Department of Finance Canada
Ministère des Finances Canada

Canada at the IMF and World Bank Group

2010

Report on Operations Under the Bretton Woods and Related Agreements Act

Canada

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Foreword by the Minister of Finance

I am pleased to present to Members of Parliament and the Canadian public *Canada at the IMF and World Bank Group 2010: Report on Operations Under the Bretton Woods and Related Agreements Act.*

As Canada's Governor at both the International Monetary Fund (IMF) and the World Bank Group, I am particularly proud of the unprecedented role that both of these institutions played in economic stabilization throughout the financial crisis and the crucial role that they continue to play through the ongoing global recovery.

With Canada hosting a Group of Twenty (G-20) Leaders' Summit, a G-8 Leaders' Summit and a G-7 Finance Ministers' Meeting, 2010 was a historic year for Canada on the world stage. At the G-20 Summit, Leaders reinforced the push for more resources and governance reforms to increase the ability of both the IMF and World Bank Group to carry out their mandates of promoting global economic stability and poverty reduction.

The institutional reforms committed to in 2010 are very much in line with Canada's long-term overarching priorities at both the IMF and the World Bank Group: strengthening their governance and accountability, encouraging them to deliver on their core mandates as effectively as possible, and supporting their efforts to ensure that the global growth and stability they foster will have a lasting effect.

The milestones contained in this report are a testament to Canada's significant contribution to the IMF and the World Bank Group in 2010, and a demonstration of our commitment to helping these institutions build a strong, sustainable global economy.

The Honourable James M. Flaherty, P.C.,M.P.

Minister of Finance

About This Report

This report to Parliament and the Canadian public provides an overview of the operations of the IMF and the World Bank Group, discusses key developments at both institutions in 2010, describes Canada's engagement and contributions, and reports on the progress made on Canada's priorities.

The IMF and the World Bank Group (known as the Bretton Woods Institutions) were founded at the United Nations Monetary Conference in Bretton Woods, New Hampshire, in 1944 to promote reconstruction and economic recovery after World War II. Since then, the mandates of these institutions have evolved to focus on promoting global economic stability and poverty reduction.

Canada is a member country of the IMF and of the World Bank Group's International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), International Financial Corporation (IFC) and Multilateral Guarantee Investment Agency (MIGA).

As a significant shareholder, Canada has an important governance role at both the IMF and the World Bank Group. Canada is the ninth largest shareholder at the IMF with 2.88 per cent of voting shares. Canada's contribution to the IMF's overall quota is SDR 6.37 billion[1] (about US$9.7 billion). Canada is the seventh largest shareholder at the World Bank Group, having contributed a total of US$5.5 billion in capital subscriptions to the IBRD, IFC and MIGA and US$8.7 billion in donor contributions to IDA. Canada's voting power ranges from 2.51 per cent to 3.38 per cent within the World Bank Group's different institutions.

The Minister of Finance is Canada's Governor on the Board of Governors of both the IMF and the World Bank Group. Governors delegate day-to-day decisions to an Executive Director at both institutions. Given Canada's shareholding and engagement at the IMF and the World Bank Group, the Executive Directors representing our constituency at both institutions have traditionally been Canadian.[2]

This report responds to the requirements for annual reporting laid out in section 13 of the Bretton Woods and Related Agreements Act, which states:

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 The SDR, or Special Drawing Right, serves as the unit of account of the IMF, and its value is based on a basket of currencies comprising the US dollar, euro, pound sterling and Japanese yen.

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

This report is prepared by the Department of Finance in consultation with other government departments and agencies, with input from the Canadian Executive Director's Office at the IMF and the World Bank Group, as well as input from Canadian citizens and civil society through consultations, stakeholder meetings and correspondence. Within the Government of Canada, the Department of Finance coordinates Canada's policy advice at the IMF and the World Bank Group, consulting closely with other government departments and agencies, including the Bank of Canada, the Canadian International Development Agency (CIDA, and Foreign Affairs and International Trade Canada.

Additional information on Canada's official development assistance activities at the Bretton Woods Institutions is available in CIDA's annual report on the Official Development Assistance Accountability Act.

This report provides an overview of the activities of the IMF and the World Bank Group that are the most relevant to Canada. For more information on the financial performance and operations of these institutions, please refer to their respective annual reports at http://www.imf.org/external/pubind.htm and http://publications.worldbank.org.

Executive Summary

Key Developments at the World Bank Group and the IMF in 2010

This past year saw many important reforms at both the IMF and the World Bank Group. In 2009, the Bretton Woods Institutions were on the front lines in responding to the global financial and economic crisis. In 2010, following the crisis, world leaders moved to strengthen the institutions by implementing important changes to quota and voice that saw more equitable distributions of decision-making power. New and enhanced facilities also strengthened the effectiveness of the institutions and will allow them to contribute even more towards economic stability and poverty reduction as the global economic recovery continues.

Key Developments at the World Bank Group

The World Bank Group took several important actions over the past year to enhance its long-term legitimacy, credibility and effectiveness, including:

- A significant capital increase of US$86 billion was agreed by shareholders (including a general capital increase of US$58 billion and a special capital increase of US$28 billion) that will allow the Bank to increase its annual lending from pre-crisis levels by over 80 per cent.
- Donors agreed to contribute US$49 billion to the International Development Association, an 18-per-cent increase from the last replenishment three years earlier. This will help 79 of the world's poorest countries boost growth and overcome poverty by financing infrastructure, improving health services, educating children, and combating climate change.
- A second phase of voice reforms increased developing and middle-income countries' shareholdings in the Bank by over 3 per cent to 47.2 per cent. An additional Board chair was also added, which will increase the representation of African countries.
- The Bank agreed to implement a series of significant internal reforms to improve effectiveness, transparency and accountability.

Canada advocated for, and was an integral part of, all of these accomplishments over the past year.

Key Developments at the International Monetary Fund

During 2010, a number of significant reforms to IMF governance, lending facilities and surveillance were implemented. These reforms, which include a realignment of IMF quotas, changes to the composition of the IMF Executive Board, and a strengthening of the IMFs lending toolkit, will help the IMF fulfill its mandate of safeguarding the stability of the international monetary system while promoting sustainable economic growth and raising global living standards. In addition, these reforms will increase the voice and representation of emerging market and developing countries, and make the Fund more representative of the global economy. At the same time, building on its multifaceted response to the global financial crisis in 2009, the IMF was again actively engaged in addressing the needs of its members through timely policy advice, financial support and technical assistance.

Canadian representatives constructively engaged in efforts to reform the Fund's quotas and governance to strengthen its legitimacy, effectiveness and credibility. The IMF's members agreed to a landmark package of quota and governance reforms that will significantly increase the voice and representation of emerging market and developing countries at the Fund. Canada also supported and engaged constructively in efforts to enhance the Fund's lending toolkit. In addition, Canada contributed to improving IMF surveillance by fostering member agreement on making the Fund's Financial Sector Assessment Program mandatory for members with systemically important financial sectors.

Canada's Engagement at the IMF and the World Bank Group

Canada is engaged in the governance of the IMF and the World Bank Group through its Governor on the Board of Governors of both institutions and through its Executive Directors. Canada makes contributions to capital, special funds, trust funds and global initiatives.

Canada was a significant contributor to a number of notable initiatives which made the IMF and the World Bank Group stronger and more effective, including:

- $840 million in resources to the IMF's Poverty Reduction and Growth Trust to encourage increased concessional lending that is flexible and tailored to the diverse needs of low-income countries.
- A Canadian-led effort to forgive over US$825 million Haiti owed to international institutions, including the IMF and the World Bank Group. Canada was the first country to make its share of the required payments.
- $291 million in support for climate change projects through the World Bank's International Finance Corporation.
- Launching and pledging the first $20 million in grant funds for the Small-and Medium-sized Enterprises Finance Challenge at the Toronto G-20 Summit.
- $600 million of increased funding over three years (2009–2011) aimed at agricultural development, which includes Canada's $230-million contribution to the Global Agriculture and Food Security Program in 2010.
- A $200-million contribution—the first by any donor country—to the International Finance Corporation's Global Trade Liquidity Program, which is expected to leverage up to US$2 billion in trade over the next three years.
- Successful efforts by the IMF to reform its quota and governance system, improve its lending facilities and reinforce its surveillance activities.
- Successful efforts to implement the most comprehensive institutional reforms ever undertaken by the World Bank.

Canada's Priorities at the IMF and the World Bank Group

This document reports on the progress made by the IMF and the World Bank Group on Canadian priorities identified in last year's report, as evaluated by Canadian government officials with input from Canada's Executive Director's offices. It also reports on how Canada contributed to moving these priorities forward. Finally, the report provides updated forward-looking priorities.

For the past three years Canada has identified three overarching priorities for the Bretton Woods Institutions: governance and accountability, institutional effectiveness, and sustainable poverty reduction and growth.

Canada's Overarching Priorities at the Bretton Woods Institutions

1) **Governance and Accountability**—Playing a leadership role in pushing for innovations in the governance and accountability structures of the Bretton Woods Institutions.

2) **Institutional Effectiveness**—Encouraging both institutions to deliver on their core mandates as effectively as possible.

3) **Sustainable Poverty Reduction and Growth**—Supporting the IMF and the World Bank Group's efforts to ensure that the growth and stability they help foster today will have a lasting effect over the long term.

Canada sets sub-priorities and actions under each overarching priority and reviews them in each year's report. Overall, the Bretton Woods Institutions have made encouraging progress on the priorities that Canada set for them in 2010. For easy reference, the summary chart in Annex 2 lists Canada's priority actions from the 2009 report and provides a colour-coded assessment of Canada's views on progress made at the Bretton Woods Institutions in 2010.

Full reporting on all priorities is provided in the body of the report.

The International Monetary Fund

Overview of the IMF

The IMF works to safeguard the stability of the international monetary system while promoting sustainable economic growth and raising global living standards.

The IMF:

- Promotes international monetary cooperation.
- Facilitates the expansion and balanced growth of international trade.
- Promotes exchange rate stability.
- Assists in maintaining a multilateral system of payments.
- Provides resources to members experiencing balance of payments difficulties.

A Brief History of the IMF

1945—Canada and 28 other countries sign the IMF Articles of Agreement.

1947—IMF begins operations; first loan drawn by France.

1971—United States informs IMF that it will no longer freely buy and sell gold to settle international transactions; the established US dollar-gold fixed exchange rate system (Bretton Woods System) collapses.

1974—IMF adopts "Guidelines for the Management of Floating Exchange Rates."

1976—IMF establishes trust fund to provide balance of payments assistance to developing country members with profits from the sale of gold.

1977—To adapt to the new world of largely floating exchange rates, IMF Executive Board adopts the "1977 Decision" to guide IMF surveillance of member economies and exchange rate policies.

1986—IMF establishes Structural Adjustment Facility, later replaced by the Enhanced Structural Adjustment Facility (1987) and the Poverty Reduction and Growth Facility (1999), to provide balance of payments assistance on concessional terms to low-income developing countries.

1993—Systematic Transformation Facility established to assist countries of the former U.S.S.R. that face balance of payments difficulties arising from the transformation from a planned to a market economy.

1996—IMF endorses joint debt relief initiative for heavily indebted poor countries (HIPC Initiative).

2005—IMF begins to implement the Multilateral Debt Relief Initiative to relieve debt owed to the IMF by countries with per capita income below $380 a year, along with other HIPCs.

2008–2009—In response to the global financial crisis, IMF mobilizes new resources from its members and revamps its lending facilities, creating the Flexible Credit Line and a new set of lending facilities for low-income countries.

2010—IMF continues to reform its lending toolkit by creating the Precautionary Credit Line, and following the earthquake in Haiti, establishing the Post-Catastrophe Debt Relief Trust to provide debt relief to low-income countries hit by catastrophic natural disasters.

Membership and Governance Structure

Headquartered in Washington, DC, the IMF is governed by and accountable to the governments of its 187 member countries. Each of the 187 member countries appoints one Governor and one Alternate Governor, usually the Minister of Finance and/or the Governor of the central bank, to the Board of Governors. The relationship between the IMF Board of Governors, the International Monetary and Financial Committee, the joint IMF-World Bank Development Committee and the IMF Executive Board is illustrated in Figure 1.

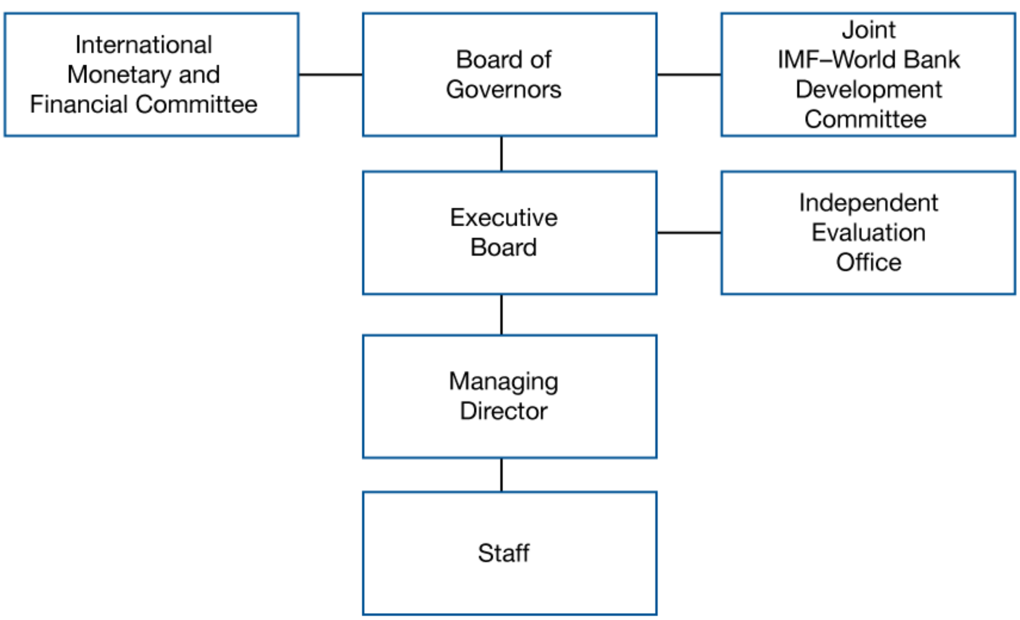
The Managing Director, nominated and appointed by the Executive Board, serves as chair of the Executive Board and chief of the operating staff of the IMF. The present Managing Director, Mr. Dominique Strauss-Kahn, took office on November 1, 2007.

IMF staff members are appointed by the Managing Director and are solely responsible to the IMF. As of September 15, 2010, the IMF employed 2,500 staff (from 158 member countries). There were significant changes in staffing levels in 2009 and 2010.

The Independent Evaluation Office (IEO) conducts independent evaluations of IMF policies and activities. The IEO is fully independent of IMF management and operates at arm's length from the Executive Board. The Director of the IEO is selected by the Executive Board for a renewable four-year term. For information on IEO evaluations, see the section entitled "The IMF's Response to the IEO's Evaluations."

As one of 187 member countries, Canada plays an important collaborative role with our international partners to ensure that the IMF has the tools it needs to fulfill its mandate of promoting international monetary and financial stability. A healthy global economy helps create more jobs for Canadians, promotes stable prices for goods and services, and improves our standard of living. Canada's participation at the IMF encourages international cooperation, sustainable economic growth and better living standards for Canadian residents and across the globe.

Figure 1
IMF Organizational Chart



What the IMF Does

IMF activities focus on three primary areas, all aimed at promoting a prosperous global economy by contributing to international monetary stability:

- Surveillance: Promoting financial and macroeconomic stability and growth through surveillance activities and policy advice that can help members prevent or resolve financial crises, sustain strong economic growth and alleviate poverty.
- Technical assistance: Providing technical assistance and training to help countries build the expertise and institutions they need to implement sound macroeconomic, financial and structural policies.
- Lending programs: Providing temporary financing and policy support to member countries to help them address balance of payments and/or fundamental macroeconomic problems.

Surveillance

The IMF identifies risks to global economic and financial stability through the surveillance of national, regional and global economic developments. Article IV of the IMF Articles of Agreement requires the Fund to undertake regular consultations with each member country on economic conditions and policies. The Article commits each member country to pursuing policies conducive to the stability of the international monetary system, and global growth and prosperity. Through its consultations, the IMF identifies policy strengths and weaknesses and provides advice to members on appropriate corrective measures. Consultations consist of regular staff visits with government and central bank officials, as well as legislators and representatives from the financial sector, industry, trade unions and academia.

Summary of Article IV Obligations

Article IV of the IMF Articles of Agreement sets the “rules of the game” that each member country has voluntarily committed to. Each member country is generally obligated to:

- Pursue economic and financial policies that promote orderly economic growth with reasonable price stability.
- Promote a stable monetary system by fostering orderly underlying economic and financial conditions.
- Avoid manipulating exchange rates or the international monetary system to prevent effective balance of payments adjustment or gain an unfair competitive advantage over other members.
- Facilitate the sharing of information necessary for the Fund to exercise firm surveillance over the exchange rate policies of members.

