US$4 million in additional contributions in 1999. CIDA donated US$330,000 to CGAP in FY 2000.

Good Governance and Anti-Corruption: Canada is an advocate of strong Bank support for improved public and corporate sector governance. Over the last decade governance has been mainstreamed into the Bank's adjustment and investment lending. In addition to encouraging more effective management of borrowing members' public expenditures and more participatory and open approaches in decision making, the Bank incorporates anti-corruption measures into its own procedures. In FY 2000 the Bank adopted an Anti-Corruption Action Plan and reviewed its progress since 1997 in helping developing countries to combat corrupt practices. The Bank has helped put in place more than 600 anti-corruption programs in nearly 100 borrowing countries and has mainstreamed anti-corruption issues into its Country Assistance Strategies. The Bank has amended its procurement guidelines to strengthen the procedures for disqualifying bidders, temporarily or permanently, from future Bank-financed projects if it finds evidence of fraud or corruption. Over the past three years the Bank has disbarred 54 companies and individuals from receiving Bank contracts because of their involvement in corruption or the misuse of Bank funds.

Canada has been particularly outspoken and concerned about unproductive expenditures, particularly excessive military expenditures. Canada has spoken strongly at the Bank to highlight the need to be tough on those countries that are receiving international assistance and in which defence crowds out social sector spending. At a time of scarce donor resources the Bank's clients can ill afford to waste resources on unproductive spending. Recognizing this problem, the Bank is reviewing its current guidelines by surveying the policies and program approaches of the bilateral donors and other multilateral donors. The Bank is requesting better information from borrowers on military-related aggregate expenditures to aid in its public expenditure reviews. Under the performance-based lending framework in place for IDA operations, IDA allocations are, among other things, tied to efforts by developing country governments to reduce non-productive (including military) expenditures.

In its efforts to promote better governance practices, the World Bank Institute has established close working relations with the Parliamentary Centre in Canada and with international organizations such as Transparency International.

Environmentally Sustainable Development: The Canadian government, alongside Canadian NGOs, has long been a vocal advocate of the need for the Bank to better integrate environmental considerations into its operations and has been a keen supporter of the Bank's recent efforts. The establishment of the Environmental Sustainable Development Vice Presidency in 1993 has been instrumental in supporting this objective. Environmental lending as a share of overall Bank operations increased to 10 per cent in FY 2000, compared to 7 per cent in FY 1999. In FY 2000 the Bank approved US$514 million in loans in support of 13 stand-alone environmental projects. At the end of FY 2000 there were 97 active stand-alone environmental projects worth US$5.16 billion. In FY 2000 the Bank approved roughly an additional US$400 million in environmental components of over 30 loans to other sectors. This brings the value of the Bank's "broad" environmental portfolio to some US$15 billion. Over and above the Bank's portfolio of environmental projects, the Bank requires that every project it supports be environmentally sustainable. Environmental assessments, which are discussed with the public, are designed to test the environmental sustainability of each Bank project. The Bank also examines potential environmental impacts when developing broad sector strategies. It is increasing its focus on the institutional and regulatory frameworks that govern natural resources in order to promote long-term environmental stewardship. In Brazil, for example, the Bank's Second Environmental Project aims to improve the effectiveness of national environmental legislation and to strengthen environmental management at the state and municipal levels.

Of particular note is the increasing work undertaken by the Bank in co-operation with other shareholders in the area of **climate change**. It is now recognized that collective global action is required to find solutions to this problem, and the Bank has stepped up its efforts to provide assistance to its borrowing member countries to help reduce "greenhouse gases." As an implementing agency of the Montreal Protocol's Multilateral Fund, the Bank supports projects in 20 countries and has committed US$360 million in financing since 1991 for some 480 projects to assist enterprises in developing countries convert to ozone-friendly technologies. The Bank is assisting the three largest producers of CFCs (China, India and Russia) to phase out CFC production and to meet their obligations under the Montreal Protocol.

The Bank has also been active in developing a commercial framework for carbon emissions trading under the Conference of the Parties on Climate Change process. The Bank launched the Prototype Carbon Fund (PCF) in January 2000. The PCF funds projects that produce high-quality greenhouse gas emission reductions that could be registered with the United Nations Framework Convention on Climate Change for the purposes of the Kyoto Protocol. PCF resources are provided by both the public and private sectors (including a contribution from CIDA).

In 1999 the Bank launched a major review of its environmental strategy. The Bank's review focuses in particular on the effect that the environment has on the health, livelihoods and vulnerability of poor people. The Bank is in the process of consulting with civil society groups, governments and other stakeholders on its draft revised environmental strategy. The draft report has been posted on the Bank's Web site at www.worldbank.org. It is anticipated that, once the consultations are completed in early 2001, the new strategy will be formally considered for approval by Bank Executive Directors.

Together with the United Nations Development Programme and United Nations Environment Programme, the World Bank is an implementing agency of the Global Environment Facility (GEF). Launched following the

1992 United Nations Conference on Environment and Development, the GEF functions as a facilitator and funding mechanism for integrating global environmental concerns into the development process. To the end of FY 2000, Bank management has approved a total of 180 GEF-financed projects in roughly 70 developing countries worth a total of US$1.4 billion. This has been complemented by co-financing of roughly US$4 billion from the World Bank and others – every dollar of Bank-GEF assistance is matched by roughly a dollar of IBRD/IDA financing and two dollars in funding from other donors. In FY 2000 the Bank's GEF program reached an all-time high with US$280 million in GEF grants approved by the GEF Council. This represents a 12-per-cent increase over FY 1999.

World Bank Prototype Carbon Fund

In January 2000 the World Bank launched the Prototype Carbon Fund (PCF), established with contributions from governments and private companies. The PCF is the world's first commercial carbon emissions trading instrument. In its 2000 budget the Government of Canada made available to the PCF up to US$10 million. The PCF will invest in cleaner technologies in developing countries and transition economies, thus reducing their greenhouse gas emissions. These emissions reductions will then be transferred to the Fund's contributors in the form of emissions reduction certificates. All parties will gain:

- poor countries will gain access to climate-friendly technologies and earn revenue from selling emissions reductions;
- contributors will receive low-cost emissions reductions to help them meet their commitments arising from the Kyoto Protocol; and
- the environment will benefit because the PCF provides poor countries with funds to switch to cleaner and more efficient technologies.

On April 10, 2000, the PCF achieved its first closing and formally began its investment operations. Demand for PCF shares prompted a second closing later in the year. Starting in April 2000 the Bank plans to invest the Fund's capital in projects that promote renewable energy technologies – such as wind, small-hydro and biomass energy technology – that would not be profitable without revenue from emissions reductions sold to the PCF. Some 20 developing countries have already shown interest in undertaking PCF projects. The PCF has already negotiated an emissions reduction purchase agreement with the government of Latvia.

B) Trade and Development

Canada recognizes that the capacity of developing countries to participate effectively in the global trading system is an important component of a comprehensive approach to growth and poverty reduction. Canada has stressed the need to incorporate trade sector capacity building in Bank Country Assistance Strategies and nationally developed Poverty Reduction Strategy Papers.

In anticipation of a next round of World Trade Organization negotiations, the Bank intensified its work in helping the least developed countries to effectively participate in trade negotiations. Several capacity-building projects were launched during the year to help these countries implement their commitments from earlier trade rounds and to build domestic expertise to participate in future negotiations.

The World Trade Organization 2000 Capacity-Building Project, a three-year research and capacity-building initiative, was launched in January 1999 to help developing countries participate more effectively in the next round of World Trade Organization negotiations. Another capacity-building project was introduced during the year to specifically assist developing countries in the negotiations on agriculture. Both these projects are carried out in close collaboration with the World Trade Organization and various other institutions, and they receive support from a variety of donors.

The Bank also intensified its efforts within the Integrated Framework (IF), where six core organizations are working together with the least developed countries to co-ordinate their trade assistance programs. The main objective of the IF is to ensure that trade-related technical assistance is demand-driven and meets the needs identified by the least developed countries. As part of the IF, about 40 of these countries are currently carrying out comprehensive needs assessments. By working closely with all involved parties, the IF seeks to increase the efficiency and effectiveness of the delivery of trade-related technical assistance.

An independent evaluation of the IF was commissioned by the IF's inter-agency working group, which includes the World Trade Organization, the IMF, the World Bank, the United Nations Development Programme, the United Nations Conference on Trade and Development, and the International Trade Centre. The evaluation recommended that the IF should be incorporated into the process for the formulation of national strategies for development.

During FY 1999 the Bank also convened a task force to explore possibilities to minimize the risks faced by commodity-exporting developing countries due to price fluctuations in the world markets.