The IMF has developed specific principles for the guidance of all members with respect to exchange rate policies consistent with the above, but that respect the domestic social and political policies and circumstances of members.

In addition to its bilateral consultations with members under Article IV, the IMF conducts important regional and multilateral surveillance of the overall global economy and financial and monetary systems, producing the semi-annual *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR). The IMF also publishes *Regional Economic Outlook* (REO) reports on a semi-annual basis, which discuss recent economic developments and prospects for various regions. In 2010, the IMF also introduced the *Fiscal Monitor* to analyze and report on fiscal developments in member countries. These reports foster discussion at the Executive Board and within member governments.[3] The Executive Board also holds regular informal discussions on world economic and financial market developments.

Following the global crisis, the IMF increased its surveillance activities to fulfill its mandate of promoting international monetary and financial stability. In 2011 IMF surveillance will be guided by well-defined economic and operational priorities contained in the Statement of Surveillance Priorities, which was adopted by the Executive Board and endorsed by Governors in 2008.

The economic priorities are primarily aimed at improving crisis-related policy interventions to reinforce the global financial system and promote macroeconomic and structural policies that support sustained world growth while keeping global imbalances in check. The operational priorities are intended to improve risk assessment tools and financial sector surveillance, and to integrate a more robust analysis of exchange rates and external stability risks.

These surveillance priorities will be reassessed in 2011 as part of the regular triennial surveillance review exercise. The IMF also participates in new data transparency initiatives, including the Principal Global Indicators website, which provides access to key data on G-20 economies.

Technical Assistance

The IMF offers technical assistance and training in its areas of expertise such as macroeconomic policy, tax and revenue administration, expenditure management, monetary policy, exchange rate systems, financial sector sustainability, and macroeconomic and financial statistics. Improving the technical capacity of member countries is fundamental to promoting sound monetary and macroeconomic policies and enabling effective IMF surveillance. Approximately 85 per cent of technical assistance goes to low-income and lower-middle-income countries. The IMF also provides technical assistance to help countries design and implement poverty-reducing and growth-promoting programs, and to help heavily indebted poor countries with debt reduction and management.

[3] For the October 2010 WEO see http://www.imf.org/external/pubs/ft/weo/2010/02/index.htm, for the October 2010 GFSR see http://www.imf.org/external/pubs/ft/gfsr/2010/02/index.htm, for the October 2010 REO see http://www.imf.org/external/pubs/ft/reo/reorepts.aspx, and for the November 2010 *Fiscal Monitor* see http://www.imf.org/external/pubs/ft/fm/2010/02/fmindex.htm.

In collaboration with member countries, the IMF delivers technical assistance through missions from headquarters, short-term expert assignments, long-term resident advisors or regional centres. Recently, the IMF has adopted a more regional approach to the delivery of technical assistance and training and is increasingly relying on donor financing. In addition to the training offered at the IMF Institute, based in Washington DC, seven regional training institutes for country officials and seven Regional Technical Assistance Centres deliver more accessible and regionally tailored programming to member countries across the globe. The Fund is also planning to open three new centres: two in Africa and one in Central Asia.

Table 1

Regional Technical Assistance Centres (RTACs)

Centre Name (Location) Year Opened	Beneficiary Countries and Territories
Pacific RTAC (Suva, Fiji) 1993	Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.
Caribbean RTAC (Bridgetown, Barbados) 2001	Anguilla, Antigua, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos.
East AFRITAC—Africa Regional Technical Assistance Centre (Dar es Salaam) 2002	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda.
West AFRITAC (Bamako, Mali) 2003	Benin, Burkina Faso, Côte d’Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo.
Middle East RTAC (Beirut, Lebanon) 2004	Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen.
Central AFRITAC (Libreville, Gabon) 2007	Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, and Gabon.
Central America, Panama, Dominican Republic TAC (Guatemala City, Guatemala) 2009	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Lending Programs

The IMF works much like a credit union. Although it has only limited resources of its own, it has access to a large pool of liquid resources provided by its members, primarily through their payment of quotas, which consist of convertible national currencies, Special Drawing Rights (SDRs) and other widely used international currencies. The IMF makes these resources available to help members finance temporary balance of payments problems. When requested to do so, members provide resources to the IMF in amounts determined by quotas that broadly reflect each country’s relative economic weight in the global economy. A country’s quota in turn helps determine the amount of IMF resources that it may access should it experience economic difficulties. As of January 11, 2011, the total quota for the Fund’s 187 members is SDR 217.4 billion (about US$332.0 billion).

Special Drawing Right (SDR)

An SDR is the international reserve asset created by the IMF to supplement the existing official reserves of member countries. The SDR serves as the unit of account of the IMF and its value is based on a basket of currencies comprising the US dollar, euro, pound sterling and Japanese yen. The SDR interest rate is determined as a weighted average of the interest rates on short-term financial instruments in the markets of the currencies in the SDR basket.

A special allocation of SDRs was implemented in September 2009, increasing the fairness of the SDR system. The one-time measure increased members' cumulative SDR allocations by SDR 21.5 billion and provided allocations to those countries that had never received one (members that joined the Fund after 1981).[4]

A member country obtains access to the general resources of the IMF by purchasing (drawing) other members' currencies with an equivalent amount of its own currency. A member repays the IMF by repurchasing its own currency with other members' currencies over a specified period of time, with interest. In this way, a member country borrows from other members, with the IMF as an intermediary.

Members providing the resources lent to a country facing balance of payments difficulties receive a market-based rate of interest on the resources they have provided. The interest rate approximates the return members would have received on alternative safe and liquid investments. As members receive interest on their loans to the IMF and do not provide grants to finance the Fund's general operations, membership in the IMF does not entail a direct budgetary cost.

For the majority of IMF programs, members requesting financial assistance reach an agreement with the IMF staff on a set of economic measures and reforms aimed at removing the underlying source of the country's balance of payments difficulty. The details of this integrated economic program (often referred to as conditionality) and the amount and duration of financing are then approved by the Executive Board. Typically, IMF financial assistance is provided in stages, or tranches, with the release of each tranche accompanied by verification that the country is continuing to follow the agreed economic program, and is meeting agreed policy conditions.

Depending on the prospective size and duration of the problem, these measures are agreed to as part of various loan facilities or instruments that are customized to address the specific circumstances of each member. The Stand-By Arrangement, which provides the bulk of Fund assistance to middle-income countries, addresses short-term balance of payments problems and typically lasts one to two years. On the other hand, the Extended Fund Facility addresses longer-term balance of payments problems requiring fundamental economic reforms and generally runs for three years.

In 2009, following the financial crisis, the IMF created the Flexible Credit Line (FCL). It provides countries that have strong economic fundamentals and policies with a credit line they can use for crisis prevention purposes. As of December 31 2010, Colombia, Mexico and Poland have accessed the FCL. In 2010, the IMF introduced the new Precautionary Credit Line (PCL). It provides large frontloaded access and assistance to support members facing moderate vulnerabilities but no actual balance of payments need. The first PCL program was approved for Macedonia in January 2011.

4 See http://www.imf.org/external/np/exr/facts/sdr.htm.

Additional instruments are available for low-income member countries. The financial crisis prompted the IMF to overhaul these facilities, and a new set of below market rate (concessional) and more flexible lending facilities are now available under a new brand, the Poverty Reduction and Growth Trust (PRGT).

There are three lending facilities in the new PRGT framework:

- The Extended Credit Facility, which replaces the former Poverty Reduction and Growth Facility and provides flexible medium-term support to low-income members that have protracted balance of payments problems.
- The Standby Credit Facility, which addresses short-term and precautionary balance of payments needs, similar to the Stand-By Arrangements in regular Fund lending.
- The Rapid Credit Facility, which provides rapid access at low levels with limited conditionality to meet urgent balance of payments needs.

Further, as part of the response to the global financial crisis, the IMF is also providing temporary interest relief with zero payments on concessional lending arrangements through to the end of 2011 to help low-income countries cope with the economic crisis. Also, in 2010 the Fund created the Post-Catastrophe Debt Relief Trust to provide debt relief to low-income countries hit by catastrophic natural disasters. Its purpose is to help these countries meet exceptional balance of payments needs that arise from such catastrophes and provide assistance in subsequent economic recovery efforts. The first beneficiary of the trust was Haiti.

Finally, a Policy Support Instrument (PSI) is an option for any member that does not need or want IMF financial assistance but voluntarily requests IMF endorsement and continued monitoring of their policies. PSIs signal IMF support for a member countries' policies, informing private and public creditors, official donors and the general public. As of September 2010, Cape Verde, Mozambique, Nigeria, Senegal, Uganda, Tanzania and Rwanda have benefited from PSI arrangements.

Table 2
IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions
Credit tranches and Extended Fund Facility		
Stand-By Arrangements (1952)	Provides medium-term assistance for members with short-term balance of payments difficulties.	Adopt policies that provide confidence that the members' balance of payments difficulties will be resolved within a reasonable period.
Flexible Credit Line (2009; reformed 2010)	Provides large-scale, targeted and precautionary assistance for members with access to international capital markets.	Very strong *ex ante* macroeconomic fundamentals, economic policy framework and policy track record.
Extended Fund Facility (1974)	Provides longer-term assistance to support members experiencing serious medium-term payments imbalances due to structural weakness, to address long-term balance of payments difficulties.	Adopt a 3-year program with a structural agenda and an annual detailed statement of policies for the next 12 months.
Precautionary Credit Line (2010)	Provides large frontloaded access and assistance to support members with no actual balance of payments need and facing moderate vulnerabilities.	Sound economic fundamentals, institutional policy frameworks and policy track record. Need to commit to a focused set of policies aimed at reducing the remaining vulnerabilities identified.
Facilities for low-income members		
Extended Credit Facility (2009)	Succeeds the Poverty Reduction and Growth Facility to provide flexible medium-term support to low-income members with protracted balance of payments problems.	Adopt policies adequate to correct external imbalances and make progress toward a stable and sustainable macroeconomic position. May extend over the medium or longer term.
Stand-By Credit Facility (2009)		Adopt policies adequate to correct external imbalances and restore a stable and sustainable macroeconomic position. Aim to resolve balance of payments needs in the short term.
Rapid Credit Facility (2009)	Provides rapid low access with limited conditionality for urgent balance of payments needs.	Assistance is provided as an outright disbursement. The facility does not have program reviews or *ex post* conditionality, except in the case of repeated use, where a track record of performance would be required in advance of the disbursement unless the financing need is primarily caused by an exogenous shock.

Source: http://www.imf.org.

Key Developments at the IMF in 2010

In 2010, landmark reforms to the IMF and its lending facilities were agreed to. These reforms strengthen the institution's legitimacy, effectiveness and credibility—all long-standing objectives of the Canadian government.

IMF Quota and Governance Reform

Spearheaded by the efforts of the G-20, in 2010 the IMF's members approved a major overhaul of the Fund's quotas and governance, strengthening the Fund's legitimacy, credibility and effectiveness. The IMF reform agreement involves a comprehensive package of governance reforms that will significantly increase the voice and representation of emerging market and developing countries (EMDCs) at the Fund, mainly through realignment of IMF quotas and reforms in the composition of the Executive Board.

Quota reforms include a doubling of aggregate quotas and a major realignment of quota shares among members, resulting in a dual shift of quota shares of over 6 per cent to under-represented countries and to dynamic EMDCs. The quota realignment will be implemented on a "best effort" basis by the October 2012 IMF Annual Meetings. In addition, in pursuit of a quota formula that better reflects global economic weights, the reform agreement includes a commitment to complete a review of the current quota formula by January 2013.

The second part of the agreement constitutes reforms to the composition of the IMF Executive Board. These include:

- The transfer of two advanced-country European chairs to emerging market countries.
- The IMF will move to an all-elected Executive Board, eliminating the practice of appointing Executive Directors (EDs) and allowing all countries to participate in ED elections and form constituencies. Currently, members holding the five largest voting positions at the Fund appoint an ED and are unable to participate in the ED elections.
- The IMF will introduce a second alternate ED position for multi-country constituencies with at least seven countries, such as Canada's.

Lending Activity and an Enhanced Toolkit

Building on its reinvigorated role as "crisis responder" in the face of the global financial crisis, the IMF further improved its lending toolkit and expanded its country lending in 2010.

In 2010, the IMF reformed its lending facilities by modifying the Flexible Credit Line (FCL) for countries meeting high qualification standards, such as Mexico. Reforms to the FCL involve greater access and increased duration of the term of the facility, which can be renewed, to a maximum of two years. The IMF also filled a hole in its lending toolkit by introducing the new Precautionary Credit Line, which provides large, conditional, frontloaded precautionary access to support members with no actual balance of payments need and facing moderate vulnerabilities.

A steady increase in IMF lending that began in early 2008 continued in 2010 due to the effects of the global financial crisis, coupled with the impact of the European sovereign debt crisis. New IMF lending commitments in 2010 were highlighted by a Stand-By Arrangement for Greece and an Extended Fund Facility for Ireland, as well as renewed FCLs for Colombia, Mexico and Poland.

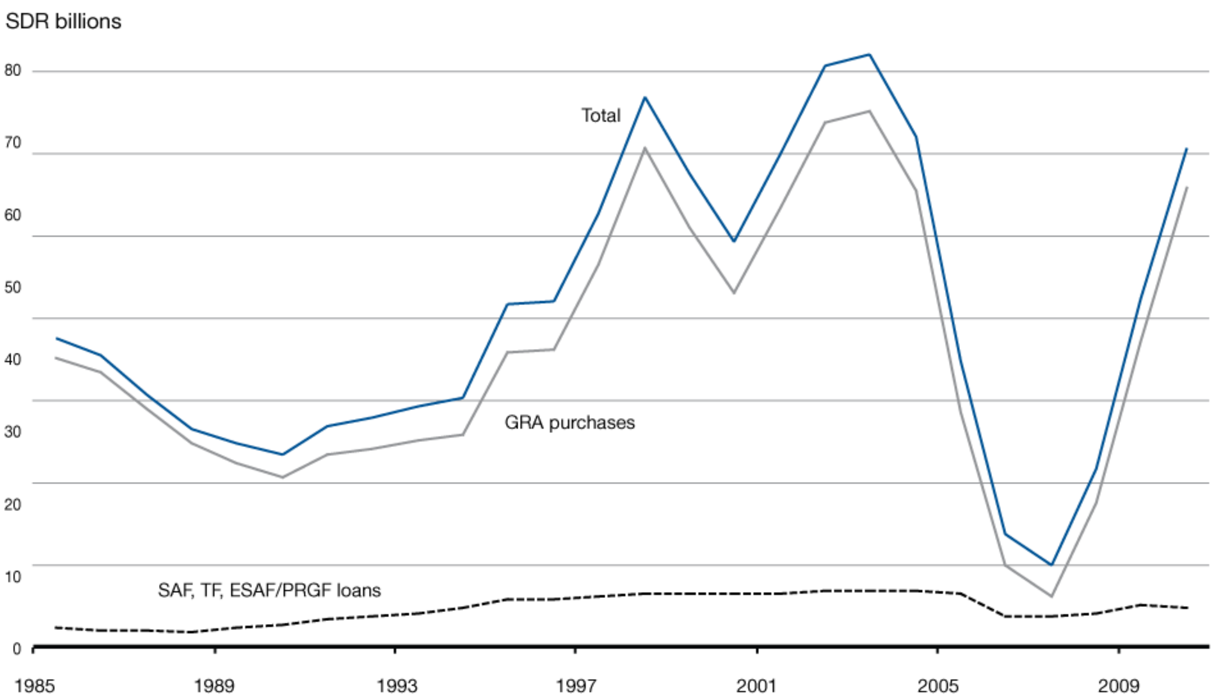
Table 3, Chart 1 and Chart 2 highlight the IMF's lending activities.

Table 3
Highlights of IMF Lending Activity in 2010

Lending Facility	Total Amount Agreed (SDR)	Countries Entering Arrangements in 2010
Stand-By Arrangement	40.4 billion	Antigua and Barbuda, El Salvador, Greece, Honduras, Iraq, Jamaica, Kosovo, and Ukraine.
Standby Credit Facility	77.2 million	Honduras and the Solomon Islands.
Extended Credit Facility	956.5 million	Armenia, Benin, Burkina Faso, Grenada, Guinea-Bissau, Haiti, Lesotho, Malawi, Mauritania, Moldova, Sierra Leone, and Yemen.
Flexible Credit Line	47.5 billion	Colombia, Mexico, and Poland.
Extended Fund Facility	19.8 billion	Armenia, Ireland, and Moldova.

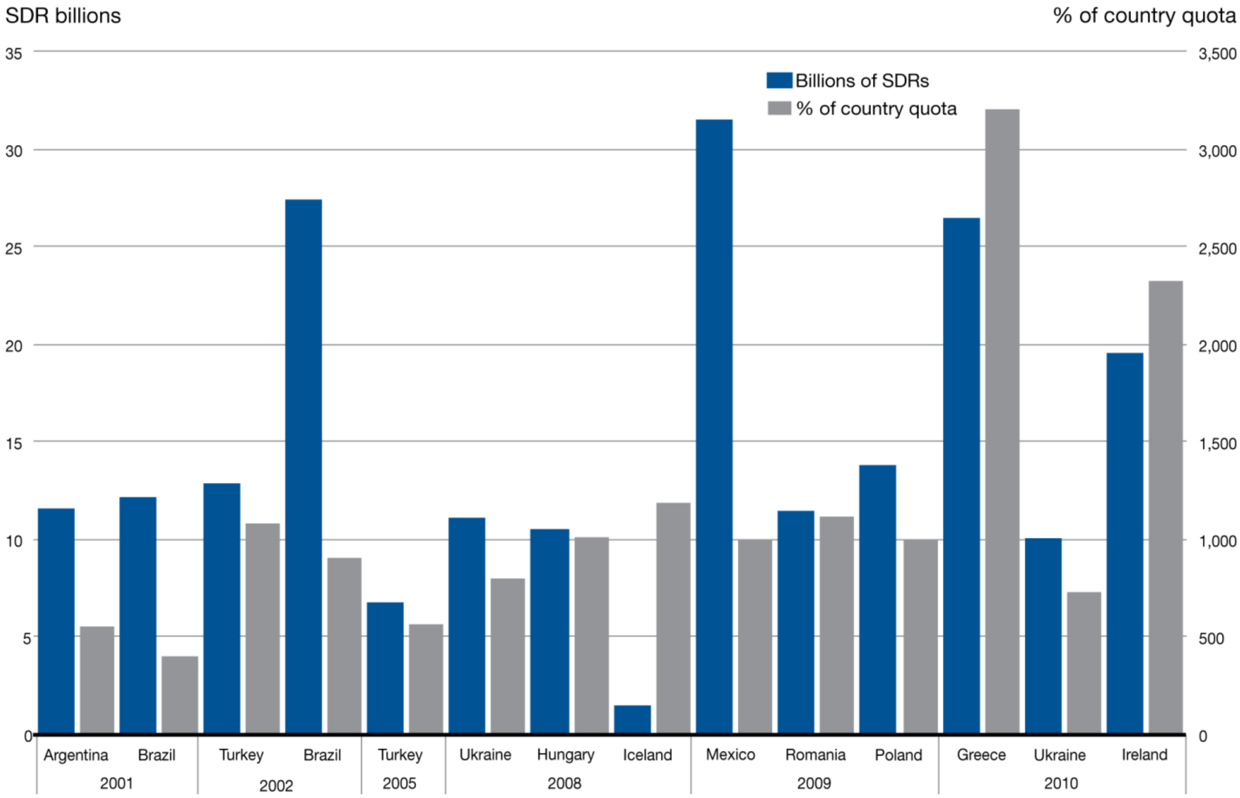
Source: http://www.imf.org/external/np/fin/tad/extarr11.aspx?memberKey1=ZZZZ&date1key=2010-12-31.

Chart 1
IMF Credit Outstanding for All Members, 1985–2010



Notes: GRA = General Resources Account; SAF = Structural Adjustment Facility; TF = Transfer Fund; ESAF = Enhanced Structural Adjustment Facility; PRGF = Poverty Reduction and Growth Facility. The PRGF has been replaced by the Extended Credit Facility.
Source: http://www.imf.org/external/fin.htm.

Chart 2
Large Approved IMF Lending Amounts: 2001–2010



Note: These lending arrangements include total lending amounts made available, including cases where lending arrangements were extended beyond initial stand-by facility timelines. Also, amounts above show the total amounts of lending made available: not all of these funds were fully drawn upon.
Source: http://www.imf.org/.

Surveillance

The global crisis highlighted the need to modernize IMF surveillance to ensure that spillovers from economic developments and policies in one country to others are adequately captured in surveillance assessments. In 2010, the IMF made important progress on improving financial sector surveillance by gaining member agreement to make the Fund's Financial Sector Assessment Program a mandatory part of Fund surveillance for members with systemically important financial sectors.

The IMF's Response to the Independent Evaluation Office's Evaluations

In 2010, IMF staff prepared implementation plans for Executive Board–endorsed recommendations following from two 2009 Independent Evaluation Office (IEO) evaluations.

The first evaluation examined how effectively the IMF executes its trade policy mandate. In response to the IEO's recommendations, the Fund will focus on reprioritizing its trade policy work through six interconnected initiatives:

- Reviewing Fund work on trade every five years beginning in 2014 and developing additional guidance on financial services and preferential trade agreements (PTAs).
- Better utilizing trade policy initiatives in Fund-supported programs to guide broad trade policy advice.
- More frequent coverage of trade policy issues in all IMF surveillance vehicles.
- Enhancing the Fund staff's access to timely and relevant trade data regarding goods trade, PTAs and financial services.
- Further strengthening cooperation with other international institutions through regular meetings between the IMF, World Bank, World Trade Organization, Organisation for Economic Co-operation and Development and United Nations Conference on Trade and Development.

The second evaluation assessed the Fund's interactions with member countries. It concluded that the general exchange of views and objective assessments were effective, and that interactions in areas such as program and technical assistance were also positive. Going forward, the Fund will build on existing plans and ongoing reform initiatives by:

- Reinforcing bilateral and multilateral surveillance with new and reformed products and procedures (thematic multi-country reports, spillover reports and multilateral consultations).
- Strengthening Fund surveillance with better analysis and understanding of macro-systemic and financial sector risks.
- Strengthening and updating the knowledge and skills of Fund staff.

In 2010, the IEO evaluated the IMF's performance in the run-up to the financial and economic crisis. A report on the IEO's findings was prepared and discussed by the Executive Board in early 2011.

IEO Possible Topics for Evaluation Over the Medium Term

The IEO has identified possible topics for evaluation over the medium term. Topics were suggested by all member countries. The topics are consistent with the IEO's objectives of enhancing the learning culture within the Fund, strengthening the Fund's external credibility, promoting greater understanding of the work of the Fund, and supporting the Executive Board's institutional governance and oversight responsibilities. The possible topics identified for evaluation are surveillance, technical and design issues, the internal governance of the IMF, and the Fund's interaction with external stakeholders. Final topics for evaluation will be determined based upon consultations with member countries.

Canada's Engagement at the IMF

As a result of the relatively large size of the Canadian economy and its openness to international trade, Canada has a significant voting share at the IMF (see Table 4). Canada holds a seat on the Executive Board, which is composed of 5 appointed member countries and 19 elected member countries and constituencies. Canada's seat on the Executive Board represents a constituency that includes Ireland and most member countries from the Commonwealth Caribbean. Although Canada's voting share at the IMF is 2.88 per cent, the Executive Director casts the votes of all members of the constituency, for a total of 3.63 per cent.[5] In the event of a vote, the Executive Directors of multi-country constituencies must cast all of the votes of their members as a bloc.

Canada's contribution to the IMF's overall quota is SDR 6.37 billion (about US$9.7 billion). Canada's quota represents 2.93 per cent of the total and, aside from special loan arrangements sometimes in force, it corresponds to the maximum amount that it could be asked to lend from its international reserves to the IMF to assist other members experiencing financial difficulties. Quota also determines the voting power of each member country. Canada's contribution to the overall quota is in addition to a temporary US$10-billion bilateral loan that Canada provided to the IMF as part of the 2009 G-20 commitment to bolster Fund resources during the crisis. In 2010, this temporary loan proved to be vital. Assistance provided to Greece and Ireland to backstop their government finances and support their financial system demonstrated the necessity for larger lending programs.

Table 4
Voting Shares of the 12 Largest Members of the IMF

Country	% of Total Voting Shares
United States	16.74
Japan	6.01
Germany	5.87
United Kingdom	4.85
France	4.85
China	3.65
Italy	3.19
Saudi Arabia	3.16
Canada	**2.88**
Russia	2.69
Netherlands	2.34
Belgium	2.08

5 The voting share of all members of the constituency will change somewhat once the 2008 and 2010 quota and voting share agreements come into effect.

Office of the IMF Executive Director for the Canadian, Irish and Caribbean Constituency

Executive Director	Hon. Thomas Hockin (Canada)
Alternate Executive Director	Stephen O'Sullivan (Ireland)
Senior Advisor	Glenn Purves (Canada)
Senior Advisor	John Rolle (Bahamas)
Advisor	Kimberly Beaton (Canada)
Advisor	Mathew Sajkunovic (Canada)
Advisor	Peter McGoldrick (Ireland)
Administrative Assistant	Basia Manitius (Canada)
Administrative Assistant	Sandra Mendes (Brazil)
Phone/fax	202-623-7778/202-623-4712
Address	11-112, 700 – 19th Street N.W., Washington, DC 20431, USA

Canada is also a major contributor to the IMF's training programs, including the Caribbean Regional Technical Assistance Centre (CARTAC) and the Financial Sector Reform and Strengthening Initiative. In addition, Canada provided support and funding for the establishment of a new technical assistance centre: the Central America, Panama, Dominican Republic Technical Assistance Centre. This technical assistance centre opened in 2009 and Canada is providing ongoing funding.

Canada is the largest international donor to CARTAC, providing $25 million for 2010–2013. To complement CARTAC, the Canadian International Development Agency (CIDA) developed the Support for Economic Management in the Caribbean (SEMCAR) program to provide long-term interventions for tax, customs and public financial management that will also include the provision of hardware and information technology systems to address emerging financial information needs. SEMCAR was designed in 2009 and will be implemented by the World Bank with the assistance of the IMF. CIDA will finance the three-year $19.2-million project.

Canadian Outreach in 2010

In 2010, Canada's Executive Director at the IMF and his staff met with many Canadian, Irish and Caribbean officials and civil society organizations, often alongside officials from the Executive Director's Office at the World Bank. These meetings included representatives from the University of Ottawa, Queen's University and Carleton University. Staff from the Executive Director's office also participated in seminars and events with various civil society guests, hosted by the IMF's External Relations group.

Canada's Voting Record in 2010

Since the vast majority of decisions at the IMF are taken on a consensus basis, formal votes by Governors and the Executive Board are rare. Canada attempts to influence the development of policy proposals before they are brought to the Board (through informal discussion with staff and management) or to influence other members of the Executive Board before or during the course of Board deliberations. Below are the positions taken by Canada's Governor on the four resolutions taken by the Board of Governors in 2010. As well, the Executive Director representing Canada, Ireland and the Caribbean recorded three abstentions in 2010.

Voting Record of the Canadian Governor in 2010

- In April 2010, Canada's Governor approved Tuvalu's application to join the IMF.
- In July 2010, Canada's Governor abstained from voting on the proposal to increase the direct remuneration of Executive Directors and their Alternates due to Canadian views on the need for the IMF to further control its expenses.
- In August 2010, Canada's Governor approved the proposal to amend the dates of the 2010 and 2011 Annual Meetings.
- In December 2010, Canada's Governor approved a historic overhaul of IMF quotas and reforms to the IMF's Executive Board that will strengthen the legitimacy of the institution through a substantial increase in voice and representation for emerging market and developing countries.

Voting Record of the Executive Director Representing Canada in 2010

(Only Oppositions or Abstentions listed)

- In July 2010, the Executive Director abstained on the decision to provide assistance to the Democratic Republic of Congo under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) as well as on the decision to complete the first review under the country's Extended Credit Facility. While it was recognized that steps had been taken by the Government of the Democratic Republic of Congo to achieve the necessary conditions of the HIPC Initiative and the MDRI, Canada's decision reflected reservations on the sustainability of the reform efforts, which could negatively impact the investment climate and development objectives.
- In April 2010, the Executive Director abstained on the 2010 review of staff compensation due to Canadian views on the need for the IMF to further control its expenses.

Canada's Priorities at the IMF

Assessment of Progress on Canada's 2010 Priorities at the IMF

1) Governance and Accountability

The Government of Canada is committed to promoting good governance and accountability both at home and in its relations and operations in the international community. One of Canada's main objectives at the Bretton Woods Institutions (BWIs) is to ensure that they are well governed and accountable to their members. It is critical that the BWIs' governance structures be representative of their members and that their operations reflect the priorities agreed by those members. Further, the BWIs must be financially sustainable and transparent. These elements are central to the institutions maintaining their relevance and legitimacy in an evolving global context.

Priority 1.1: Governance Reforms

A key challenge for the BWIs over the last few years has been to adopt a more representative governance structure in order to reflect a changing global economy.

2010 Action: Support negotiations for a new IMF quota agreement

Good Progress

In July 2009 Canada ratified amendments to the IMF Articles of Agreement to reflect the 2008 IMF quota and voice agreement, and in 2010 used venues such as the International Monetary and Financial Committee and the G-20 to encourage other countries to do the same. As of December 31, 2010, 100 members constituting 83.13 per cent of total voting power have ratified the amendments. The 2008 agreement will become effective when ratification is completed by 113 members having at least 85 per cent of total voting power.

While the 2008 agreement was a step in the right direction, it was widely accepted that further voice reforms were necessary to enhance the legitimacy of the IMF. As a result, IMF member countries and the G-20 agreed in principle to deliver a new quota agreement.

Throughout 2010, Canada stressed the need to deliver a new IMF quota agreement. In October 2010 in Gyeongju, South Korea, G-20 Finance Ministers and Central Bank Governors reached a landmark agreement on a comprehensive package of IMF governance reforms that will significantly increase the voice and representation of emerging market and developing countries (EMDCs) at the Fund. As part of the agreement, there will be a shift in IMF quota shares of over 6 per cent to under-represented dynamic EMDCs, a doubling of aggregate quota levels, and a commitment to review the current quota formula ahead of the next review. Also, the composition of the IMF Executive Board will be reformed through a number of measures to increase the representation of EMDCs. Canada is firmly behind the new quota and governance reform agreement, as it constitutes a significant deliverable for the IMF and the G-20, which delivered on its commitment to reach a new quota deal by January 2011.

Throughout 2011, Canada should begin the necessary domestic legislative steps to bring the new quota agreement into effect, and should encourage other IMF members to do the same in a timely manner.

Going Forward	
Priority 1.1 Governance Reforms:	The IMF and the World Bank should continue to be legitimate, credible and accountable institutions.
New	
Medium-Term Action:	The IMF should implement the 2010 quota and Executive Board reform agreement.
Timeline:	2011–2013

Priority 1.2: Institutional Reforms

2010–2012 Action: Promote IMF corporate governance changes

Little Progress

While the focus in 2010 was on increasing legitimacy through quota reforms, the Fund must also ensure its institutional governance framework supports effective engagement with member governments to meet global economic challenges. The Fund must be able to make decisions quickly and transparently, member governments must be ready to act to address threats identified by Fund surveillance, and IMF management and staff must be more accountable for the quality of their work. In the 2008 report, Canada noted its intention to seek improvements in IMF corporate governance, including the role of the Executive Board and the International Monetary and Financial Committee (IMFC), the performance and accountability of IMF management, and ways to promote better member engagement with the institution.

Debate on IMF corporate governance reforms intensified in 2009, but was crowded out in 2010 by the emphasis on obtaining a new quota deal. Nevertheless, at the IMFC, G-20 and IMF Executive Board meetings, Canada reiterated the importance of pushing ahead with corporate governance reforms. The Minister of Finance advocated strongly that the Fund needs greater input from Governors and Executive Directors on strategic issues and less on day-to-day operations, and a Managing Director who is selected on merit—regardless of nationality—and who operates under an appropriate accountability framework. The IMF made an attempt to increase Ministerial engagement at the 2010 Annual Meetings by streamlining the meeting format to allow Ministers to attend all meetings and sessions.

In 2010, reflecting pressure from Canada and like-minded countries, the G-20 reiterated its call for the heads of all international financial institutions (IFIs) to be selected through open, transparent and merit-based processes. The IMF failed to deliver on a commitment made at the 2009 Annual Meetings to adopt such a process by the Spring Meetings in April 2010. Canada will actively push for this to come to fruition not only at the IMF, but at all IFIs, with a view to ending the long-standing tradition of reserving certain IFI leadership positions for nationals of select countries or regions.

Canada is of the view that, with quota reforms complete, corporate governance reforms should now be a key priority. At the G-20 and the IMF Executive Board, Canada will push for concrete progress to be made on Board effectiveness, transparency, Ministerial engagement, and management selection and accountability in 2011.

As both the IMF and World Bank continue to refine their mandates, necessary resources and governance structures, Canada should emphasize that any institutional reforms should increase legitimacy, credibility and accountability.