C) Transparency and Accountability

Canada recognizes that transparency and accountability are fundamental to ensuring the longer-term sustainability of the Bank Group's operations. Canada has been a major proponent of increased openness at the Bank and has pressed for a greater range of Bank materials to be released to the public. The Bank has responded to concerns from shareholders by making public a growing number of documents on operations, and the Bank is now consulting with NGOs and other groups in drafting a revised information disclosure policy. Transparency also requires better consultation with beneficiaries. Canada and other donors have pushed the Bank and borrowing countries to find ways to improve consultations with local people – civil society and NGOs – in beneficiary countries, not only in the design and implementation of projects but also in the preparation of key policy documents, such as Country Assistance Strategies. To ensure that the Bank is accountable to its clients, Canada has been one of the major supporters of the work of the Inspection Panel. Canadian Jim MacNeill is the current Chair of the Panel. The World Bank was the first multilateral organization to establish an independent panel to consider outside complaints. Any group that may be affected by a Bank-supported project has the right to request that the Panel investigate whether the Bank has abided by its policies and procedures. Since its inception in 1994 the Panel has received 21 formal requests for inspections. It received 5 requests for inspections during FY 2000.

D) Improving World Bank Effectiveness

In November 1998 the Bank's Economics Department released a landmark study on the effectiveness of international development assistance. It concluded that foreign aid has been highly successful in reducing poverty in countries that practise sound economic management and possess robust government institutions.[7] Conversely, the study confirmed that foreign assistance delivered to countries with poor governance and economic policy records is not particularly effective; significant foreign assistance has not led to any significant improvement in poverty reduction in these countries.

[7] The World Bank, *Assessing Aid: What Works, What Doesn't, and Why* (Policy Research Report Series, 1998). For the full report, see the World Bank Web site at http://www.worldbank.org/research/aid/aidtoc.htm.

How to Access Information at the World Bank

The World Bank's Public Information Centre, which became operational in early 1994, provides a wide range of Bank documents, including:

- project information documents;
- project appraisal documents (after approval by the Board of Executive Directors);
- country economic and sector work documents and sectoral policy papers;
- the annual report and the *World Development Report*;
- the *Monthly Operational Summary* and *International Business Opportunities*;
- environmental data sheets, assessments, analyses and action plans;
- *World Debt Tables*; and
- operation evaluation department précis.

The Bank's InfoShop is located at
1776 G Street N.W., Washington, DC 20433, U.S.A.
Phone: (202) 458-5454
Fax: (202) 522-1500
E-mail address: pic@worldbank.org

Additional up-to-date information is also available on the Internet at http://www.worldbank.org/html/pic/PIC.html.

The Bank is increasingly moving towards rewarding good performers. IDA allocations are now based on a performance criterion. The impact is most evident in Bank lending to Africa. Also, in India, for the first time, the Bank is exercising greater selectivity by concentrating support in reforming states. This, in turn, has resulted in increased reform efforts in several states. In order to monitor country performances in a meaningful manner, the Bank is focusing on incorporating poverty-related outcome indicators to measure real results. The outcomes are poverty-focused and include such indicators as child malnutrition and child and maternal mortality.

Ensuring the efficiency and effectiveness of the Bank's operations has long been a key objective of Canada. But efficiency and effectiveness entail more than just reducing costs and saving money. They require selectivity in setting clear priorities and delivering services more efficiently. The Bank needs to operate in those areas where its assistance is needed and where it has a clear comparative advantage. It needs to reconsider its role in areas where the private sector or other multilateral development banks may be better placed to provide assistance.

The Bank has come a long way towards meeting the goals of the Strategic Compact to provide higher quality service more efficiently. Canada has been an active supporter of the Bank's moves to further decentralization of operations to local offices. A significant shift of operational staff to the field has been undertaken to move the Bank closer to clients and make Bank assistance more effective. Currently 25 country directors operate from the field, compared with only 3 two years ago. Notable achievements have also been made in encouraging local-level ownership in projects and strategy formulation.

The Bank continues to strengthen its efforts to improve development effectiveness through a renewed emphasis on the quality of its project portfolio. More vigilance is now exercised at the project preparation and supervision stages. The focus on results has been intensified. As a result, there is a significant improvement in the quality of the Bank project portfolio: in FY 2000 about 75 per cent of Bank projects have had satisfactory outcomes, up from 65 per cent to 70 per cent over the 1990-96 period. However, as the Bank's independent Operations Evaluations Unit judged in its FY 2000 annual report, more than one in three Bank projects show unsatisfactory borrower implementation. This suggests that more effort will be needed to improve the capacity of borrowers to successfully implement projects.

E) Involving Civil Society and NGOs in Decision Making

President Wolfensohn has been a major catalyst behind the Bank's outreach program with civil society and NGOs; particular emphasis has been placed on the importance of expanding partnerships with outside groups. As a result, the level of NGO involvement in Bank-supported operations has continued to grow.

More than 70 per cent of Bank projects across all major sectors included some form of NGO participation in FY 2000. Moreover, NGOs actively participated in Bank policy discussions: 22 of the 25 Country Assistance Strategies prepared in FY 1999 included consultations with NGOs and civil society; NGOs provided valuable input to the policy deliberations at the Bank and the IMF on how to link HIPC debt relief to poverty reduction goals. Two Canadian NGOs, the North-South Institute and the Halifax Initiative, were involved in the HIPC consultation process. NGO participation continued to progress in the face of the emerging market financial crisis. NGOs and representatives from civil society in the affected countries were brought together with Bank officials in Manila in 1999 to discuss and learn about the impact that the economic crisis has on the poor. Over the past two years the Bank has increasingly become the focus of public attention as its meetings of Governors have become one of the focuses for demonstrations by groups protesting the impact of globalization on the world's poor.

The NGO-World Bank Committee, a formal mechanism for policy dialogue established in 1982, has been replaced by an annual World Bank-Civil Society Forum. This forum is organized by the Joint Facilitation Committee of the Bank and NGO representatives. In addition to this annual event, there will also be regional and country dialogues. An annual report is published on the Bank's relations with civil society and the Bank maintains a Web site (http://wbln0018.worldbank.org/essd/essd.nsf/NGOs/home).

Within Canada NGOs have participated in a regular series of government meetings and conferences on such issues as multilateral debt, the environment, IDA and Africa. This consultation has proven useful for advancing Canadian interests at the Bank. The Canadian government has benefited greatly from the expertise and advice offered by Canadian NGOs on a broad range of development issues. Through this collaborative process with government, the views of Canadian NGOs have helped shape Canada's position in World Bank project and policy discussions.

Managing Canada's Interests at the World Bank

Finance Minister Paul Martin, as Canada's Governor at the World Bank, is responsible for the management of Canada's interests at the Bank. Minister Martin exercises his influence through exchanges of views at the Development Committee and annual meetings, and through discussions with the President of the World Bank. For example, in 2000 two of the issues that Governors addressed were how to ensure that HIPCs progress to debt relief and how to help countries afflicted by the HIV/AIDS pandemic.

The Department of Finance consults closely with the Department of Foreign Affairs and International Trade and CIDA in formulating Canadian policies related to World Bank issues. Len Good, the President of CIDA, is Canada's Alternate Governor for the World Bank. The day-to-day handling of Canada's diverse interests at the Bank is delegated by the Governor to the Executive Director, currently Terrie O'Leary, who was elected in October 1998. She represents Canada and 12 other countries (Ireland and 11 Caribbean countries) at the Executive Board. Of 24 Executive Directors on the Board, 12 are from developing and transition countries and 12 from developed countries.

The Bank's Executive Board formally approves all loans, credits, projects and World Bank policies, discusses Country Assistance Strategies and provides strategic advice to Bank management as appropriate.

One of the important functions played by the Executive Director in 2000 was her oversight of the Bank's administration and spending through her membership on the Board of Directors' Budget Committee. In November 2000, following from the regular cycle of rotation of Executive Board committee membership, she joined the Board's Personnel Committee.

Canada's Office at the World Bank

In 2000 the Canadian Executive Director's office continued to support the activities of Canadian businesses seeking opportunities with the World Bank. The Executive Director's office helped expose roughly 1,000 Canadian businesses to such opportunities through seminars and workshops held accross the country and by organizing direct contacts in Washington.

Organization of the Office

The Executive Director is supported in her everyday duties by two Canadian advisors and two assistants. These officers are in constant communication with the Canadian government – not only with the Department of Finance, but also with CIDA and the Department of Foreign Affairs and International Trade. The Department of Finance co-ordinates Canada's policy advice and channels it to the Executive Director, and through her to World Bank management.

Structure of the Executive Director's Office

Executive Director:	Terrie O'Leary
Canadian Advisor	Kathryn Hollifield
Canadian Advisor:	François Pagé
Canadian Assistant:	Ian Wright
Canadian Assistant:	Gilles René
Phone/fax:	(202) 458-0082/(202) 477-4155
Address:	MC-12-175, 1818 H St. N.W., Washington, DC 20433, U.S.A. toleary@worldbank.org jkarolczuk@worldbank.org

Beyond the formal work of the Executive Board outlined above, the office provides a valuable bridge between the Bank and Canadian constituents – individuals, NGOs, federal and provincial agencies, associations, the academic community and parliamentarians, among others.

One of the key roles of the office is to provide assistance to Canadians and Canadian businesses. Canada's procurement advisors, along with the Canadian Embassy in Washington, assist in providing advice and information on how to do business with the Bank (details are provided below). Another point of contact for Canadians is the Bank's Business and the Private Sector Web page at http://www.worldbank.org/business/.

Canadian Procurement at the World Bank

Canadian companies and consultants often provide supplies, equipment and services to projects financed through the World Bank. Canadian expertise in the power, environmental, engineering, human resources, health, education, telecommunications, financial and transportation sectors has led to procurement opportunities for Canadian firms on developing country projects around the globe.

In FY 2000 many Canadian firms continued to benefit from Canada's World Bank membership by accessing procurement opportunities under World Bank-financed loans. In FY 2000 disbursements to Canadian companies for the supply of goods and services under Bank-financed project loans reached US$94 million. In addition, the World Bank estimates that US$54 million was disbursed to Canadian companies for procurement under adjustment loans, bringing total FY 2000 Bank disbursements to Canadian businesses to US$148 million.

It is noteworthy that the US$38 million disbursed in FY 2000 to Canadian consulting firms and individual consultants represented 6 per cent of total Bank disbursements for consulting services in Bank-financed projects. Companies such as Nortel Networks Corporation, Canada China Power Inc. and General Electric Canada Inc. were very active in the energy sector in China, while SNC-Lavalin Group Inc., Stone and Webster Canada Ltd. and Acres International Limited conducted work for the Bank in the same sector in El Salvador, Indonesia and Uganda respectively. Tecsult International Ltd. continued to be very active in Algeria, Gabon and Madagascar, while at the same time pursuing new markets in Central and Eastern Europe and Latin America.

Trust Fund Activities

A significant source of funds to facilitate increased Canadian participation in World Bank projects are the consultant trust funds supported by CIDA and administered by the World Bank. These are used to introduce new Canadian consultants to the Bank, as well as to encourage the Bank to undertake activities in areas Canada considers a priority. In June 1995 CIDA concluded a new agreement with the World Bank, the Co-Financing, Technical Assistance and Consultant Trust Fund Framework Agreement, to govern all its trust fund arrangements with the Bank. Within the World Bank Group, CIDA currently finances trust funds at the World Bank, the IMF, the WBI as well as the Global Environment Facility. These funds lead directly to contracts for Canadians in the feasibility, assessment and design of development projects.

In addition to its $20-million trust fund at the Bank for persistent organic pollutants, $10-million contribution to the Prototype Carbon Fund, $500,000 contribution to the Public-Private Infrastructure Advisory Facility, and approximately $800,000 contribution to the Cities Alliance (mentioned above), CIDA has also established a $1-million trust fund with the WBI as part of the five-year funding agreement signed in 1999. The trust fund enables the WBI to engage Canadian expertise in the preparation and delivery of its training programs around the world in countries eligible for Canadian Official Development Assistance. Through annual CIDA-WBI consultations, allocations are made to a number of WBI programs – usually five or six main programs – based on their fit with Canadian priorities and engagement of Canadian partners. For further information on these and other Canadian trust funds at the World Bank, contact Stéphane Charbonneau, Commercial Counsellor at the Canadian Embassy in Washington (phone [202] 682-7719; fax [202] 682-7789) and François Pagé, Advisor at the Executive Director's office (phone [202] 458-0082; fax [202] 477-4155).

Canadian Success Stories

Canadian companies continued to be beneficiaries of World Bank Group financing and capital mobilization efforts. A number of Canadian companies from key sectors have begun to work with the World Bank Group. For example, in FY 2000:

The firm Gowling Lafleur Henderson LLP was awarded through international competition a US$2.3-million Bank-funded contract with the Russian Foundation for Legal Reform to strengthen Alternative Dispute Resolution (ADR) systems in Russia. The 14-month technical assistance contract, a component of a multi-year Legal Reform Project, included institutional strengthening; design and delivery of a comprehensive train-the-trainers program focused on arbitration and mediation skills; and ADR seminars and conferences throughout the country. The contract was successfully completed in late 2000 and the firm has been short-listed for other components of the project.

In July 2000 SaskTel International hosted a group of telecommunications specialists from the World Bank, IFC and EBRD in Saskatchewan to conduct a rural telecom study tour. The group spent a week in Saskatchewan participating in site visits, presentations and a round-table discussion to explore ways to provide rural telecommunications in developing countries. SaskTel's involvement with the Bank in 2000 included the submission of a bid for the privatization of the Tanzania Telecommunications Company Limited. SaskTel was encouraged to become a strategic partner with the IFC in this initiative. It was also the successful bidder for a rural telecommunications licence in Nepal, which would see the World Bank provide a one-time subsidy for capital expenditures to build the network.

Econoler International is a company specializing in the start-up and operation of energy service companies as well as in the implementation of energy efficiency projects. On November 22, 2000, it was awarded the Climate Technology Leardership Award by the International Energy Agency and the Organisation for Economic Co-operation and Development as part of the World Conference on Climate Change. This award-winning enterprise with Hydro-Québec International won two contracts in a project financed by the World Bank (valued at US$2.6 million) for the Department of Industry in Vietnam. This project is in the context of energy demand management.

Econoler International received a US$800,000 loan from the Small and Medium-Size Enterprise Program of the IFC to create a fund to encourage investments in Energy Service Companies (ESCOs) in developing countries. This year US$260,000 of that fund was used to create the first ESCO in Tunisia.

International Finance Corporation

The IFC is playing an increasingly important role in the World Bank Group's private sector development activities. As a fast-growing entity within the Bank Group, it has also attracted the attention of Canadian companies and financial institutions that are interested in making direct investments in emerging markets. Given its private sector mandate and concerns for investor and client commercial confidentiality, the IFC does not report detailed procurement figures, as do the IBRD and IDA.

One of the IFC's essential functions is to mobilize financing and expert advice in favour of private sector projects in emerging markets. The Corporation has been an excellent resource for Canadian financial institutions, as well as for Canadian firms whose technical expertise is particularly suitable for these markets. One of the most significant developments on the IFC front in the mid-1990s was the return of Canadian financial institutions (typically commercial banks) to the IFC loan syndication program. This important program helps to mobilize private financing for IFC projects and provides financial institutions with the opportunity to invest in emerging markets. By investing alongside the IFC, financial institutions participating in the syndication program gain access to potential new customers, attain a high-yielding asset and, with the presence of the IFC as an investor in these projects, are provided a degree of political risk coverage.

A challenge ahead for the IFC is to ensure that in the face of massive demand, it does not ignore the poorest countries, such as those in Sub Saharan Africa. In today's global environment, the IFC's role in the poorest countries is more important than ever. The IFC's renewed focus on Sub Saharan Africa was evident in FY 2000. Total approved financing nearly quadrupled to US$1.25 billion from US$362 million due to a few very large projects, as well as a number of smaller projects. Commitments were signed for 341 loans, up from 292 in FY 1999. Disbursed financing rose to US$240 million from US$230 million in FY 1999, and is expected to rise as financing approved in 2000 reaches the disbursement stage in the coming years. The IFC's projects in Africa tend to focus on infrastructure: projects that provide reliable electricity, clean water and modern telecommunications. The IFC also supports projects that strengthen financial markets, increase employment and assist entrepreneurs in building their businesses.

Multilateral Investment Guarantee Agency

MIGA was created in 1988 to encourage foreign investment by providing viable investment insurance against non-commercial risks in developing countries, thereby improving or creating investment opportunities in those countries. It offers insurance against expropriation, transfer restrictions, breach of contract, and war and civil disturbance, and so facilitates foreign direct investment in developing countries. In FY 2000 MIGA offered guarantees to 53 projects in 26 developing countries, totalling US$1.6 billion in coverage; these guarantees are estimated to have facilitated US$5.45 billion in foreign direct investment. Twelve projects worth a total of US$461 million were approved in IDA countries, including six in Africa worth a total of US$300 million.

MIGA also provides technical assistance services to developing countries. In FY 2000 it offered 53 technical assistance or advisory programs that benefited 40 countries. MIGA offers capacity building and investment facilitation to developing countries. A new Needs Assessment Framework, complemented by a self-assessment methodology, guides MIGA's technical assistance and business-planning services to developing-country investment promotion agencies. Both these diagnostic tools were developed in-house. Other projects in FY 2000 included regionally focused capacity building.