Going Forward

Priority 1.1 Governance Reforms:	The IMF and the World Bank should continue to be legitimate, credible and accountable institutions.
New	
Medium-Term Action:	World Bank Group and IMF leadership positions should be staffed through open, transparent and merit-based selection processes, regardless of candidate nationality.
Timeline:	2011–2013
New	
Medium-Term Action:	The IMF should have strong Ministerial oversight, a strategic role for the Executive Board, and a robust independence-accountability framework for senior management who are hired on merit.
Timeline:	2011–2013

2) Institutional Effectiveness

A second major Canadian objective is to ensure that the Bretton Woods Institutions (BWIs) are effective in carrying out their operations. This means focusing services on the BWIs' core competencies, responding to member country demands, coordinating with other international partners, and exploring innovative ways to reach the BWIs' goals.

Priority 2.1: IMF Mandate

Supported by the Articles of Agreement, the IMF's basic role is to promote international monetary cooperation and global economic and financial stability. It does this primarily through bilateral and multilateral surveillance and dialogue with members, as well as through the provision of balance of payments financing and technical assistance to member countries in need. Canada has consistently stressed that the main focus of IMF reform should be to enhance these core functions without unnecessarily broadening the scope of IMF operations.

2009–2011 Action: Push for the Fund to focus on bolstering its core functions

Good Progress

Through its lending reforms in 2010, the IMF made good progress in enhancing existing tools and filling in gaps in its lending toolkit. However, Canada noted that the Fund needs to be careful not to overextend its lending role beyond its mandate. In addition, the IMF needs to reinforce its ability to distinguish solvency from liquidity crises, and not simply focus on providing larger amounts of liquidity.

The IMF needs to promote global economic stability by ensuring that surveillance tools are effective and comprehensive. A number of surveillance initiatives bore fruit in 2010. Most notably, the Fund decision to require Financial Sector Assessment Programs during the Article IV process for systemically important countries will help enhance financial sector surveillance. The IMF also revisited discussions surrounding the Fund's role regarding cross-border capital flows, but a consensus on this issue has yet to be reached.

Going Forward

Priority 2.1 IMF Mandate:	The IMF should remain focused on its core mandate of stability promotion.
Medium-Term Action:	The Fund should remain focused on strengthening its core surveillance and crisis lending/conditionality functions, and not expanding its operations into non-core areas.
Timeline:	2011–2013

Priority 2.2: IMF Surveillance and Crisis Prevention

Canada has an ongoing interest in effective IMF surveillance of members' economic and financial policies that reduces the risk of global economic, financial and monetary instability. Despite recent improvements in surveillance, there is still much to accomplish on effectiveness and the willingness of IMF members to heed Fund advice, publish all surveillance reports, and cooperate to identify solutions to common economic and financial threats. Canada is thus concentrating on initiatives to promote member engagement, as well as providing advice to the IMF through the Executive Board on more technical issues that affect the accuracy and appropriate scope of IMF surveillance.

2009–2011 Action: Improve IMF surveillance and increase IMF member engagement

Some Progress

In 2009, Canada encouraged the Fund to improve its ability to identify, communicate and spur member responses to economic stability threats. Canada also stressed the need for the Fund to enhance the effectiveness and traction of bilateral surveillance while strengthening its multilateral approach to surveillance. In 2010, important progress was made in some of these areas.

Canada committed to strive to increase member participation in the joint IMF-World Bank Financial Sector Assessment Program (FSAP) to enhance transparency regarding financial sector vulnerabilities. Canadian efforts were rewarded in 2010 as the IMF made the FSAP a regular and mandatory part of Fund surveillance for members with systemically important financial sectors, which will take place at least once every five years under each country's annual Article IV review. Canada has always been a leader in promoting and participating in this program. This is a major step toward enhancing the Fund's economic surveillance in the wake of the recent crisis, which originated in the financial sectors of large and globally interconnected countries.

While there has been progress in recent years towards improving multilateral surveillance, including a stronger focus on spillovers, there is still scope for further improvement at the IMF. Canada strongly supports efforts to strengthen multilateral surveillance at the Fund, and should engage constructively in this discussion in 2011. Progress was made in 2010 through the G-20 Mutual Assessment Process (MAP), which is part of the overarching Framework for Strong, Sustainable and Balanced Growth. The IMF provided important analysis on how the G-20's respective national and regional policy frameworks fit together, and developed a forward-looking analysis on whether policies pursued by G-20 countries are collectively consistent with achieving a more sustainable and balanced global economy. Canada played a key role in promoting this process, as Canada and India chaired the G-20 MAP Working Group and provided guidance on technical assistance from the Fund and other organizations.

In addition, there is broad support at the Fund for producing, at least on a trial basis, reports on spillovers from countries whose policies or circumstances may significantly affect the stability of the global financial system. Spillover reports will start this year on a trial basis. Moreover, members are also receptive to the idea of conducting multilateral consultations as needed to foster collaboration on specific topics that have systemic implications. Thematic multi-country reports are seen as a useful vehicle for promoting a better understanding of cross-country linkages.

While some progress was made in 2010, member commitment to the goal of strengthened IMF surveillance is not universal, and the IMF is still exploring ways of establishing efficient multilateral surveillance to prevent the emergence of new stability threats. The relatively strong performance and regulation of Canada's financial sector should add to Canada's credibility and leadership as it continues to push for more effective international cooperation, surveillance and transparency.

Going Forward

Priority 2.2 IMF Surveillance and Crisis Prevention	IMF surveillance should be more effective.
New	
Short-Term Action:	New and updated surveillance initiatives should enhance the efficiency and effectiveness of Fund analysis, fill in gaps in the current surveillance framework, and remain grounded in the core mandate of the Fund.
Timeline:	2011
New	
Short-Term Action:	The IMF should work effectively with the G-20 to provide analysis in the G-20 Mutual Assessment Process.
Timeline:	2011
Medium-Term Action:	IMF members should be engaged and transparent with IMF surveillance, and the Fund should be effective in identifying, communicating and spurring member responses to stability threats.
Timeline:	2011–2013

Priority 2.3: Resources and Lending Facilities

The negative effects of the economic crisis are threatening hard-won development gains. A Canadian priority is to ensure that the IMF and the World Bank Group have adequate resources and appropriate instruments to fulfill their lending mandates and respond to crises, as per our G-20 commitment.

2010 Action: An increase in quota resources that reflects the role of the Fund

Good Progress

The 2010 quota review entailed discussions not only on the realignment of relative quota shares among members, but also on the appropriate increase in overall aggregate IMF quota resources. Since one role of IMF quotas is to represent the financial obligation of member countries to the Fund, an increase in quotas represents an increase in resources available to the Fund. Canada consistently stressed that the increase in quota resources should be adequate to credibly facilitate the current lending mandate of the Fund, and should properly reflect the IMF's nature as a quota-based institution. This meant that any proposed increase in quotas would need to be accompanied by a commitment to re-evaluate the appropriate level of the IMF's New Arrangements to Borrow (NAB), a set of bilateral borrowing arrangements between the IMF and its largest members including Canada.

As part of the G-20 agreement on IMF quota and Executive Board reform, IMF members agreed to an aggregate quota increase of 100 per cent, coupled with a corresponding decrease in the size of the NAB, to be implemented by the 2012 IMF Annual Meetings. The increase in quotas reinforces the ability of the Fund to meet its lending needs, and the increased proportion of quota resources to overall resources is consistent with ensuring that the IMF remains a quota-based institution.

Further, as part of the Leaders' commitments at the London Summit in 2009, the G-20 agreed to reform and increase the size of the IMF's multilateral borrowing arrangements through a significant expansion of the NAB. The main priority in 2011 will be to finalize the necessary member consents to activate the expanded NAB. To bring the expanded NAB into effect, the IMF still needs formal consent from 7 of the existing NAB members. As of January 2011, consent has been provided by 15 members, including Canada.

Going Forward

Priority 2.3 Resources and Lending Facilities:	The IMF and the World Bank Group should have adequate resources and appropriate instruments to fulfill their lending mandates.
New **Short-Term Action:**	The IMF's expanded New Arrangements to Borrow should come into effect, and the IMF should secure adequate resources for the transition to this new borrowing framework.
Timeline:	2011

2010–2012 Action: Fund programs with sound economic principles and workable solutions

Good Progress

In 2010, many countries continued to struggle in their efforts to recover from the global economic downturn. As a result, Canada supported a number of IMF financing programs to help facilitate economic adjustment.

A Stand-By Arrangement was necessary for Greece in 2010 to backstop government finances in the face of rapidly growing budget deficits and debt levels. Under this program, Greece has committed, with the assistance of Fund staff, to implement a multi-year stabilization program to consolidate public finances, safeguard the financial system, and promote the necessary structural reforms to restore competitiveness, including in the labour market.

In addition, an Extended Fund Facility was approved for Ireland in late 2010 to backstop government finances and support the financial system in the face of high budget deficits and rapidly mounting debt levels. Under the program, Ireland committed to implement the Irish National Recovery Plan (2011–2014) to restructure the banking system, consolidate public finances, and promote the necessary structural reforms to restore competitiveness and promote economic growth.

Lending Reform

In addition to providing funding programs under existing lending facilities, in 2010 the IMF implemented a series of measures aimed at strengthening its lending toolkit. In 2009, Canada and the G-20 called on the IMF to review its crisis lending toolkit to enhance the tools for crisis prevention. Consultations among IMF members, G-20 Leaders and stakeholders led to the development of instruments enabling the Fund to respond more effectively to evolving economic challenges. In 2010, a major overhaul of the Fund's lending framework was approved, including reforms to the Flexible Credit Line (FCL) and the introduction of the new Precautionary Credit Line (PCL). Canada was an active participant in these initiatives.

The FCL is designed to meet the increased demand for crisis prevention and mitigation lending for countries with proven track records of robust policy frameworks and strong economic fundamentals. Reforms to the FCL in 2010 centred on increasing the flexibility and predictability of the instrument, making it more attractive to the strong-performing countries it was designed for. Canada supported the IMF proposal to eliminate the implicit cap of 1,000 per cent of quota, and to increase the maximum term from one to two years, with an interim review of continued qualification after the first year.

The new PCL is designed to bridge the gap between the FCL and the High-Access Precautionary Stand-By Arrangement. The PCL is intended for countries with sound economic and policy track records, but which have moderate vulnerabilities and may not yet meet FCL qualification standards. The PCL combines a qualification process with regular reviews and ongoing conditionality aimed at addressing vulnerabilities identified during qualification. The PCL has a duration of between one and two years, and is only available to countries that do not face an actual balance of payments need at the time of approval, bolstering its role in crisis prevention. Moreover, the PCL can play a crisis resolution role by providing immediate access to funding if a country experiences an unexpectedly large balance of payments need.

To make its financial support more flexible and tailored to the diversity of poor countries, the IMF has revised its concessional low-income country lending toolkit under the umbrella of the Poverty Reduction and Growth Trust (PRGT). The PRGT's assistance and conditionality are guided by a country's Poverty Reduction Strategy, which is country-specific and involves broad-based participation by civil society and the private sector.

In Budget 2010, Canada provided $800 million in loan resources and $40 million in subsidy resources to the PRGT to support its activities in low-income countries, which is consistent with the commitments made at the G-20 London Leaders Summit.

Canada has consistently advocated for IMF lending programs that promote solid macroeconomic frameworks as the foundation of program guidance. Going forward, Canada should continue to push for IMF programs that are based on sound economic principles and workable solutions, with targeted conditionality.

Going Forward

Medium Term Action:	IMF programs should be based on sound economic principles and workable solutions, with targeted conditionality.
Timeline:	2011–2013
New **Medium-Term Action:**	New and reformed lending instruments should be consistent with the role of the Fund and designed to protect against potential moral hazard implications.
Timeline:	2011–2013

3) Sustainable Poverty Reduction and Growth

Sustained and balanced economic growth is critical for poverty reduction. Another main objective for Canada is to ensure that the poverty reduction, growth and macroeconomic stability that the IMF and World Bank foster have lasting results.

Priority 3.1: Debt Sustainability

2010 Action: Ensure that Haiti's outstanding debt to international financial institutions is completely forgiven

Good Progress

The Government of Canada responded quickly to the tragic earthquake that hit Haiti in January 2010. While Canada had already cancelled all bilateral debts owed to it by Haiti prior to the earthquake, following the tragedy Canada led a G-20 consensus to forgive over US$825 million Haiti owed to international financial institutions. Canada was the first country to make all of its payments required to cancel Haiti's debt, totalling US$32.6 million.

2010–2012 Action: Full compliance with the Debt Sustainability Framework

Little Progress

Canada strongly supports basing lending decisions to low-income countries on their individual debt sustainability analysis and debt management capacities. The World Bank, IMF and regional development banks continue to use debt sustainability analyses when making decisions on financial support to poor countries.

Although Canada and the Bretton Woods Institutions comply with the Debt Sustainability Framework, unfortunately not all other creditors observe these guidelines, and some creditors continue to provide loans that may jeopardize the debt sustainability of recipient countries. Therefore, the inability to date of the Bretton Woods Institutions to get all bilateral creditors to lend on these principles of debt sustainability necessitates a "little progress" ranking for this action item.

To move forward on global standards for debt sustainability, Canada encourages the IMF and the World Bank to continue to work collaboratively with other organizations, such as the United Nations Conference on Trade and Development (UNCTAD) and the Organisation for Economic Co-operation and Development (OECD), to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.

Going Forward

Priority 3.1 Debt Sustainability:	The IMF and the World Bank Group should provide financial resources to developing countries in a manner that promotes development and does not jeopardize the sustainability of their debt or risk a debt default.
New **Medium-Term Action:**	The IMF and World Bank should continue to work collaboratively with other organizations, such as UNCTAD and the OECD, to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.
Timeline:	2011–2013
New **Medium-Term Action:**	The IMF should ensure that programs supported by the Poverty Reduction and Growth Trust always include a comprehensive debt sustainability analysis and, where appropriate, explicit lending (concessional and non-concessional) limits that are consistent with the institution's new non-concessional borrowing policy.
Timeline:	2011–2013

Canada's Priorities at the IMF for 2011–2013

The following chart includes actions identified in last year's report that will be carried forward for 2011–2013 as well as new priorities and actions introduced in the previous section. They are grouped under three broad themes: (1) Governance and Accountability; (2) Institutional Effectiveness; and (3) Sustainable Poverty Reduction and Growth.

1) Governance and Accountability	
Priority 1.1 Governance Reforms: The IMF and the World Bank should continue to be legitimate, credible and accountable institutions.	
Medium-Term 2011–2013	The IMF should implement the 2010 quota and Executive Board reform agreement.
Medium-Term 2011–2013	World Bank Group and IMF leadership positions should be staffed through open, transparent and merit-based selection processes, regardless of candidate nationality.
Medium-Term 2011–2013	The IMF should have strong Ministerial oversight, a strategic role for the Executive Board, and a robust independence-accountability framework for senior management who are hired on merit.
2) Institutional Effectiveness	
Priority 2.1 IMF Mandate: The IMF should remain focused on its core mandate of stability promotion.	
Medium-Term 2011–2013	The Fund should remain focused on strengthening its core surveillance and crisis lending/conditionality functions, and not expanding its operations into non-core areas.
Priority 2.2 IMF Surveillance and Crisis Prevention: IMF surveillance should be more effective.	
Short-Term 2011	New and updated surveillance initiatives should enhance the efficiency and effectiveness of Fund analysis, fill in gaps in the current surveillance framework, and remain grounded in the core mandate of the Fund.
Short-Term 2011	The IMF should work effectively with the G-20 to provide analysis in the G-20 Mutual Assessment Process.
Medium-Term 2011–2013	IMF members should be engaged and transparent with IMF surveillance, and the Fund should be effective in identifying, communicating and spurring member responses to stability threats.
Priority 2.3 Resources and Lending Facilities: The IMF and the World Bank Group should have adequate resources and appropriate instruments to fulfill their lending mandates.	
Short-Term 2011	The IMF's expanded New Arrangements to Borrow should come into effect, and the IMF should secure adequate resources for the transition to this new borrowing framework.
Medium-Term 2011–2013	IMF programs should be based on sound economic principles and workable solutions, with targeted conditionality.
Medium-Term 2011–2013	New and reformed lending instruments should be consistent with the role of the Fund and designed to protect against potential moral hazard implications.

3) Sustainable Poverty Reduction and Growth	
Priority 3.1 Debt Sustainability: The IMF and the World Bank Group should provide financial resources to developing countries in a manner that promotes development and does not jeopardize the sustainability of their debt or risk a debt default.	
Medium-Term 2011–2013	The IMF and the World Bank should continue to work collaboratively with other organizations, such as United Nations Conference on Trade and Development and the Organisation for Economic Co-operation and Development, to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.
Medium-Term 2011–2013	The IMF should ensure that programs supported by the Poverty Reduction and Growth Trust always include a comprehensive debt sustainability analysis and, where appropriate, explicit lending (concessional and non-concessional) limits that are consistent with the institution's new non-concessional borrowing policy.

The World Bank Group

Overview of the World Bank Group

The overarching mission of the World Bank Group is to reduce global poverty, focusing on the achievement of the Millennium Development Goals (MDGs). The MDGs set concrete targets for the elimination of poverty and sustainable development and provide the World Bank Group and other donors with common targets and yardsticks for measuring results. The World Bank Group concentrates on fostering a climate conducive to investment, job creation and sustainable growth. It also seeks to empower the less fortunate, through the provision of health services, education and other social services, to enable them to participate in development.

The Millennium Development Goals

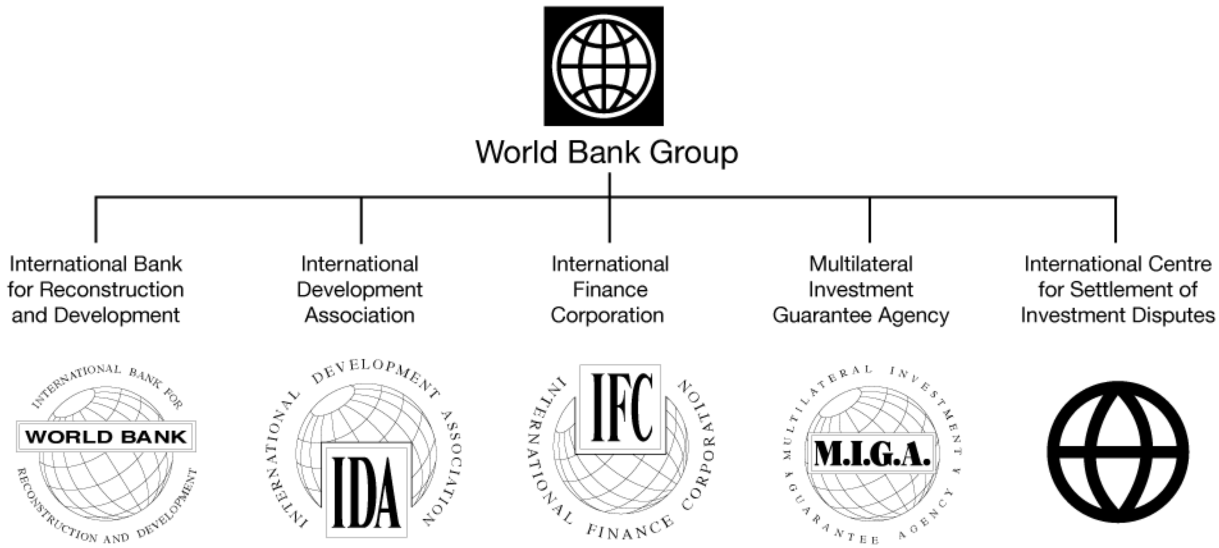
- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, malaria and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

What the World Bank Group Does

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

All figures and activities in this overview section are for the World Bank Group's 2010 fiscal year (July 1, 2009 to June 30, 2010).

Figure 2
World Bank Group



Agencies, Membership and Governance Structure

Together, the IBRD and IDA are often referred to as "the World Bank." They focus on lending and contributing to development projects that help to reduce poverty. Funding from the IBRD and IDA go to sectors such as education, health, infrastructure, the environment and agriculture. The IFC and MIGA support private sector investments in developing countries.

IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

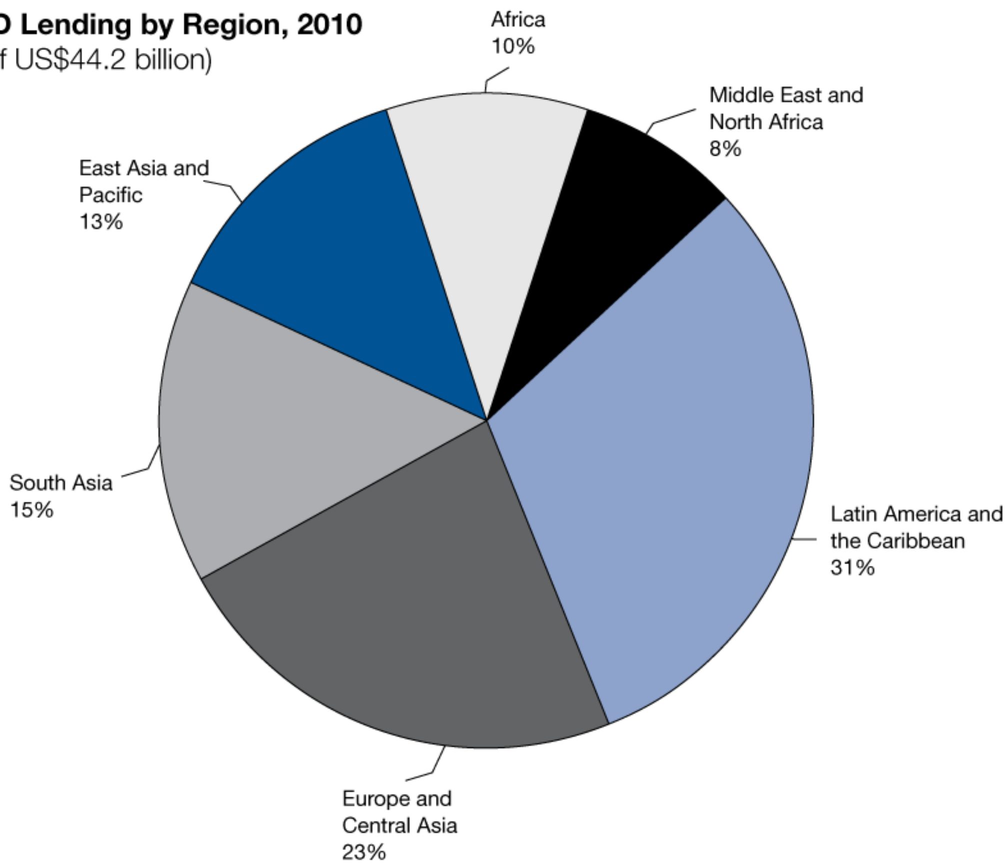
- Established: 1944
- Members: 187
- Mission: Broad poverty reduction
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, risk management products, and analytical and advisory services
- Size: US$44.2 billion in new commitments in 2010

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

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

The IBRD does not seek to maximize profit; rather, it aims to earn enough to ensure its financial strength and to sustain its development activities. In 2010, the IBRD committed US$44.2 billion to 164 projects in 46 countries.

Chart 3
Total IBRD Lending by Region, 2010
(% share of US$44.2 billion)



Latin America and the Caribbean received the largest portion of IBRD funding in 2010 (31 per cent), followed by Europe and Central Asia (23 per cent).

IDA—International Development Association

IDA at a Glance

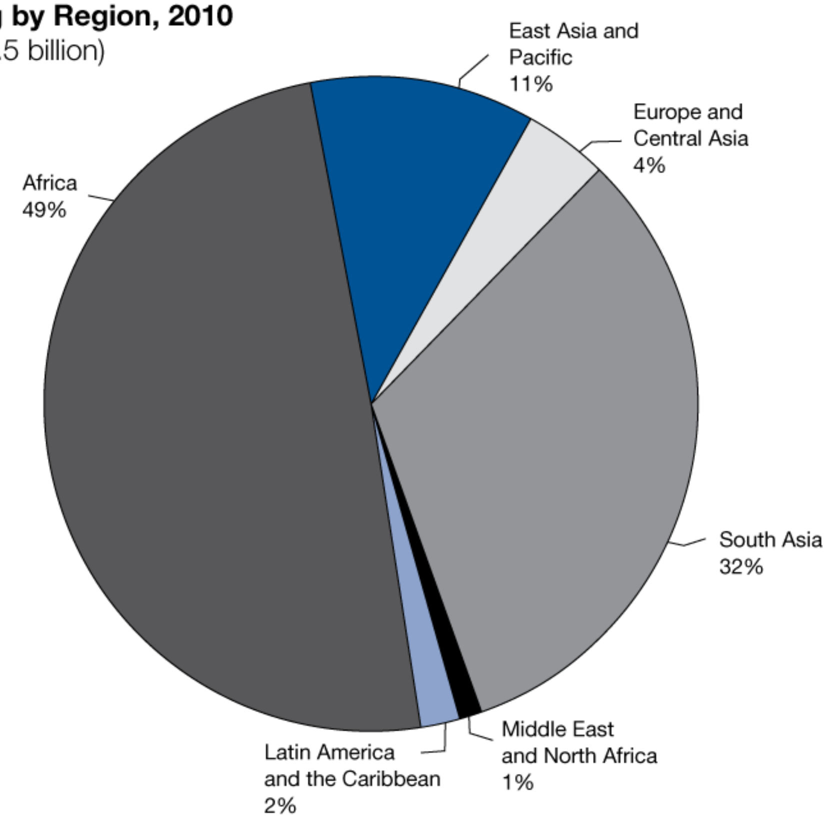
- Established: 1960
- Members: 170
- Mission: Broad poverty reduction
- Clients: Poorest countries
- Tools: Interest-free loans, grants, and analytical and advisory services
- Size: US$14.5 billion in new commitments in 2010

In the 1950s, it became clear that the poorest developing countries could not afford to borrow needed capital on the interest terms offered by the IBRD. In response, IDA was set up to reduce poverty by providing interest-free credits and grants. IDA lending now accounts for approximately one-third of World Bank Group financing and is focused on countries with annual per capita income of less than US$1,165. IDA offers 20-, 35- and 40-year interest-free loans and grants to countries at risk of debt distress and represents the largest source of development financing for these countries. Seventy-nine countries were eligible for IDA financing in 2010. Countries that are eligible for IDA lending and also have an active IBRD lending program are charged interest for loans from IDA.

New IDA commitments are financed through contributions from donor governments, annual transfers from IBRD net income, transfers from IFC net income, and IDA's own internal resources (i.e. principal repayment on past loans). Donor contributions make up the largest component of IDA's finances. Every three years, IDA funds are replenished through new donor pledges.

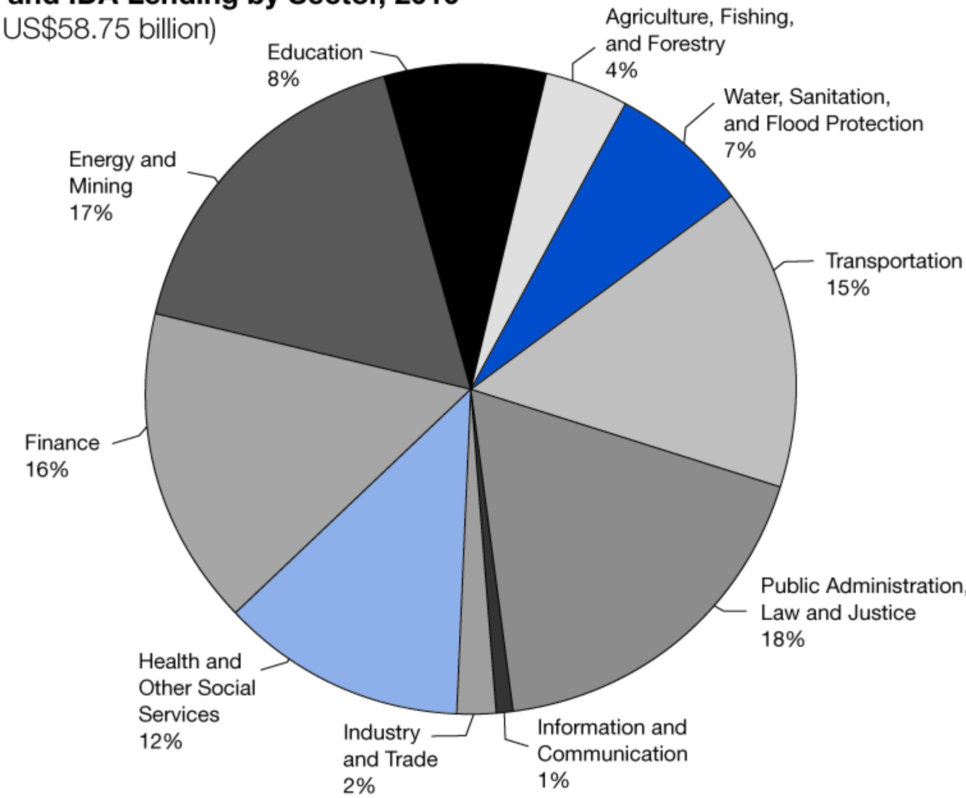
Africa received the largest share of IDA resources in 2010—US$7.2 billion, or 49 per cent of total commitments. South Asia received 32 per cent of new commitments, totalling US$4.6 billion.

Chart 4
Total IDA Lending by Region, 2010
(% share of US$14.5 billion)



IBRD and IDA lending for infrastructure (transportation; energy and mining; and water, sanitation, and flood protection) combined for approximately 39 per cent of total lending in 2010. Other sectors that were a major focus for lending included public administration, law and justice; finance; and health and other social services.

Chart 5
Total IBRD and IDA Lending by Sector, 2010
(% share of US$58.75 billion)



IFC—International Finance Corporation

IFC at a Glance

- Established: 1956
- Members: 182
- Mission: Promote private sector investment
- Clients: Businesses in developing countries where there is limited access to capital
- Tools: Commercial-rate loans, equity investments, resource mobilization and advisory services
- Size: US$12.7 billion in new commitments, 2010

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

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

In 2010, the IFC committed US$12.7 billion in new investments. The IFC's total portfolio grew to US$38.9 billion from US$34.5 billion the previous year. New commitments were US$3.0 billion in Latin America and the Caribbean, US$3.0 billion in Europe and Central Asia, US$2.4 billion in Sub-Saharan Africa, US$1.6 billion in the Middle East and North Africa, US$1.5 billion in East Asia and the Pacific, and US$1.1 billion in South Asia.

In an effort to mobilize capital from outside the IFC's traditional investor pool, in January 2009, the IFC established the Asset Management Company (AMC) to serve as a fund manager of third-party capital. As of September 30, 2010, AMC has assets under management of $4 billion in the IFC Capitalization (Equity) Fund, IFC Capitalization (Subordinated Debt) Fund, IFC Africa, Latin America and Caribbean Fund, and Africa Capitalization Fund.