Finally, MIGA offers Internet resources for firms engaged in foreign direct investment. A portal called Investment Promotion Network includes a directory of investment promotion agencies in emerging markets and an online guide to government and multilateral agencies that provide financial and risk management advice and insurance. The portal can be found at http://www.IPAnet.net and no longer requires registration. MIGA also offers a Web site called PrivatizationLink (http://www.privatizationlink.com), an online clearing house for privatization information and opportunities in the developing world. This Web site was a finalist in the public sector category of the Business Web Site of the Year competition, which is sponsored by the Financial Times, UUUNet, and PricewaterhouseCoopers.

Learning About Opportunities

Canadian firms, organizations and institutions that are interested in pursuing markets created by World Bank-financed projects are urged to attend monthly business briefings held on the first Thursday of each month at the Bank’s headquarters in Washington.

Both the Canadian Embassy in Washington, through the Office for Liaison With International Financial Institutions, at (202) 682-7719, and the Canadian Executive Director’s office at the World Bank, at (202) 458-0082, work to assist Canadian firms and consultants seeking to participate in World Bank-financed projects. The range of opportunities is wide – a power project in China, an environmental assessment in Peru and a legal/judicial reform project in Russia are examples. These two offices also encourage Canadian companies to contact them if they are interested in competing for procurement contracts.

Canada’s Financial Participation

International Bank for Reconstruction and Development

Canada’s share of IBRD capital is approximately 3 per cent. A relatively small proportion of this capital contribution is required to be “paid-in” – about 6 per cent overall, but just 3 per cent in the last capital contribution. The remainder is “callable” in the unlikely event that the IBRD needs it from member countries. Periodically, the IBRD replenishes its capital through general capital increases (GCIs). The IBRD’s latest such capital increase (GCI III) in 1988 was for US$76.5 billion. Canada was allocated 19,655 new shares valued at US$2.37 billion. The paid-in portion of these shares is US$71.1 million. These shares were subscribed over a five-year period ending in 1993. As of June 30, 1999, Canada's cumulative subscriptions to the IBRD's capital stock totalled US$5.403 billion (44,795 shares), of which US$334.5 million has been paid-in.

International Development Association

In November 1998 donors agreed to a Twelfth Replenishment of IDA in the amount of US$20.5 billion. This will finance IDA's lending program over the three-year period to June 30, 2002.

Canada maintained the same share as in IDA 11 of 3.75 per cent of donor contributions at a total cost of C$607 million. To meet these obligations, Canada will issue three demand notes in 1999, 2000 and 2001. Each of these notes is then encashed over a six-year period. At the end of FY 2000 Canada's cumulative contributions to IDA (subscriptions and contributions) were the equivalent of US$4.635 billion.

International Finance Corporation

The IFC was created in 1956 as the World Bank Group's private sector financing arm. Canada maintains a 3.4-per-cent share of IFC capital. To date Canada has paid-in US$81.3 million to the IFC's capital stock. Given the risks associated with its financial operations, all of the IFC's authorized capital is paid-in.

Multilateral Investment Guarantee Agency

MIGA encourages direct foreign investment in developing countries by protecting investors from certain non-commercial risks. MIGA operates on a commercial basis.

On March 31, 1998, MIGA's Board of Directors agreed on a general capital increase of US$850 million, divided into 78,559 shares of capital stock. Of this amount, 17.65 per cent will be paid-in and 82.35 per cent will be callable. The subscription period, over which the paid-in share will be provided, will be three years. At the end of FY 2000, 34 countries had subscribed a total of US$171.5 million, of which $30.2 million was in cash. The remainder was in callable capital.

As of June 30, 2000, Canada held 2,965 shares, with a paid-in portion of US$6.4 million and a callable portion of nearly US$256 million. Canada's paid-in contribution to MIGA is non-budgetary; its share in MIGA is 2.17 per cent.

On February 12, 1999, MIGA announced a landmark increase from US$50 million to US$110 million in the amount of political risk coverage it may issue for foreign direct investments in a project and an increase from US$250 million to US$350 million in its country limit. This development will allow investors access to higher levels of risk insurance in MIGA's 127 countries of operations.

Future Challenges

The major challenge for the future will therefore be for the Bank to find more creative ways of meeting the increasingly diverse needs of its clients, only some of which benefit from greater private capital.

The Bank will continue to have a role in supporting international efforts to prevent financial crises, to provide financial support to countries in financial crisis, and especially to help governments protect the poorest from the effects of crisis. Indeed, it is playing a critical role, in co-operation with the IMF, in strengthening financial sectors. Improving corporate governance and enhancing transparency and accountability of public sector activities are particularly important in putting together adequate institutional structures that may better withstand future crises. The Bank's central role, however, remains the promotion of development programs that reduce poverty across and within countries. As the Bank moves increasingly to support nationally owned development strategies, its key challenge will be to work with developing country governments and civil society to ensure that there is sufficient capacity on the ground to develop and implement these strategies. The Bank will also have to work increasingly with other partners, both multilateral and bilateral, to improve the quality and effectiveness of development assistance within individual countries. At the same time, the Bank will need to look at more innovative ways to address the problems of the poorest countries, particularly those in Sub Saharan Africa. The Comprehensive Development Framework and the ensuing Poverty Reduction Strategy Papers should help guide the Bank by providing improved tools for assessing development needs of the developing countries. The Bank's efforts to remain flexible in its approach to development and encourage country ownership of Bank-supported programs are steps in the right direction.

Without careful attention to the unique needs of individual countries, the Bank will be unable to meet its objectives of improving the quality of its operations and strengthening its development impact. The Bank will also have to strengthen its development co-operation partnerships with bilateral donors and international organizations, and especially with United Nations agencies, as it becomes increasingly involved in the global public goods agenda.

Thus, establishing priorities and being selective remain key. In this context, the Bank has moved to multi-year operational planning and has tied this process more closely to its internal budgeting cycle.

Reform of the World Bank and other multilateral development banks is a priority for the G-7. Canada and its G-7 partners will continue to stress the need for the Bank to be much more selective and transparent in its operations.

JOINT ISSUES

Overview

The IMF and the World Bank are important institutions for Canada, each playing a unique role in the international economic and financial system. Nevertheless, there are key areas where the mandates of the two Bretton Woods institutions overlap, or where there is a requirement for close co-operation and co-ordination of activities. Indeed, at the Halifax Summit G-7 leaders asked that efforts be made to increase co-operation and co-ordination between the IMF and the World Bank. The heads of both institutions have put considerable effort into fulfilling that objective. Two particular examples – the joint preparation of a proposed program of assistance for HIPCs and co-operation on addressing financial sector reform – are examined below. Both the IMF and the World Bank are actively involved with the United Nations and governments in the process of planning the United Nations Financing for Development Conference, which will be held in 2002. Details are provided in a separate section below.

Strengthening Financial Sectors

Problems in the financial sector, and especially the banking system, can disrupt growth and macroeconomic stability and can spill over regionally and internationally, as highlighted by the emerging market financial crises of the late 1990s. In response to concerns about such problems, the IMF and World Bank are devoting increasing attention to financial sector issues. Discussions in both institutions in the past couple of years have focused on how they can assist member countries to establish and maintain sound financial systems.

The special Financial Sector Liaison Committee, composed of senior staff from the Fund and the World Bank, helps ensure effective collaboration between the two institutions on financial sector issues and enhance operational co-ordination on work in the financial sector in individual countries.

To help identify and evaluate vulnerabilities in financial systems, and assess observance of core principles, standards and good practices by member countries, the IMF and World Bank introduced the joint Financial Sector Assessment Program (FSAP) on a pilot basis for a one-year period in May 1999. All 12 FSAP pilot missions were completed by April 2000. Following the spring 2000 review of the experience with the FSAP pilot, the IMF and World Bank agreed to extend the FSAP and expand the coverage to another 24 countries in 2001.

Information on financial system standards assessed under the FSAP is used to support Fund surveillance through the Financial System Stability Assessments (FSSAs), which are provided to the Executive Board as background to the Article IV consultation process. The summary assessments of standards contained in FSSAs become modules of the Reports on the Observance of Standards and Codes.

The FSSAs include a form of "peer review" in that they are prepared with the participation of outside experts drawn from national supervisory agencies. This represents the operationalization of Canada's peer review proposal made at the IMF meetings in April 1998.

Canada was the first industrialized country to undergo an FSSA. IMF and World Bank staff members and outside specialists from Australia, Brazil, Germany, Sweden and the United States conducted a pilot review of Canada's financial system in October 1999. The results of the peer review were released in the staff report for the 2000 Article IV consultation with Canada. Overall, the assessment found Canada's financial system to be among the soundest in the world (see http://www.imf.org/external/pubs/cat/longres.cfm?sk&sk=3420.0).

The international financial institutions' mandate to strengthen financial systems, promote good governance and fight corruption encompasses the enhancement of a country's capacity to combat money laundering and financial abuse. At the Prague IMF/World Bank Annual Meetings, the International Monetary and Financial Committee recognized that the Fund has to play its role as part of the international efforts to protect the integrity of the international financial system against financial abuse, including through its efforts to promote sound financial sectors and good governance. It asked the Fund to explore how to incorporate work on financial abuse, particularly with respect to international efforts to fight money laundering, into its activities. It called on the Fund to prepare a joint paper with the World Bank on their respective roles in combatting money laundering and financial crime for discussion by their Boards before the spring International Monetary and Financial Committee/Development Committee meetings, and asked them to report to the meetings on the status of their efforts.

Following the recommendation of the Financial Stability Forum, the IMF also agreed to carry out assessments of offshore financial centres (OFCs) to help them identify and reduce vulnerabilities in their financial systems. The IMF expects to complete 12 OFC assessments in 2001.

Multilateral Debt Relief

At the Halifax Summit in June 1995, the G-7 countries urged the Bretton Woods institutions to develop a comprehensive approach to address the special problems of the poorest countries with large multilateral debt burdens. This was to be done through the flexible application of existing instruments and the creation of new mechanisms for debt relief. Just over a year later, at the 1996 annual meetings of the IMF and World Bank, the details of a new debt initiative for the HIPCs were endorsed by the membership of the two institutions.

The primary goal of this initiative is to ensure that HIPCs demonstrating a track record of sustained good policy performance are able to achieve overall external debt sustainability, strengthen their poverty reduction programs and permanently “exit” from future debt rescheduling exercises.

Between its inception and the Köln Summit in 1999, debt relief under the original HIPC framework was agreed to for seven countries – Bolivia, Guyana, Burkina Faso, Côte d’Ivoire, Mali, Mozambique and Uganda – totalling US$3.5 billion in present-value terms, or a reduction in nominal debt service of about US$6.9 billion.

In the fall of 1998 the international community officially noted that the HIPC Initiative was not delivering its promise of debt sustainability and poverty reduction. Debt relief was too little, too late and available to too few countries. Canada, other donor countries and civil society called for and submitted proposals for an enhanced HIPC Initiative. At the Köln Summit in June 1999, G-7 leaders collectively agreed on enhancements to the HIPC Initiative to provide deeper, faster and broader debt relief with an enhanced link to poverty reduction. The G-7 debt plan adopted many of Canada’s proposals, and the emphasis on poverty reduction reflects the core mandate of the Canadian development assistance program. In the fall of 1999 the World Bank and IMF endorsed an enhanced HIPC debt initiative and introduced Poverty Reduction Strategy Papers (PRSPs) as the main mechanism for ensuring that gains secured from debt relief are used to invest in social sectors, particularly in health and education.

The enhanced HIPC debt initiative promises faster, deeper and broader debt relief. Debt relief will be faster since the multilateral creditors are agreeing, for the first time, to provide debt relief starting at the point of decision on a country’s eligibility for HIPC relief. Moreover, the country could benefit from the bulk of debt relief earlier by accelerating its reform efforts. The new HIPC debt initiative, once fully implemented, will also deliver over US$28 billion, instead of some US$13 billion under the original HIPC Initiative. Moreover, among the 41 HIPCs, 37 countries are now expected to be eligible for enhanced debt relief, compared to 29 under the original HIPC framework.

The enhanced HIPC debt initiative will further reduce debt service ratios and release considerable resources for social sector expenditures and other key priorities. The new PRSPs will serve as a tool to strengthen the linkages between debt relief and poverty reduction and to ensure that the resources released from debt relief mean additional monies for social spending and poverty reduction programs. The PRSPs are to be developed by the individual HIPC governments in consultation with the international financial institutions and broad segments of civil society, and will guide country assistance programs of both the IMF and the World Bank. The PRSPs, by putting the HIPCs in the driver’s seat, hold the promise of accelerating poverty reduction.

In 2000 the IMF and World Bank implemented the enhanced HIPC debt initiative, striving to reach the target of 20 countries with debt relief packages by year-end. In total, by the end of 2000, 22 countries qualified for debt relief worth US$20 billion in present-value terms, which will save these countries US$34 billion in debt service over time – money that can be used for critical investments in social priorities. According to World Bank estimates, HIPC debt relief alone will cut in half the debt burdens of these countries. Moreover, with bilateral creditors providing additional debt reduction under traditional debt relief mechanisms and, in some cases, 100-per-cent debt forgiveness, these countries will see their debt levels reduced by two-thirds. All 22 countries have in place at least interim poverty reduction strategies to ensure debt relief savings are allocated to development priorities, especially health and education.

Looking ahead, 15 countries with unsustainable debt burdens remain. Many of them are engaged in civil or military conflict or are working towards peace and reconstruction. Canada and its G-7 partners are currently engaged in discussions with these countries with a view to promoting a speedy return to peace and early access to HIPC debt relief.

Canada has been at the forefront of international efforts for a swift and decisive approach to the debt burdens of the world's poorest countries both multilaterally and bilaterally. Multilaterally, Canada has consistently advanced the debt relief agenda by:

- leading efforts in the G-7 for the enhanced HIPC debt initiative (announced in September 1999), which is broadly in line with the Canadian proposals announced by Prime Minister Jean Chrétien in March 1999; debt relief will more than double to US$28.6 billion;
- contributing C$215 million to the debt relief trust funds at the IMF (C$65 million) and World Bank (C$150 million) to ensure timely debt relief for deserving countries;
- calling on all bilateral creditors to put in place a moratorium on debt payments from reforming HIPCs;
- proposing at the Commonwealth Finance Ministers Meeting in September 2000 the creation of a committee comprising HIPCs to give voice to the concerns of the poorest countries regarding implementation and progress of the enhanced HIPC Initiative; this proposal was endorsed by Commonwealth finance ministers; and
- calling for flexibility in linking HIPC debt relief to the PRSP process to avoid delaying debt relief to deserving countries.

Bilaterally, Canada is helping the poorest countries by:

- as of January 1, 2001, introducing a debt moratorium stopping the collection of debt payments from 11 reforming HIPCs on loans outstanding as of March 31, 1999;
- having forgiven $1.3 billion in Official Development Assistance (ODA) debt to 46 developing countries since 1978; this includes all of its ODA debt to 22 HIPCs at a cost of $900 million; of the HIPCs, only Burma currently has ODA debt to Canada;
- providing development assistance since 1986 on a grant basis; therefore Canada is not contributing to a worsening of the debt problems in the poorest countries; and
- having contributed $8 million to the Central American Emergency Trust Fund at the World Bank to provide debt relief to those countries devastated by Hurricane Mitch.

In the fall of 1998 Canada became a leading voice in calling for HIPC reforms. On March 25, 1999, Prime Minister Jean Chrétien announced the Canadian proposals to enhance debt relief and, in so doing, Canada emerged as a leader among the G-7 on the debt issue. Moreover, Canada pledged to provide 100-per-cent debt relief to the poorest countries. The February 2000 budget expanded the 100-per-cent debt forgiveness to all eligible HIPCs that are making a real effort to improve the well-being of their citizens. Seventeen countries expected to require HIPC assistance have debts owing to Canada, totalling over C$1 billion. On January 1, 2001, Canada stopped collecting debt payments from 11 reforming countries and pledged to put in place a debt moratorium for the remaining 6 countries once they are committed to the principles of peace and good governance.

Existing Mechanisms for Assisting Heavily Indebted Poor Countries

World Bank Mechanisms

Regular Lending – The World Bank makes IDA credits available on highly concessional terms. In general, these take the form of 35-year or 40-year loans which carry no interest rate charges.

Enhanced Access – Countries which are making special efforts to clear their arrears or undertake comprehensive debt workouts are given increased access to relatively scarce IDA resources.

The Fifth Dimension Facility – IDA-only countries that have incurred past market-rate borrowings from the IBRD also receive annual interest rate subsidies. In recent years these have had the effect of reducing the interest rate on the earlier IBRD loans from an average of about 6 per cent to less than 1 per cent.

IDA-Only Debt Reduction Facility – The IBRD provides grant financing (which carries no interest or principal) to eliminate up to 100 per cent of the debt that IDA-only countries owe to commercial banks. To date this World Bank facility has extinguished US$3.8 billion of commercial-bank debt at no cost to these developing countries.

International Monetary Fund Mechanisms

Surveillance of Policies – In individual countries the IMF provides advice encouraging the adoption of policies that provide a basis for sustained economic growth and price stability. More broadly, IMF surveillance of the global monetary system is aimed at promoting the balanced growth of world trade and an orderly and stable system of exchange rates.

Poverty Reduction and Growth Facility – The Poverty Reduction and Growth Facility (PRGF) is the IMF's major source of concessional financing for low-income countries undertaking major reform efforts in the context of an IMF program. In recognition of the special challenges of these countries, the PRGF provides loans that carry longer maturity periods and significantly lower interest rates than regular IMF arrangements.