Chart 6
New IFC Investments by Region, 2010
(% share of US$12.7 billion)

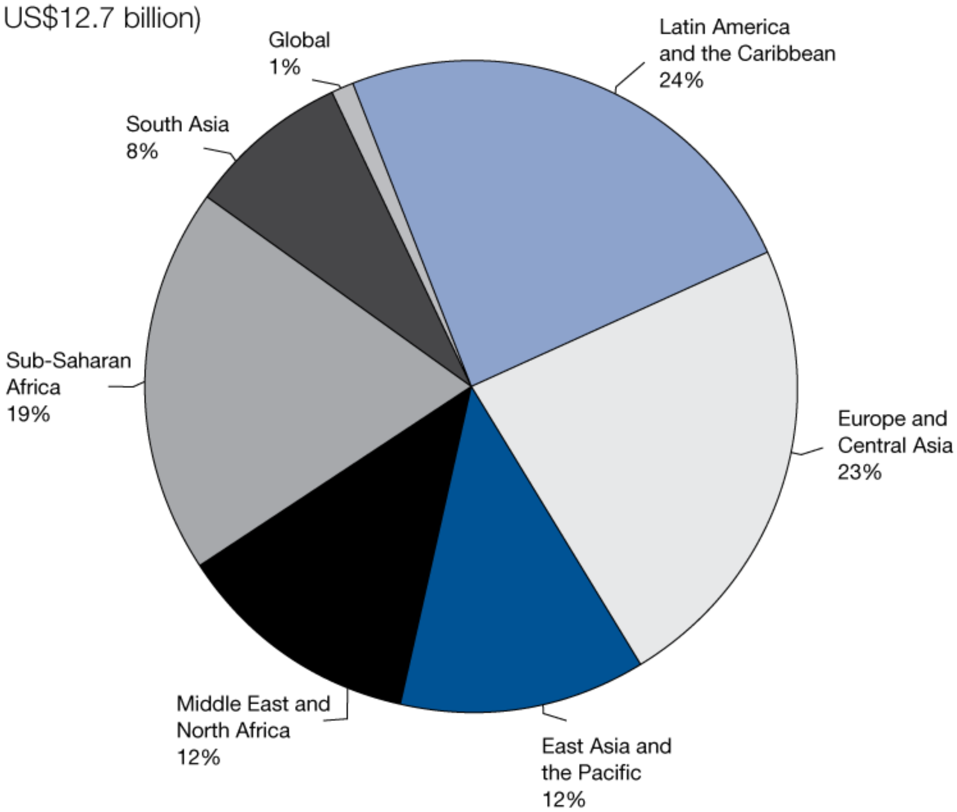
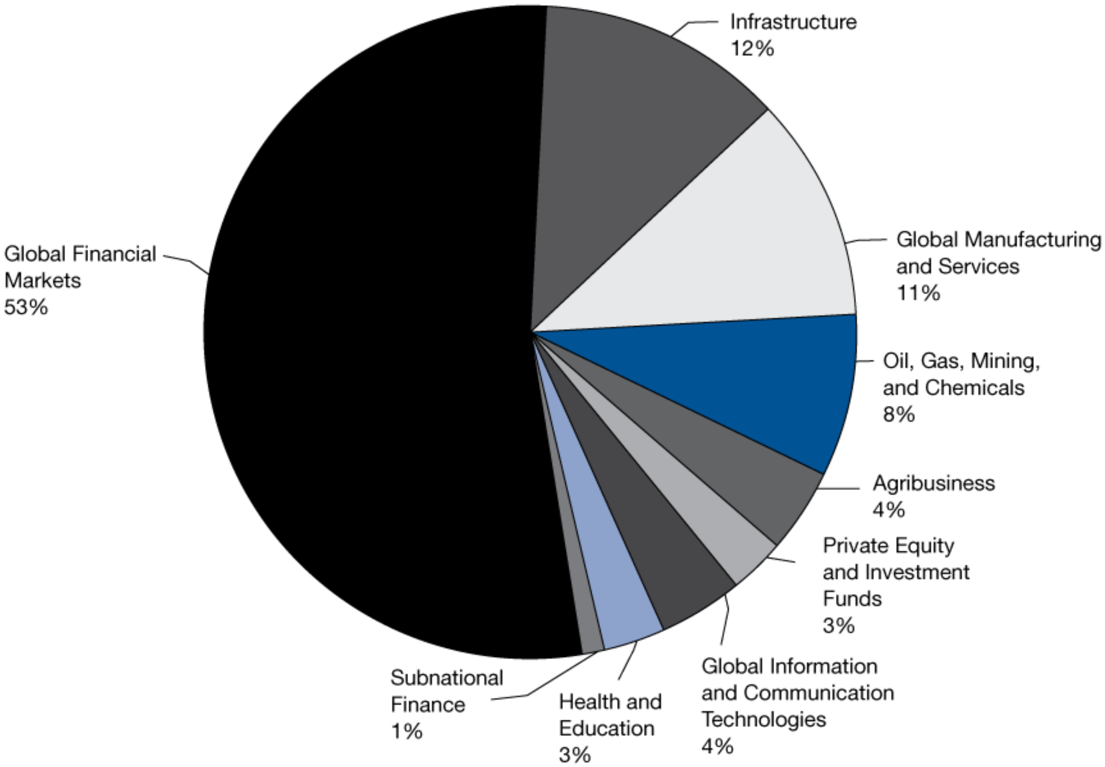


Chart 7
New IFC Investments by Sector, 2010
(% share of US$12.7 billion)



MIGA—Multilateral Investment Guarantee Agency

MIGA at a Glance

- Established: 1988
- Members: 175
- Mission: Promote foreign direct investment in developing countries
- Clients: Investors and lenders
- Tools: Political risk insurance, and advisory and legal services
- Size: US$1.5 billion issued in risk guarantees, 2010

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

In 2010, the total amount of guarantees issued for projects in MIGA's developing member countries was US$1.5 billion. This is up from 2009 levels due to a return to a more diversified portfolio.

Chart 8

Total MIGA Risk Guarantees Issued by Region, 2010

(% share of US$1.5 billion)

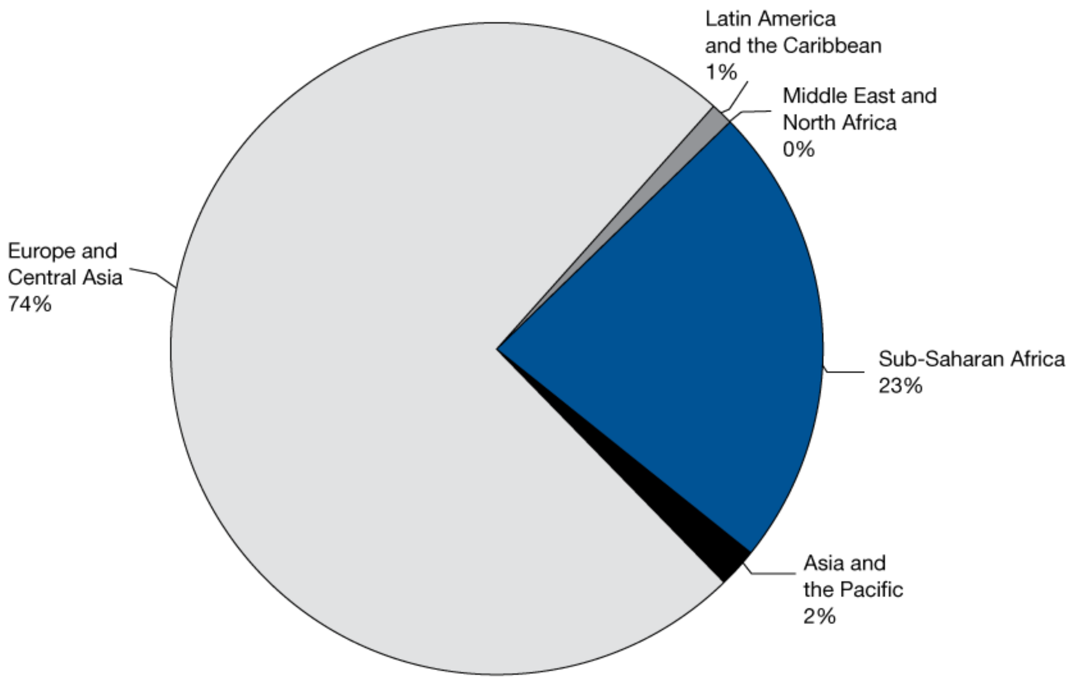
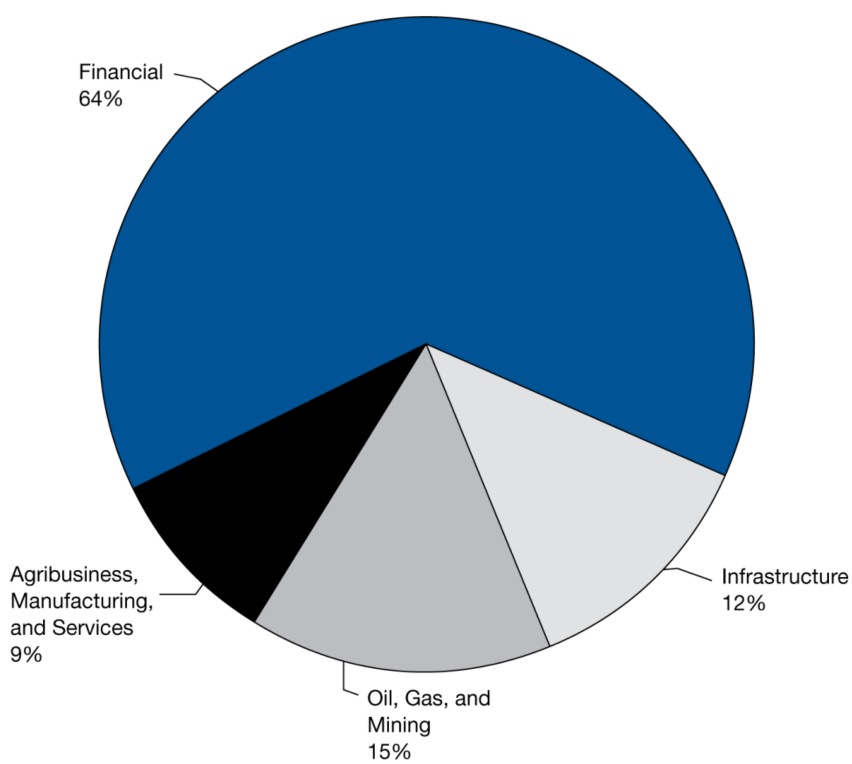


Chart 9

Total MIGA Risk Guarantees Issued by Sector, 2010

(% share of US$1.5 billion)



ICSID—International Centre for Settlement of Investment Disputes

ICSID at a Glance

- Established: 1966
- Members: 144
- Mission: Investment dispute resolution mechanism

ICSID provides conciliation and arbitration mechanisms for investment disputes between member countries and private investors. Canada is not currently a member of ICSID. However, in 2008, legislation to implement the Convention of the Settlement of Investment Disputes between States and Nationals of Other States received Royal Assent. The new legislation will come into force on a day to be fixed by Order of the Governor in Council, enabling Canada to move towards ICSID membership. ICSID membership would provide Canadian investors with an additional mechanism for the resolution of investment disputes pursued under international arbitration.

The World Bank Group's Internal Checks and Balances

The World Bank Group has in place several bodies to ensure that its activities are achieving results, are carried out with integrity, and are working for the benefit of the vulnerable and disadvantaged in developing countries.

The Independent Evaluation Group (IEG)

The IEG is an independent unit within the World Bank Group reporting directly to the Bank's Executive Board. The IEG assesses the development impact of IBRD, IDA, IFC and MIGA programs, aiming to provide an objective assessment of their work, create accountability in the achievement of the Bank's objectives and ensure that the Bank learns from its experiences. Its reports are available online at http://www.worldbank.org/ieg.

Compliance Advisor Ombudsman (CAO)

The Office of the CAO is committed to enhancing the development impact and sustainability of IFC and MIGA projects by responding quickly and effectively to complaints from affected communities. It also supports the IFC and MIGA in improving the social and environmental outcomes of their work and fostering a high level of accountability. The CAO's annual report can be accessed at http://www.cao-ombudsman.org/publications.

The Inspection Panel

The primary purpose of the Inspection Panel is to address the concerns of people who may be affected by IBRD and IDA projects and to ensure that the Bank adheres to its operational policies and procedures during the design, preparation and implementation phases of projects. The Panel is appointed by and reports directly to the Executive Board. The Panel's website can be accessed at http://www.worldbank.org/inspectionpanel.

Department of Institutional Integrity (INT)

INT investigates allegations of fraud and corruption in Bank Group operations as well as allegations of staff misconduct, and reports its findings directly to the President. INT also assists in preventative efforts to protect Bank Group funds and ensure they are used for intended purposes. More information on INT can be found at http://go.worldbank.org/036LY1EJJ0.

Internal Auditing Department (IAD)

IAD's work primarily focuses on determining whether the World Bank Group's (WBG) risk management, control and governance processes provide reasonable assurance that: significant financial, managerial and operating information is accurate, reliable and timely; resources are acquired economically and used efficiently; assets are safeguarded; actions of the organization are in compliance with policies, procedures, contracts, and applicable laws and regulations; and significant programs, plans and business objectives will be achieved.

The WBG also initiated the process of hiring its first-ever WBG-wide Chief Risk Officer (CRO). The CRO will be responsible for: (i) assessing risks across the WBG including possible interactions among types of risk; (ii) benchmarking existing risk management practices against major financial institutions; (iii) ensuring consistency of WBG risk management activities with best practice; and (iv) considering unique risks that are specific to multilateral development banks and international financial institutions. The CRO will oversee the existing structure and be supported by a Group Risk Council, which will include key members from each of the WBG's entities.

Key Developments at the World Bank Group in 2010

2010 was an important year for the World Bank. While the Bank responded to the financial crisis in 2008–2009 with increased lending and innovative financing and support mechanisms, five key priorities were identified following the crisis:

- Focusing on the poor and vulnerable, especially in Sub-Saharan Africa.
- Creating opportunities for growth with a special focus on agriculture and infrastructure.
- Promoting global collective action on issues from climate change and trade to agriculture, food security, energy, water and health.
- Strengthening governance and anti-corruption efforts.
- Preparing for future crises.

In order to make progress on these priorities, key actions were taken in 2010 to enhance the long-term legitimacy, credibility and effectiveness of the Bank.

First, steps were taken to ensure that the Bank has the resources needed to pursue its strategy. Shareholders helped ensure that the Bank was adequately capitalized going forward by agreeing to a general capital increase of US$86 billion for the IBRD, including a selective capital increase of US$27.8 billion, and a selective capital increase of US$200 million for the IFC. The general capital increase at the IBRD was the first general capital increase in more than 20 years and will allow the Bank to reach the projected level of lending of US$136 billion for the FY2009–2012 period, in response to the crisis, and then return to post-crisis annual lending of US$15 billion. To increase resources available to low-income countries, an agreement was reached on the 16th replenishment of IDA in December 2010. Donors agreed to contribute US$49.3 billion to IDA, an 18-per-cent increase from the last replenishment three years earlier. Over the next three years, IDA will help 79 of the world's poorest countries boost growth and overcome poverty by financing infrastructure, improving health services, educating children and combating climate change. There will be a special focus on addressing gender issues and helping fragile and conflict-affected countries. As in the past, Sub-Saharan Africa will remain a major focus of IDA support.

In addition, shareholders increased the representation of developing countries in the governance of the Bank. Following efforts in 2009, a second phase of voice reforms was agreed that resulted in an additional increase of 3.13 per cent in voting power for developing and middle-income countries, bringing their total IBRD voting power to 47.19 per cent. Voice reform brought their voting power at the IFC to 39.48 per cent, an increase of 6.07 per cent. Regular IBRD and IFC shareholding reviews will take place every five years as the Bank moves toward equitable voting power between developed and developing countries over time. At the Board of Directors, an additional chair was added that will give further representation to African countries.

Finally, the Bank agreed to a series of significant reforms to improve effectiveness, transparency and accountability. These include:

- A new Access to Information Policy, which makes the Bank a world leader among multilateral institutions on information disclosure.
- The Open Data Initiative, which puts the World Bank at the forefront of giving free and easy access to information on developing countries.
- Investment lending reform that will improve results, increase speed and delivery, and strengthen risk management.
- Strengthened governance and anti-corruption efforts that will provide more resources for prevention and coordinated sanctions to fight corruption—including the new cross-debarment agreement with multilateral development banks.

Canada's Engagement at the World Bank Group

The World Bank Group is governed by 187 member countries. Each owns shares of World Bank stock and thus holds decision-making power. Decision-making power and influence at the World Bank Group is primarily exercised by countries through their Governor and Executive Director, negotiations of additional capital increases and contributions to multi-donor trust funds.

Canada's Shareholdings

Canada is the seventh largest shareholder at the Bank, having contributed a total of US$5.5 billion in capital subscriptions to the IBRD, IFC and MIGA and US$8.7 billion in donor contributions to IDA. Our voting power ranges from 2.51 per cent to 3.38 per cent within the Bank's different institutions.

Table 5

Canada's Capital Subscription

	IBRD	IDA	IFC	MIGA
	(US$ millions, unless otherwise indicated)			
Capital subscription	5,403.8	–	81.3	56.5
Amount paid in	334.9	8,935.89[1]	81.3	10.7
Amount callable	5,068.9	–	–	45.8
Subscription share (%)	2.84	4.49	3.43	2.96
Voting power (%)	2.78	2.53	3.38	2.51

Note: Figures are from the 2010 financial statements and annual reports for the World Bank, IFC and MIGA.

1 Represents Canada's cumulative contributions.

Canada's Governor at the World Bank Group

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

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

The Board of Governors is asked to vote on a number of resolutions throughout the year. Canada's positions on resolutions taken in 2010 are shown below.

Voting Record of the Canadian Governor in 2010

- Canada supported four resolutions on capital capacity and voice reform:
  - Enhancing Voice and Participation at IBRD.
  - General Capital Increase at IBRD.
  - Increase in Authorized Capital Stock for Subscription of New Members.
  - Enhancing Voice and Participation at IFC.
- Canada supported the transfer of US$55 million from the IBRD's surplus to replenish the Trust Fund for Gaza and West Bank.
- Canada supported a decision to change the dates for the 2010 and 2011 World Bank Annual Meetings.
- Canada supported a resolution to approve the rules for the 2010 regular elections of the Executive Directors of the World Bank.
- Canada supported Tuvalu's application to join the World Bank Group.
- Canada supported a proposal that allowed IDA to count 85 per cent of qualified Multilateral Debt Relief Initiative (MDRI) commitments (i.e. commitments from donors that require further governmental authorities in order to be paid in the future) towards IDA's lending commitment authority and use World Bank internal resources to cover any remaining MDRI financing shortfall.
- Canada supported changes to MIGA's convention (effective November 2010).
- Canada abstained on the proposal to increase salaries of the Executive Directors and their Alternates at the World Bank.