Technical Assistance – Both the IMF and World Bank provide substantial technical assistance to low-income countries to help strengthen their debt management policies.

World Bank and IMF Participation in the United Nations Financing for Development Conference

In January 2000 the United Nations (UN) General Assembly recommended that a high-level Financing for Development (FFD) “event” be convened in 2001. The purpose of the event, which is now scheduled for early 2002, is to discuss national, international and systemic issues relating to financing for developing countries in light of increasing financial and economic interdependence under globalization. Participants will also likely discuss financing of proposals endorsed by major UN conferences and summits during the 1990s. The UN is working with the World Bank, IMF and World Trade Organization in preparing for the conference. Civil society is engaged in the process through a series of regional advance preparatory consultations and will be invited to participate in the event itself.

The UN FFD is served by a Bureau comprising 15 UN representatives and co-chaired by the Permanent Representatives of Denmark and Thailand. There is also an FFD Secretariat, which includes staff seconded from the World Bank. Technical working groups, staffed from stakeholder institutions (including the Fund and Bank), were established to examine the six issues on the FFD agenda: domestic resource mobilization, private flows, trade, Official Development Assistance, debt and systemic issues. Their work has fed into the UN Secretary General’s report released in January 2001.

That report was the focus of discussions at the February 12-23 Preparatory Committee meeting in New York. There will be two more Preparatory Committee meetings in May 2001 and early 2002. There have also been a series of meetings over the past year to help prepare for the event. These have included a series of regional meetings, as well as special meetings with representatives of the international NGO and business communities. The format and venue for the 2002 event remain to be determined. The final outcome or product of the event (e.g. a declaration, an action plan) is also not yet known.

The UN Secretary General recently established a panel to advise him on FFD issues and help build momentum for the event. The panel is headed by Dr. Ernesto Zedillo, former President of Mexico, and includes many well-known persons such as Robert Rubin, former US Treasury Secretary. Their report is expected to be ready by May 2001. The UN is hoping that finance ministries will be engaged in the FFD process and event, along with foreign ministries, which are traditionally responsible for UN affairs, and development co-operation ministries and agencies.

ANNEX 1

Active IMF Lending Arrangements – As of December 31, 2000

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(in SDR millions)	
Stand-By Arrangements – Total			**32,172.69**	**19,346.28**
Argentina[1]	March 10, 2000	March 9, 2003	10,585.50	8,997.67
Bosnia and Herzegovina	May 29, 1998	May 29, 2001	94.42	13.99
Brazil[1]	December 2, 1998	December 1, 2001	10,419.84	2,550.69
Ecuador	April 19, 2000	April 18, 2001	226.73	113.38
Estonia	March 1, 2000	August 31, 2001	29.34	29.34
Gabon	October 23, 2000	April 22, 2002	92.58	79.36
Latvia	December 10, 1999	April 9, 2001	33.00	33.00
Lithuania	March 8, 2000	June 7, 2001	61.80	61.80
Nigeria	August 4, 2000	August 3, 2001	788.94	788.94
Pakistan	November 29, 2000	September 30, 2001	465.00	315.00
Panama	June 30, 2000	March 29, 2002	64.00	64.00
Papua New Guinea	March 29, 2000	May 28, 2001	85.54	56.66
Romania	August 5, 1999	February 28, 2001	400.00	260.25
Turkey[1]	December 22, 1999	December 21, 2002	8,676.00	5,832.20
Uruguay	May 31, 2000	March 31, 2002	150.00	150.00
Extended Fund Facility arrangements – Total			**9,112.57**	**6,758.51**
Bulgaria	September 25, 1998	September 24, 2001	627.62	104.62
Columbia	December 20, 1999	December 19, 2002	1,957.00	1,957.00
FYR Macedonia	November 29, 2000	November 28, 2003	24.12	22.97
Indonesia	February 4, 2000	December 31, 2002	3,638.00	2,786.85
Jordan	April 15, 1999	April 14, 2002	127.88	91.34
Kazakhstan	December 13, 1999	December 12, 2002	329.10	329.10
Peru	June 24, 1999	May 31, 2002	383.00	383.00
Ukraine	September 4, 1998	September 3, 2001	1,919.95	1,017.73
Yemen, Republic of	October 29, 1997	March 1, 2001	105.90	65.90

[1] Includes amounts under the Supplemental Reserve Facility.

ANNEX 1

Active IMF Lending Arrangements – As of December 31, 2000 *(cont'd)*

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(in SDR millions)	
Poverty Reduction and Growth Facility arrangements – Total			**2,870.28**	**1,676.05**
Albania	May 13, 1998	July 31, 2001	45.04	9.41
Benin	July 17, 2000	July 16, 2003	27.00	20.20
Bolivia	September 18, 1998	September 17, 2001	100.96	56.10
Burkina Faso	September 10, 1999	September 9, 2002	39.12	27.94
Cambodia	October 22, 1999	October 21, 2002	58.50	41.79
Cameroon	December 21, 2000	December 20, 2003	111.42	95.50
Central African Republic	July 20, 1998	July 19, 2001	49.44	32.96
Chad	January 7, 2000	January 7, 2003	36.40	26.00
Côte d'Ivoire	March 17, 1998	March 16, 2001	285.84	161.98
Djibouti	October 18, 1999	October 17, 2002	19.08	13.63
FYR Macedonia	November 29, 2000	November 28, 2003	10.34	8.61
Gambia	June 29, 1998	June 28, 2001	20.61	6.87
Ghana	May 3, 1999	May 2, 2002	191.90	120.85
Guinea	January 13, 1997	January 12, 2001	70.80	15.73
Guinea-Bissau	December 15, 2000	December 14, 2003	14.20	9.12
Guyana	July 15, 1998	July 14, 2001	53.76	28.88
Honduras	March 26, 1999	March 25, 2002	156.75	64.60
Kenya	August 4, 2000	August 3, 2003	190.00	156.40
Kyrgyz Republic	June 26, 1998	June 25, 2001	73.38	28.69
Malawi	December 21, 2000	December 20, 2003	45.11	38.67
Mali	August 6, 1999	August 5, 2002	46.65	33.15
Mauritania	July 21, 1999	July 20, 2002	42.49	30.35
Moldova	December 15, 2000	December 14, 2003	110.88	101.64
Mozambique	June 28, 1999	June 27, 2002	87.20	33.60
Nicaragua	March 18, 1998	March 17, 2001	148.96	33.64
Niger	December 14, 2000	December 21, 2003	59.20	50.74
Rwanda	June 24, 1998	June 23, 2001	71.40	19.04
São Tomé and Principe	April 28, 2000	April 28, 2003	6.66	4.76
Senegal	April 20, 1998	April 19, 2001	107.01	42.80
Tajikistan	June 24, 1998	December 24, 2001	100.30	34.02
Tanzania	March 31, 2000	March 30, 2003	135.00	95.00
Uganda	November 10, 1997	March 31, 2001	100.43	8.93
Zambia	March 25, 1999	March 28, 2003	254.45	224.45
Total			**44,155.54**	**27,780.84**

ANNEX 2

IBRD Loans and IDA Credits – Fiscal Year 2000 (July 1, 1999 – June 30, 2000)

	IBRD	IDA	Total	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
By area				
Africa	97.6	2,061.4	69	2,159.1
East Asia	2,495.3	483.8	28	2,979.1
Europe and Central Asia	2,733.1	309.1	47	3,042.1
Latin America and the Caribbean	3,898.1	165.3	40	4,063.5
Middle East and North Africa	760.2	159.8	18	920.0
South Asia	934.2	1,178.1	21	2,112.4
Total	**10,918.6**	**4,357.6**	**223**	**15,276.2**
By purpose				
Agriculture	768.6	356.6		1,125.2
Economic policy	759.6	527.2		1,286.8
Education	215.3	468.7		684.0
Electric power and energy	746.5	247.7		994.2
Environment	454.1	60.0		514.1
Finance	1,660.8	167.2		1,828.0
Health, nutrition and population	407.6	579.4		987.0
Mining	54.5	–		54.5
Multisector	561.0	165.5		726.5
Oil and gas	143.3	23.7		167.0
Private sector development	5.0	216.3		221.3
Public sector management	1,806.2	455.9		2,262.1
Social protection	716.6	384.4		1,101.0
Telecommunications	83.3	26.0		109.3
Transportation	1,155.1	534.9		1,690.0
Urban development	587.2	34.4		621.6
Water supply and sanitation	793.9	109.7		903.6
Total	**10,918.6**	**4,357.6**		**15,276.2**