The Canadian Executive Director at the World Bank Group

Governors delegate responsibility for the day-to-day running of the organization to 25 full-time Executive Directors, located at the Bank's headquarters in Washington, DC. Executive Directors are appointed for two years. They each represent a constituency, which can include more than one country. Canada's Executive Director, Ms. Marie-Lucie Morin, represents a constituency that includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. Governments within the constituency provide advice to the Executive Director on issues discussed at the Executive Board. The Executive Director considers this advice in forming her positions and applies her own judgment as an officer of the World Bank.

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

Voting power at the Bank is mainly a function of the shareholdings held by a country, which in effect means that voting power reflects the relative economic strength of individual members. A small share of a member's voting power is also determined by basic votes, which are distributed equally among all members.

Table 6

Voting Shares of the 12 Largest Members at the World Bank (IBRD)

Country	% of Total Voting Shares
United States	16.36
Japan	7.85
Germany	4.48
United Kingdom	4.30
France	4.30
China[1]	2.78
Canada	**2.78**
Italy	2.78
India	2.78
Russia	2.78
Saudi Arabia	2.78
The Netherlands	2.21

1 China has slightly more votes than Canada, Italy, India, Russia and Saudi Arabia.

Shareholders typically raise questions or concerns about specific Bank operations before they get to the Executive Board. As a result, decisions at the Board are generally taken by consensus. Executive Directors may, however, abstain or vote against projects or policies in consultation with their constituencies. In 2010, the Executive Director representing Canada supported all policies and projects approved by the Board, with four exceptions.

Voting Record of the Executive Director Representing Canada in 2010

(Only oppositions or abstentions listed)

- In April, the Canadian Executive Director abstained on the decision to approve the IFC's proposed investment in Jubilee FPSO and MIGA's proposed guarantee in Jubilee Ghana. While it was recognized that the investment had a significant potential development impact for Ghana, specific concerns, such as the environmental categorization and disclosure related to the project, led to Canada's decision. Canada recommended that the IFC and MIGA insist on better environmental performance and disclosure before continuing their involvement.
- In June, the Canadian Executive Director abstained on the decision to increase World Bank Group staff compensation.
- In July, the Canadian Executive Director abstained on the decision to provide assistance to the Democratic Republic of Congo under the Enhanced Heavily Indebted Poor Countries Initiative and the Multilateral Debt Initiative.
- In July, the Canadian Executive Director abstained on the decision to approve a US$50-million grant to the Democratic Republic of Congo for a Growth with Governance in the Mineral Sector Technical Assistance Project. Canada called for enhanced efforts in dealing with governance and accountability in the extractive sector of the country.

Canadian Outreach at the World Bank Group in 2010

Canada's Executive Director at the World Bank Group and members of her staff meet with a variety of stakeholders, including governmental and civil society organizations and those pursuing business opportunities at the respective institutions.

In 2010, staff from Canada's Executive Director's Office met with representatives from Canadian and international civil society, including the North-South Institute, Canadian Co-operative Association, Unversité de Sherbrooke and McGill University.

Members of the Executive Director's Office at the World Bank

Executive Director	Marie-Lucie Morin (Canada)
Alternate Executive Director	Kelvin Dalrymple (Barbados)
Senior Advisor	Donal Cahalane (Ireland)
Senior Advisor	Jonathan Rothschild (Canada)
Senior Advisor	Robert Chiew (Canada)
Senior Advisor	Anita Ambroise (Canada)
Advisor	Sharon Crooks (Jamaica)
Advisor	Anne Donegan (Ireland)
Executive Assistant	Gerda Merwald
Phone/fax	202-458-0082/202-477-4155
Address	MC-12-175, 1818 H Street N.W., Washington, DC 20433, USA

Canada's Financial Contributions to the World Bank Group in 2010

Canada is an important provider of donor funding for the World Bank Group. In 2010, Canada made the following contributions:

IDA Payment Encashment: $384,280,000

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

The Department of Finance provided $384 million to IDA in 2010. This contribution supports IDA's efforts to enhance aid effectiveness, finance large regional projects such as infrastructure projects, and provide special assistance for fragile states such as Afghanistan and Haiti, while ensuring countries do not take on unsustainable levels of debt.

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

Under the Multilateral Debt Relief Initiative (MDRI), the World Bank, IMF and African Development Fund have agreed to cancel 100 per cent of eligible debts owed by heavily indebted poor countries. At the G-8 Summit in Gleneagles in 2005, Canada and other donor countries agreed to fully compensate these institutions for the debts they will cancel on behalf of poor countries, so as not to undermine their ability to provide new financial support to all low-income countries. Canada's total commitment over the 50-year lifespan of the MDRI is $2.5 billion and payments are made annually.

In 2010 Canada provided $51.2 million to the World Bank Group for the MDRI. Authorities under the MDRI also enabled the Government of Canada to respond quickly to the needs of Haiti by leading a G-20 consensus to forgive over US$825 million Haiti owed to international institutions. Canada was the first country to make all of the payments required to cancel Haiti's debt.

World Bank Group Trust Funds

Canada contributes to a number of World Bank–administered Multi-Donor Trust Funds. Trust funds are managed at the World Bank Group and are set up to mobilize donor resources to address key strategic development priorities at the country level.

The disbursements listed below are through the Canadian International Development Agency (CIDA), unless otherwise indicated.

Table 7

Canadian Contributions to World Bank Group Multi-Donor Trust Funds (Over $5 Million)

Disbursement	April 1, 2009 to March 31, 2010	April 1, 2010 to December 31, 2010
	(millions of dollars)	
West Bank and Gaza—World Bank trust fund	15	–
Tanzania—Poverty Reduction Support Credit	17.2	–
Ethiopia—various	23.9	41
Caribbean regional—Partnership Private Sector Development	5.8	–
Pakistan—Education Development Program	5.8	6.8
Afghanistan—various	45.5	0.3
Haiti—Multi-Donor Reconstruction Trust Fund	–	31.3
Education for All – Fast Track Initiative (Catalytic Fund and Secretariat)	12	12.2
Pilot Program for Climate Resilience	15	–
Global Agriculture and Food Security Program (Public Sector Window)	180	–
Global Agriculture and Food Security Program (Private Sector Window)[1]	50	–
Global Trade Liquidity Program[2]	216	–
Global Food Response Program	30	–

1 $48 million was through the Department of Finance while $2 million was through CIDA for technical assistance.
2 Funding was through the Department of Finance.
Sources: CIDA and the Department of Finance.

Global Initiatives

The World Bank administers a number of global initiatives, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Environment Facility. The following table lists Canada's contributions to these initiatives.

Table 8

Canadian Contributions to World Bank Group Global Initiatives

Initiative	1999–2000 to 2007–08[1]	2008–09[1]	2009–10[1]	April 1– December 31, 2010	Total Since 1999–2000
			(millions of dollars)		
Consultative Group on International Agricultural Research	135.9	15.8	48.3[2]	15.4	215.4
Vaccine Advance Market Commitment	115	–	–	20.3	135.3
Global Fund to Fight AIDS, Tuberculosis and Malaria	571.4	117.2	139.8	150	978.4
Global Alliance for Vaccines and Immunization	188	–	–	–	188
Global Environment Facility	401.6	49	41.9	38.1	530.6

1 April 1 to March 31.
2 Includes $32.5 million over three fiscal years (2009–10 to 2011–12).
Sources: CIDA and the Department of Finance.

Canada's Priorities at the World Bank Group

Assessment of Progress on Canada's 2010 Priorities at the World Bank Group

1) Governance and Accountability

The Government of Canada is committed to promoting good governance and accountability both at home and in its relations with the international community. One of Canada's main objectives at the Bretton Woods Institutions (BWIs) is to ensure that they are well governed and accountable to their members. It is critical that the BWIs' governance structures represent their members and that their operations reflect the priorities agreed to by those members. Further, the BWIs must be financially sustainable and transparent. These elements are central to maintaining the relevance and legitimacy of these institutions in an evolving global context.

Priority 1.1: Voice Reforms

A key challenge for the BWIs over the last few years has been to adopt a more representative governance structure in order to reflect a changing global economy. The ongoing voice reforms at both the IMF and World Bank are important in enhancing the legitimacy of these institutions.

2010 Action: Work towards a final agreement on World Bank voice reforms in 2010 for both the smallest and poorest countries, and building in incentives for donors, including emerging market and developing country donors, to support IDA.

Good Progress

Significant progress was made in 2010 towards negotiating Phase II voice reforms, furthering the reforms made in 2008.

The World Bank's Development Committee, on which Canada plays an important role, endorsed a voice reform package in April 2010 that strengthens the voting power of developing and transition countries at the International Bank for Reconstruction and Development. Once this reform package has been implemented, these countries will hold 47.19 per cent of voting power at the IBRD, representing a total shift of 4.59 percentage points since 2008. This realignment is the result of a selective capital increase of US$27.8 billion, of which US$1.6 billion is paid-in. Under this voice reform package, Canada's shareholding at the IBRD will decrease from 2.78 per cent prior to the 2008 voice reform package to 2.43 per cent once the current Phase II voice reforms have been fully implemented.

An increase in the voting power of developing and transition countries will also occur at the World Bank Group's private sector arm, the IFC. Under this realignment, the voting power of developing and transition countries increases to 39.48 per cent, representing a total shift of 6.07 percentage points. The 2010 IFC realignment will result from a selective capital increase of US$200 million and an increase in basic votes for all members.

The Canadian Executive Director at the World Bank chaired the Committee on Governance and Executive Directors' Administrative Matters, which leads the voice reform process within the Bank. Through this mechanism, Canada has played a lead role in forging consensus and advancing discussions that were key to the Development Committee reaching an agreement in April 2010.

Formal ratification of voice reform packages at the IBRD and IFC by Governors of the World Bank is expected in 2011. The next shareholding review is scheduled for 2015. Canada will continue to advocate for voice reforms and a dynamic shareholding formula that is representative of the world economy.

Going Forward

Priority 1.1 Voice Reforms:	Enhance the legitimacy of the Bretton Woods Institutions through meaningful voice reforms.
New **Long-Term Action:**	The World Bank Group should move forward with further voice reforms by approving and instituting a dynamic formula for shareholder representation consisting of relevant economic variables.
Timeline:	2014–2016

Priority 1.2: Institutional Reforms

2010–2012 Action: Press for a World Bank Group corporate strategy that incorporates benchmarks to track progress and review performance on its reform agenda. Push for a focal point under the President responsible for bringing together all operational and budgetary aspects of the reform agenda and ensuring a sound and sustainable business model.

Some Progress

As host of the G-20 Leaders Summit in Toronto in June 2010, Canada pressed to ensure that the requested general capital increase at the World Bank Group was closely linked to ongoing and important institutional reforms that would make the institution more effective, efficient and accountable.

This series of reforms include a number of specific actions geared to achieve greater transparency, stronger accountability, improved institutional governance, deeper country ownership, more decentralization and use of country systems where appropriate, and enhanced procurement guidelines. Strengthened governance and anti-corruption efforts will provide more resources to prevent and fight corruption. A focus on investment lending reform will improve results, increase speed and delivery, and strengthen risk management.

Through these reforms the World Bank Group will implement new ways of managing and tracking results and financial contributions, strengthen knowledge management, better implement environmental and social safeguards, employ sound risk management, ensure financial sustainability with pricing linked to expenses, and commit to reducing administrative expenses. The World Bank Group is putting in place a focal point responsible for bringing together all operational aspects of the reform agenda.

Efforts undertaken in 2010 build on Canada's previous reform efforts at the Bretton Woods Institutions and address Canada's priority to push the IMF and World Bank to increase their legitimacy, credibility and accountability. Canada has also been consistent in encouraging both the World Bank Group and the IMF to staff leadership positions through open, transparent and merit-based selection processes, regardless of candidate nationality. We will continue to work with the World Bank towards implementation of these initiatives in 2011.

Going Forward

Priority 1.2 Institutional Reforms:	The World Bank Group should enhance its legitimacy, credibility and accountability through meaningful governance reforms.
Short-Term Action:	The World Bank Group should have a corporate strategy that strengthens benchmarks to track progress and review performance on its reform agenda, including a focal point responsible for bringing together all operational aspects of the reform agenda.
Timeline:	2011
Medium-Term Action:	World Bank Group and IMF leadership positions should be staffed through open, transparent and merit-based selection processes, regardless of candidate nationality.
Timeline:	2011–2013

2) Institutional Effectiveness

A second major Canadian objective is to ensure that the Bretton Woods Institutions (BWIs) are effective in carrying out their mandates. This means focusing services on BWIs' core competencies, responding to member country demands, coordinating with other international partners, and exploring innovative ways to reach the BWIs' goals.

Priority 2.3: Resources and Lending Facilities

A Canadian priority is to ensure that the IMF and the World Bank Group have adequate resources and appropriate instruments to fulfill their lending mandates and respond to crises, as per our G-20 commitment.

2010 Action: Complete the review of the Bank's financial capacity, including capital needs, and seek early conclusion of the 16th replenishment of IDA.

Good Progress

Canada, in coordination with other World Bank shareholders, conducted a review of IBRD capital needs in 2010. The IBRD's capital position was strong enough prior to the crisis to allow it to triple lending to developing countries over 2009–2011, but the Bank required additional financial capacity to meet lending demand post-2011. At its April 2010 meeting, the World Bank's Development Committee endorsed a general capital increase (GCI) for the IBRD of US$58.4 billion, of which 6 per cent, or US$3.5 billion, would be paid-in capital. Governors also agreed to a Special Capital Increase to enable a vote distribution giving more voice to the poorest countries. As part of the GCI agreement, the Bank will unlock capital that was paid-in national currencies to generate additional capital and increase transfers to IDA as the IBRD's equity-to-loans ratio strengthens.

This historic increase in the IBRD's general capital is expected to be ratified by the Governors of the World Bank in 2011, after which time Canada will proceed with subscriptions of new equity. These subscriptions respond to Canada's 2010 priority to ensure the IMF and World Bank Group have adequate resources and appropriate instruments to credibly fulfill their lending mandates. Subscriptions will be purchased over a five-year period.

During 2010, Canada also participated in the negotiations on the 16th replenishment of IDA (IDA16). These negotiations concluded in December 2010 and resulted in a total IDA16 envelope of US$49.3 billion, an 18-per-cent increase over IDA15. IDA16 is representative of fairer and wider burden-sharing and draws on support from a broad coalition of donors, the World Bank Group, and former and current borrowers. During negotiations it was also agreed that IDA would formalize and respect an acceleration policy to increase capital available to the countries where IDA operates.

Going Forward

Priority 2.3 Resources and Lending Facilities:	The World Bank Group should continue to have adequate resources and appropriate instruments to fulfill its mandate.
New	
Medium-Term Action:	The financial sustainability of IDA should be evaluated and the current acceleration policy should be formalized and respected.
Timeline:	2011–2014

Priority 2.4: Aid Effectiveness

Getting the best development outcomes from our aid spending is a priority for Canada. To this end, the Government of Canada has set out an ambitious agenda to improve the cost effectiveness, focus and results of our aid programs, including our multilateral support.

2010 Action: Encourage the World Bank Group to increase the use of impact evaluations, as appropriate, to affect policy decisions.

Good Progress

Increased use of impact evaluations was a recurrent theme of IDA16. As a result of donors' interventions, including Canada's, IDA is planning to increase impact evaluations by 20 per cent and has included the number of impact evaluations as one of the variables in its performance report card.

2010–2012 Action: Push the World Bank Group to strengthen its capacity to manage and track development results

Good Progress

The overarching theme of IDA16 was delivering development results. Throughout the IDA16 negotiations donors, including Canada, pushed the World Bank to improve its tracking of development results. As a consequence, IDA modified its results management system to allow the evaluation of more indicators of IDA's operational and organizational effectiveness against agreed IDA16 performance standards, to include new indicators, to report on sectoral outputs and outcomes, and to develop a matrix of monitorable actions for IDA16 (July 2011–June 2014).

Going forward, Canada would like to see IDA fully implement all of the commitments focused on results which were agreed to in IDA16. Progress on achieving these performance standards will be communicated in an IDA Report Card by the mid-term review of IDA16 (fall 2012). Canada would also like to see the World Bank Group extend the corporate scorecard model to all of its institutions.

Going Forward

Priority 2.4 Aid Effectiveness:	The World Bank Group should continue to use its resources to provide maximum development impact, manage and track results, and incorporate the results of evaluations and research into policy decisions.
New **Medium-Term Action:**	IDA should increase its focus on results, including by: • Establishing a panel of experts to make recommendations on how to strengthen the Bank's impact evaluations. • Increasing the number of impact evaluations, with an increase of at least 20 per cent for IDA projects by the end of IDA16. • Developing country program self-assessment methodology. • Presenting a results-based lending instrument to the Board for approval. • Expanding reporting on core indicators from four to seven sectors and including additional select indicators for IDA countries. • Mapping evaluation tools appropriate for different IDA operations. • Completing a thorough review of the implementation of the Crisis Response Window
Timeline:	2011–2013
Medium-Term Action:	The World Bank Group should implement a corporate scorecard for all of its institutions, including the new Results Management System of IDA.
Timeline:	2011–2013

Development Impact at the IFC and IBRD

Canada will continue to prioritize maximizing the development impact of the IFC and IBRD and has added specific long-term priorities to this end.