ANNEX 3

IBRD Loans and IDA Credits to Developing Countries

	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
			(in millions of US dollars)			
By fiscal year[1]						
Cumulative to 1968	549	11,418.1	116	1,831.8	665	13,249.9
Total 1969-1973	374	8,917.8	273	3,931.6	647	12,849.4
Total 1974-1978	666	24,372.3	376	7,947.4	1,042	32,319.7
Total 1979-1983	711	44,908.0	518	16,368.1	1,229	61,276.1
1983-1984	129	11,947.2	106	3,575.0	235	15,522.2
1984-1985	131	11,356.3	105	3,028.1	236	14,384.4
1985-1986	131	13,178.8	97	3,139.9	228	16,318.7
1986-1987	127	14,188.2	108	3,485.8	235	17,674.0
1987-1988	118	14,762.0	99	4,458.7	217	19,220.7
1988-1989	119	16,433.2	106	4,933.6	225	21,366.8
1989-1990	121	15,179.7	101	5,522.0	222	20,701.7
1990-1991	126	16,392.2	103	6,293.3	229	22,685.5
1991-1992	112	15,156.0	110	6,549.7	222	21,705.7
1992-1993	122	16,944.5	123	6,751.4	245	23,695.9
1993-1994	124	14,243.9	104	6,592.1	228	20,836.0
1994-1995	134	16,852.6	108	5,669.2	242	22,521.8
1995-1996	129	14,656.0	127	6,864.0	256	21,520.0
1996-1997	141	14,525.0	100	4,622.0	241	19,147.0
1997-1998	151	21,086.2	135	7,507.8	286	28,594.0
1998-1999	131	22,182.3	145	6,811.8	276	28,994.1
1999-2000	97	10,918.6	126	4,357.6	223	15,276.2
Total	**4,443**	**349,618.9**	**3,186**	**120,240.9**	**7,629**	**469,859.8**

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

ANNEX 4

Disbursements by IBRD and IDA Borrowers – Goods and Services From Canada – To June 30, 2000

	IBRD	IDA	Total
	Amount	Amount	Amount
		(in millions of US dollars)	
By calendar year			
Cumulative to December 1960	133.5	–	133.5
1961	8.2	–	8.2
1962	3.7	–	3.7
1963	5.6	7.4	13.0
1964	4.7	1.8	6.5
1965	5.4	2.7	8.1
1966	11.6	5.3	16.9
1967	13.2	14.7	27.9
1968	6.3	7.8	14.1
1969	4.4	11.0	15.4
1970	7.6	1.3	8.9
1971	11.1	2.2	13.3
1972	10.5	2.3	12.8
1973	12.4	5.1	17.5
1974	15.8	8.4	24.2
1975	22.1	15.0	37.1
1976	25.7	10.8	36.5
1977	34.5	4.8	39.3
1978	26.1	5.5	31.6
1979	44.4	8.1	52.5
1980	51.5	7.8	59.3
1981	94.3	14.5	108.8
1982	75.0	17.6	92.6
1983	82.3	26.9	109.2
1984	92.6	54.3	146.9
1985	94.3	39.7	134.0
1986	184.8	46.8	231.6
1987 (January – June)	92.8	23.4	116.2

ANNEX 4

Disbursements by IBRD and IDA Borrowers –
Goods and Services From Canada – To June 30, 2000 *(cont'd)*

	IBRD	IDA	Total
	Amount	Amount	Amount
		(in millions of US dollars)	
By fiscal year[1]			
1987 – 1988	182.1	47.4	229.5
1988 – 1989	197.0	45.0	242.0
1989 – 1990	164.0	41.0	205.0
1990 – 1991	139.0	34.0	173.0
1991 – 1992	131.0	38.0	169.0
1992 – 1993	151.0	41.0	192.0
1993 – 1994	115.0	69.0	184.0
1994 – 1995	123.0	48.0	171.0
1995 – 1996	169.0	56.0	225.0
1996 – 1997	113.0	42.0	155.0
1997 – 1998	82.0	32.0	114.0
1998 – 1999	69.0	37.0	106.0
1999 – 2000	73.0	22.0	95.0
Total	**2,833.0**	**872.0**	**3,705.0**
Per cent of total disbursements	2.35	1.85	2.21
Per cent of FY 2000 disbursements	3.32	1.78	2.78

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

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country –
As of June 30, 2000

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Borrower or guarantor				
Afghanistan	–	230.1	20	230.1
Africa region	259.8	45.5	12	305.3
Albania	–	541.4	39	541.4
Algeria	5,656.0	–	65	5,656.0
Angola	–	310.8	11	310.8
Argentina	17,771.8	–	106	17,771.8
Armenia	12.0	583.4	22	595.4
Australia	417.7	–	7	417.7
Austria	106.4	–	9	106.4
Azerbaijan	–	411.2	13	411.2
Bahamas	42.8	–	5	42.8
Bangladesh	46.1	9,262.8	164	9,308.9
Barbados	103.2	–	11	103.2
Belarus	170.2	–	3	170.2
Belgium	76.0	–	4	76.0
Belize	71.8	–	8	71.8
Benin	–	733.5	50	733.5
Bhutan	–	64.3	9	64.3
Bolivia	299.3	1,569.2	75	1,868.5
Bosnia and Herzegovina	–	585.2	28	585.2
Botswana	280.7	15.8	25	296.5
Brazil	28,702.8	–	256	28,702.8
Bulgaria	1,430.8	–	22	1,430.8
Burkina Faso	1.9	927.2	51	929.1
Burundi	4.8	741.0	49	745.8
Cambodia	–	385.1	15	385.1
Cameroon	1,347.8	1,062.7	71	2,410.5
Cape Verde	–	149.4	15	149.4
Caribbean region	83.0	43.0	6	126.0
Central African Republic	–	431.5	26	431.5
Chad	39.5	704.9	39	744.4
Chile	3,585.9	19.0	61	3,604.9
China	24,778.8	9,946.7	227	34,725.5
Colombia	9,831.6	19.5	158	9,851.1
Comoros	–	101.7	16	101.7
Congo, Democratic Republic of	330.0	1,151.5	66	1,481.5
Congo, Republic of	216.7	183.6	20	400.3
Costa Rica	921.5	5.5	39	927.0
Côte d'Ivoire	2,887.9	1,830.5	86	4,718.4
Croatia	762.7	–	15	762.7
Cyprus	418.8	–	30	418.8
Czech Republic	776.0	–	3	776.0

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 2000 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Denmark	85.0	–	3	85.0
Djibouti	–	90.6	12	90.6
Dominica	3.1	14.1	4	17.1
Dominican Republic	868.3	22.0	32	890.3
Eastern Africa region	–	45.0	1	45.0
Ecuador	2,624.3	36.9	73	2,661.2
Egypt, Arab Republic of	4,497.5	1,984.0	104	6,481.5
El Salvador	820.6	25.6	34	846.2
Equatorial Guinea	–	45.0	9	45.0
Eritrea	–	150.4	6	150.4
Estonia	150.7	–	8	150.7
Ethiopia	108.6	2,902.7	72	3,011.3
Fiji	152.9	–	12	152.9
Finland	316.8	–	18	316.8
France	250.0	–	1	250.0
Gabon	227.0	–	14	227.0
Gambia	–	213.2	25	213.2
Georgia	–	557.2	24	557.2
Ghana	207.0	3,544.9	106	3,751.9
Greece	490.8	–	17	490.8
Grenada	3.8	8.8	2	12.7
Guatemala	1,058.1	–	33	1,058.1
Guinea	75.2	1,148.2	57	1,223.4
Guinea-Bissau	–	259.9	22	259.9
Guyana	80.0	307.6	29	387.6
Haiti	2.6	626.5	37	629.1
Honduras	717.3	1,011.9	56	1,729.2
Hungary	4,333.6	–	40	4,333.6
Iceland	47.1	–	10	47.1
India	26,762.4	27,027.8	412	53,790.2
Indonesia	27,056.3	1,188.2	290	28,244.5
Iran, Islamic Republic of	2,290.1	–	41	2,290.1
Iraq	156.2	–	6	156.2
Ireland	152.5	–	8	152.5
Israel	284.5	–	11	284.5
Italy	399.6	–	8	399.6
Jamaica	1,326.0	–	62	1,326.0
Japan	862.9	–	31	862.9
Jordan	1,916.7	85.3	66	2,002.0

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country – As of June 30, 2000 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
		(in millions of US dollars)		
Kazakhstan, Republic of	1,819.1	–	21	1,819.1
Kenya	1,200.7	2,870.8	119	4,071.5
Korea, Republic of	15,647.0	110.8	120	15,757.8
Kyrgyz Republic	–	534.4	21	534.4
Lao People's Democratic Republic	–	576.0	27	576.0
Latvia	355.4	–	15	355.4
Lebanon	920.1	–	17	920.1
Lesotho	155.0	303.2	30	458.2
Liberia	156.0	114.5	33	270.5
Lithuania	349.9	–	14	349.9
Luxembourg	12.0	–	1	12.0
Macedonia, FYR of	205.5	293.8	17	499.3
Madagascar	32.9	1,853.0	82	1,885.9
Malawi	124.1	1,874.5	75	1,998.6
Malaysia	4,150.6	–	87	4,150.6
Maldives	–	64.9	7	64.9
Mali	1.9	1,381.4	62	1,383.3
Malta	7.5	–	1	7.5
Mauritania	146.0	595.9	49	741.9
Mauritius	417.8	20.2	35	438.0
Mexico	31,178.8	–	173	31,178.8
Moldova	302.8	146.0	15	448.8
Mongolia	–	207.7	12	207.7
Morocco	8,442.8	50.8	128	8,493.6
Mozambique	–	1,973.6	37	1,973.6
Myanmar	33.4	804.0	33	837.4
Nepal	–	1,612.0	71	1,612.0
Netherlands, The	244.0	–	8	244.0
New Zealand	126.8	–	6	126.8
Nicaragua	233.6	875.4	52	1,109.0
Niger	–	826.9	46	826.9
Nigeria	6,248.2	982.9	101	7,231.1
Norway	145.0	–	6	145.0
Organization of Eastern Caribbean States countries	24.5	12.6	3	37.1
Oman	157.1	–	11	157.1

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country –
As of June 30, 2000 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Pakistan	6,614.2	5,468.1	191	12,082.3
Panama	1,179.8	–	42	1,179.8
Papua New Guinea	729.3	113.2	42	842.5
Paraguay	807.9	45.5	42	853.4
Peru	5,148.2	–	85	5,148.2
Philippines	10,993.9	294.2	159	11,288.1
Poland	5,130.2	–	33	5,130.2
Portugal	1,338.8	–	32	1,338.8
Romania	5,308.4	–	62	5,308.4
Russia	11,811.5	–	44	11,811.5
Rwanda	–	929.4	50	929.4
Samoa	–	61.0	9	61.0
São Tomé and Principe	–	58.9	8	58.9
Senegal	164.9	1,863.1	95	2,028.1
Seychelles	10.7	–	2	10.7
Sierra Leone	18.7	458.7	27	477.4
Singapore	181.3	–	14	181.3
Slovak Republic	135.0	–	2	135.0
Slovenia	177.7	–	5	177.7
Solomon Islands	–	49.9	8	49.9
Somalia	–	492.1	39	492.1
South Africa	287.8	–	12	287.8
Spain	478.7	–	12	478.7
Sri Lanka	210.7	2,316.4	85	2,527.1
Saint Kitts and Nevis	1.5	1.5	1	3.0
Saint Lucia	10.0	12.7	4	22.7
Saint Vincent and the Grenadines	1.4	6.4	2	7.8
Sudan	166.0	1,352.9	55	1,518.9
Swaziland	104.8	7.8	14	112.6
Syrian Arab Republic	613.2	47.3	20	660.5
Taiwan, Province of China	329.4	15.3	18	344.7
Tajikistan	–	208.2	13	208.2
Tanzania	318.9	3,467.8	114	3,786.7
Thailand	7,979.1	125.1	124	8,104.2
Togo	20.0	733.5	42	753.5
Tonga	–	5.0	2	5.0
Trinidad and Tobago	313.6	–	21	313.6
Tunisia	4,625.7	74.6	116	4,700.3
Turkey	15,540.2	178.5	139	15,718.7
Turkmenistan	89.5	–	3	89.5

ANNEX 5

IBRD Loans and IDA Cumulative Lending by Country –
As of June 30, 2000 *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Uganda	9.1	2,862.3	73	2,871.4
Ukraine	2,840.1	–	17	2,840.1
Uruguay	1,748.6	–	46	1,748.6
Uzbekistan	463.0	–	10	463.0
Vanuatu	–	15.4	4	15.4
Venezuela	3,298.1	–	39	3,298.1
Vietnam	–	2,640.3	27	2,640.3
Western Africa region	6.1	52.5	4	58.6
Yemen, Republic of	–	1,775.8	118	1,775.8
Yugoslavia	6,114.7	–	90	6,114.7
Zambia	679.1	2,386.1	75	3,065.2
Zimbabwe	983.2	661.9	36	1,645.1
Bank-wide total	**349,583.1**	**120,218.7**	**7,615**	**469,801.8**

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2000, by Country (July 1, 1999 – June 30, 2000)

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Borrower or guarantor				
Albania	–	59.6	6	59.6
Algeria	97.5	–	3	97.5
Angola	–	33.0	1	33.0
Argentina	57.4	–	2	57.4
Armenia	–	60.0	2	60.0
Azerbaijan	–	42.0	1	42.0
Bangladesh	–	171.9	4	171.9
Benin	–	37.2	3	37.2
Bhutan	–	22.4	2	22.4
Bolivia	–	4.8	1	4.8
Bosnia and Herzegovina	–	37.6	3	37.6
Brazil	1,290.0	–	8	1,290.0
Bulgaria	220.7	–	4	220.7
Burkina Faso	–	25.0	1	25.0
Burundi	–	47.0	2	47.0
Cambodia	–	41.7	4	41.7
Cameroon	53.4	37.7	3	91.1
Cape Verde	–	3.0	1	3.0
Central African Republic	–	28.0	2	28.0
Chad	39.5	82.7	4	122.2
China	1,672.5	–	8	1,672.5
Colombia	941.0	–	6	941.0
Costa Rica	32.6	–	1	32.6
Côte d’Ivoire	–	28.2	2	28.2
Croatia	29.0	–	1	29.0
Djibouti	–	15.0	1	15.0
Dominican Republic	17.3	–	2	17.3
Ecuador	181.7	–	2	181.7
Egypt, Arab Republic of	50.0	–	1	50.0
Estonia	25.0	–	1	25.0
Georgia	–	47.6	2	47.6
Ghana	–	42.1	3	42.1
Guinea	–	19.0	1	19.0
Guinea-Bissau	–	25.0	1	25.0
Guyana	–	4.8	1	4.8
Honduras	–	33.3	1	33.3
Hungary	31.6	–	1	31.6

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2000, by Country (July 1, 1999 – June 30, 2000) *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
India	934.2	866.5	11	1,800.7
Indonesia	13.0	120.4	3	133.4
Iran, Islamic Republic of	232.0	–	2	232.0
Jordan	34.7	–	1	34.7
Kazakhstan, Republic of	140.0	–	1	140.0
Kyrgyz Republic	–	34.4	3	34.4
Latvia	40.4	–	1	40.4
Lebanon	136.6	–	2	136.6
Lesotho	–	11.2	2	11.2
Lithuania	56.6	–	2	56.6
Madagascar	–	109.6	3	109.6
Malawi	–	28.9	1	28.9
Maldives	–	17.6	1	17.6
Mali	–	139.9	3	139.9
Mauritania	–	83.1	4	83.1
Mauritius	4.8	–	1	4.8
Mexico	1,169.3	–	4	1,169.3
Mongolia	–	32.0	1	32.0
Morocco	7.5	–	2	7.5
Mozambique	–	161.6	4	161.6
Nepal	–	54.5	1	54.5
Nicaragua	–	120.9	5	120.9
Niger	–	10.4	1	10.4
Nigeria	–	80.0	3	80.0
Papua New Guinea	132.3	–	4	132.3
Peru	94.6	–	3	94.6
Philippines	277.5	–	3	277.5
Poland	160.7	–	3	160.7
Romania	112.6	–	4	112.6
Russia	90.0	–	2	90.0
Rwanda	–	60.0	3	60.0
Senegal	–	160.8	5	160.8
Sierra Leone	–	55.0	2	55.0
Slovenia	9.5	–	1	9.5
Solomon Islands	–	4.0	1	4.0
Sri Lanka	–	45.2	2	45.2
Saint Lucia	1.5	1.5	1	3.0

ANNEX 6

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2000, by Country (July 1, 1999 – June 30, 2000) *(cont'd)*

	IBRD loans	IDA loans	Total loans	
	Amount	Amount	No.	Amount
	(in millions of US dollars)			
Tajikistan	–	27.9	3	27.9
Tanzania	–	329.7	6	329.7
Thailand	400.0	–	1	400.0
Tunisia	202.0	–	2	202.0
Turkey	1,769.6	–	4	1,769.6
Uganda	–	147.9	2	147.9
Ukraine	18.3	–	1	18.3
Uruguay	107.9	–	2	107.9
Uzbekistan	29.0	–	1	29.0
Venezuela	5.0	–	1	5.0
Vietnam	–	285.7	3	285.7
Yemen, Republic of	–	144.8	4	144.8
Zambia	–	270.4	4	270.4
Zimbabwe	–	5.0	1	5.0
Bank-wide total	10,918.6	4,357.6	223	15,276.2