Going Forward

New

Long-Term Action: The IFC's operations should maximize the development effectiveness of its operations by:

- Demonstrating its additionality by continuing to focus on addressing market gaps in private sector financing.
- Focusing a larger share of its programming on economic growth in the world's poorest countries, which includes:
- Transferring a robust portion of IFC net income to IDA based on a rules-based formula.
- Maintaining a large share of operations in IDA-eligible countries.
- Enhancing the measurement and evaluation of the development framework.

Timeline: Long-Term

New

Long-Term Action: The IBRD should maximize its impact on development by continuing to transfer a robust portion of its net income to IDA based on a rules-based formula.

Timeline: Long-Term

Aligning With Canada's International Assistance Priorities

Canada has five priority themes for international assistance: stimulating sustainable economic growth, increasing food security, securing the future of children and youth, advancing democracy, and promoting security, stability and sustainability. The World Bank Group's core mandate of poverty reduction and sustainable economic growth is very much in line with Canada's priorities. Canada will continue to encourage the World Bank Group to engage further in work that is congruent with Canada's priority themes. Canada will also encourage the World Bank Group to continue to invest in Canada's priority countries of focus. The Canadian International Development Agency's priority countries of focus and their status in IDA are listed in Annex 15.

Action 2010–2012: Press the World Bank to improve health system investments, which will be foundational for improvements in maternal and child health.

Some Progress

In the context of Canada's G-8 Presidency, the World Bank was among the group of 8 health-related organizations (H8) that endorsed the 2010 G-8 Muskoka Initiative on Maternal, Newborn and Child Health. This initiative includes as one of its core principles for long-lasting results supporting country-led national health policies and plans that are also locally supported.

In May 2010, the World Bank Group released a Reproductive Health Action Plan, of which strengthening health systems is a key component. Canada welcomed this Action Plan at the Executive Board. In particular, Canada encouraged the Bank to stress with country authorities and other donor partners the importance of fully integrating reproductive health issues in efforts to strengthen health systems. The Canadian Executive Director's statement on the Reproductive Health Action Plan: 2010–2015 is found in Annex 14.

Going Forward

New	
Medium-Term Action:	The World Bank Group should increase health system investments, which will be foundational for improvements in maternal and child health.
Timeline:	2011–2013
New	
Long-Term Action:	The World Bank Group should increase the amount of effective programming to facilitate agriculture, increase food security and improve nutrition.
Timeline:	Long-Term
New	
Long-Term Action:	The World Bank should continue to make significant contributions in Canada's priority countries of focus.
Timeline:	Long-Term

Priority 2.5: Innovation for Private Sector Participation in Development

Canada is a strong advocate at the Bank for innovative development initiatives that harness the strengths of the private sector. We believe this is particularly important as the Bank explores its role in providing global public goods. Many issues are beyond the scope of what governments can provide on their own due to financial and technical challenges. We cannot expect to succeed unless this challenge is also taken up by the private sector in the marketplace.

2010–2012 Action: Push for greater and more effective use of innovative tools to tackle global public goods

Good Progress

Through Canada's leadership at the G-20 in 2010, progress was made on several initiatives to leverage private sector investments for development through the IFC. Each of these initiatives is in addition to Canada's traditional support for multilateral development institutions and debt relief.

Canada will lead on the design and/or implementation of several facilities in 2011, including:

International Climate Change. Canada is helping developing countries to reduce their greenhouse gas emissions and adapt to climate change by delivering $291.5 million in concessional support for a broad portfolio of clean energy projects through the IFC. This combination of concessional private sector financing and technical capacity building is expected to catalyze significant clean energy investments in developing countries in the short term, while supporting their institutional capacity for environmentally sustainable development over the long term.

Private Sector Window of the Global Agriculture and Food Security Program. Achieving food security is a growing challenge in the developing world and critical to alleviating poverty. As part of the international effort to address the global food security crisis, Canada announced that it would increase funding for agricultural development by $600 million over three years. Of this amount, Canada is contributing $50 million to the Private Sector Window of the Global Agriculture and Food Security Program (part of a larger $230-million investment in this initiative), which is managed by the IFC. The Private Sector Window seeks to fill a significant gap in financing available to small and medium-sized agri-businesses and farmers in developing countries. By supplying different types of innovative financing, the Private Sector Window seeks to increase the commercial potential of these groups and incorporate them into the local, national and global agricultural distribution chain.

Innovative Financing for Agricultural Innovation (Pull Mechanisms). There is an urgency to accelerate research and development to close agricultural productivity gaps, amidst growing demand and mounting environmental stresses, particularly in Africa. The private sector will be critical in the development and deployment of innovative solutions that provide concrete results on the ground. In Toronto, G-20 Leaders committed to exploring the potential of innovative, results-based mechanisms such as Advance Market Commitments to harness the creativity and resources of the private sector in achieving breakthrough innovations in food security and agricultural development in poor countries. This commitment was subsequently reaffirmed at the G-20 Summit in Korea. Canada will support the World Bank in working with other partners to make progress in this area.

Small and Medium-Sized Enterprise (SME) Finance Challenge. Support for growth-oriented SMEs in developing countries is a significant contributor to poverty reduction through job creation. As host of the 2010 G-20 Leaders Summit in Toronto, Canada launched the SME Finance Challenge, an innovative, Web-based competition to find ways of supporting small and medium-sized businesses. A panel of international experts examined hundreds of proposals submitted from around the world and identified the 14 best proposals. Canada will provide $20 million as part of a global effort to implement and scale up the 14 proposals. Some funding will be delivered through the SME Finance Innovation Fund announced by the G-20, with the IFC acting as trustee.

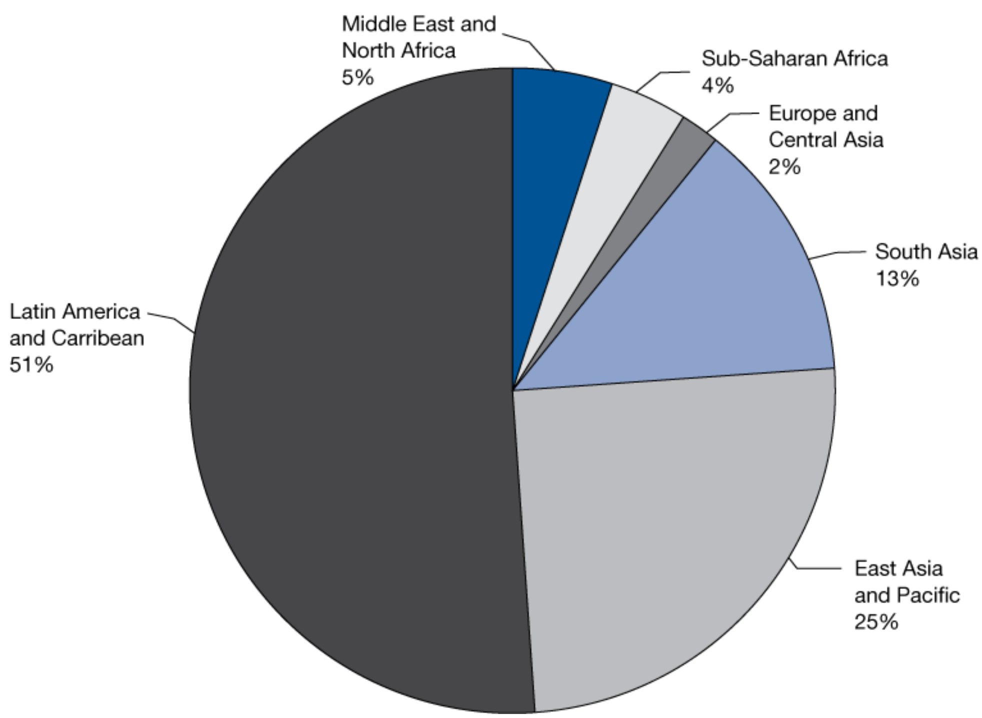
Global Trade Liquidity Program: Supporting Trade in Developing Economies

The global financial crisis created a significant shortage in the supply of liquidity to finance trade, and developing economies were particularly vulnerable.

The Global Trade Liquidity Program (GTLP) was created by the IFC in 2009 to address this issue by raising funds from international financial and development institutions, governments and banks, and by working through global and regional banks to extend trade finance to importers and exporters. Through these arrangements, the award-winning facility is also contributing to the return of private sector trade financing in developing economies.

Canada was the first donor to participate in the GTLP. In 2010, Canada's contribution was used to finance about 2,000 trade finance transactions, which supported an estimated US$630 million of trade flows in developing economies. Approximately 51 per cent of Canada's contribution supported trade flows in the Latin America and Caribbean region and about 60 per cent of the transactions supported SMEs. Taking into account the amounts mobilized from private banks, Canada's contribution supported more than US$1.7 billion in trade in 2010. The program has not experienced any portfolio defaults and Canada's contribution is on track to being fully repaid by 2012.

Chart 10
Trade Supported by Canada's Contribution to the GTLP, by Region in 2010



Changes to MIGA

The World Bank Group is leading innovation in private sector participation through MIGA. In 2010, Governors of MIGA approved substantial changes to its convention. The agency now has broader scope to determine eligibility for investments that are in line with its requirements (projects supported through a MIGA guarantee must be financially and economically viable, environmentally sound, and consistent with the development objectives of the host country). These are the first changes to MIGA's convention since the agency was established in 1988, and they will allow MIGA to insure more investments, thereby increasing its development impact.

Going Forward

Priority 2.5 Innovation for Private Sector Participation in Development:	Continue to support new ways to promote private sector participation.
New	
Short-Term Action:	The Private Sector Window of the Global Agriculture and Food Security Program should be operational, delivering innovative financing for private sector agricultural development in poor countries.
Timeline:	2011
New	
Medium-Term Action	The World Bank Group should work with Canada and other interested donors to explore results-based, innovative financing mechanisms, such as Advance Market Commitments, that harness private sector resources for agricultural innovation in poor countries.
Timeline:	2011–2013
New	
Short-Term Action:	The World Bank Group should have additional innovative private sector funding facilities for small-and medium-sized businesses.
Timeline:	2011
New	
Short-Term Action:	The World Bank Group's climate funding should include facilities to enhance private sector participation in addressing climate change.
Timeline:	2011
New	
Medium-Term Action:	The World Bank Group should operationalize the amended convention to modernize MIGA's mandate in order to expand the agency's scope and allow it to increase the breadth of projects in developing countries.
Timeline:	2011–2013

3) Sustainable Poverty Reduction and Growth

Sustainable and balanced economic growth is critical for poverty reduction. Another main objective for Canada is to ensure that the poverty reduction, growth and macroeconomic stability that the IMF and World Bank foster have lasting results.

Priority 3.1: Debt Sustainability

2010 Action: Ensure that Haiti's outstanding debt to international financial institutions is completely forgiven

Good Progress

The Government of Canada responded quickly to the tragic earthquake that hit Haiti in January 2010. While Canada had already cancelled all bilateral debts owed to it by Haiti prior to the earthquake, following the tragedy, Canada led a G-20 consensus to forgive over US$825 million Haiti owed to international institutions. Canada was the first country to make all of its payments required to cancel Haiti's debt, totalling US$32.6 million.

2010–2012 Action: Full Compliance With the Debt Sustainability Framework

Little Progress

Canada strongly supports basing lending decisions to low-income countries on their individual debt sustainability analysis and debt management capacities. The World Bank, IMF and regional development banks continue to use debt sustainability analyses when making decisions on financial support to poor countries.

Although Canada and the Bretton Woods Institutions comply with the Debt Sustainability Framework, unfortunately not all other creditors observe these guidelines, and some creditors continue to provide loans that may jeopardize the debt sustainability of recipient countries. Therefore, the inability to date of the Bretton Woods Institutions to get all bilateral creditors to lend on these principles of debt sustainability necessitates a "little progress" ranking for this action item.

To move forward on global standards for debt sustainability, Canada encourages the IMF and the World Bank to continue to work collaboratively with other organizations, such as the United Nations Conference on Trade and Development (UNCTAD) and the Organisation for Economic Co-operation and Development (OECD), to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.

2010–2012 Action: Debt Management Facility Effectiveness

Good Progress

The Debt Management Facility (DMF) aims to strengthen debt management capacity and institutions in lower-income countries through a variety of activities, including:

- Systematic evaluations using the Debt Management Performance Assessment (DeMPA) tool.
- Technical assistance in developing country-specific Medium-Term Debt Management Strategies (MTDSs).

- The design of Debt Management Reform Programs, usually building on a previously completed DeMPAs.
- The Debt Management Practitioners' Program, which enables debt practitioners in poor countries to be seconded to the World Bank for learning, knowledge sharing and professional development.
- The Debt Managers' Network and the annual Stakeholders' Forum.

The DMF had a productive first year. By July 2010, in collaboration with its implementing partners, it conducted 16 DeMPAs, 9 MTDS missions, 5 reform plan missions and 7 workshops, while remaining within the original budget forecast. As a result of these activities, 264 government officials have been trained under the DMF, either through workshops or during missions, of which 192 were from Africa.

Going Forward

Priority 3.1 Debt Sustainability:	The World Bank Group should provide financial resources to developing countries in a manner that promotes development and does not jeopardize the sustainability of their debt or risk a debt default.
New	
Medium-Term Action:	The IMF and World Bank should continue to work collaboratively with other organizations, such as UNCTAD and the OECD, to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.
Timeline:	2011–2013
Medium-Term Action:	The World Bank's Debt Management Facility should have the necessary resources and accountability framework to continue to support debt management capacity building in poor countries over the medium term.
Timeline:	2011–2013

Priority 3.2: Fragile and Conflict-Affected Countries

Successfully reintegrating fragile and conflict-affected countries into the global economy represents another major challenge for the global community. The World Bank estimates that the 1 billion people living in fragile and conflict-affected countries includes 340 million of the world's extreme poor; that fragile and conflict-affected countries account for almost two-fifths of all child deaths; and that half of all children who do not live to the age of 5 are born in these countries. Canada has therefore been advocating for stronger multilateral support for these countries to complement our own large bilateral aid programs in countries like Afghanistan and Haiti. We are encouraged by the Bank's analysis and knowledge-sharing work related to fragile and conflict-affected countries, and we have collaborated with the Bank to provide financial and policy support for the upcoming 2011 *World Development Report* on conflict, security and development.

2010–2012 Action: Use the negotiations on the 16th replenishment of IDA (IDA16) to push for an increase in the length and volume of exceptional IDA allocations for fragile and conflict-affected countries, such as Haiti, while pressing for the implementation of reform to ensure that the World Bank offices in these countries have the right human resources and delegated authority

Good Progress

Supporting fragile and conflict-affected countries was one of the special themes discussed during the IDA16 negotiations. Canada was part of a small group of countries that led a consensus on improving the World Bank's engagement in fragile and conflict-affected countries. As a result of this consensus, IDA introduced a case-by-case approach to extending exceptional allocations for these countries, which will result in an increase in allocations for those that require additional support.

Going Forward

Priority 3.2 Fragile and Conflict-Affected Countries:	The World Bank Group should have proper tools for assisting fragile and conflict-affected countries.
New	
Medium-Term Action:	The World Bank Group should improve its engagement in fragile and conflict-affected countries, including by: • Reviewing the funding allocation mechanism for fragile and conflict-affected countries. • Completing the evaluation of IDA's work in fragile and conflict-affected countries. • Adopting an improved World Bank Operational Policy on Development Cooperation and Conflict. • Completing the revision and testing of the new Post-Conflict Performance Indicators criteria, and publicly disclosing country scores. • Improving its collaboration with relevant United Nations agencies on issues related to its engagement in fragile and conflict-affected countries.
Timeline:	2011–2013

Priority 3.3: Gender

Canada continues to encourage the World Bank to create an accountability framework with a strong and consistent monitoring and results framework across Bank initiatives to make transparent how gender is being integrated and tracked.

2010–2012 Action: Push the World Bank to include a monitoring framework, with clear and measurable targets for progress on gender mainstreaming, as part of its Gender Action Plan's transition strategy

Some Progress

Tabled at the Executive Board in June 2010, the Gender Action Plan transition strategy (*Applying Gender Action Plan Lessons: A Three-Year Road Map for Gender Mainstreaming—2011–2013*) commits to strengthen the gender results framework and monitoring system, and features a results framework for gender mainstreaming at the World Bank Group.

Canada continues to play a role in the governance structure as the Gender Action Plan has moved to a Three-Year Road Map for Gender Mainstreaming. Along with like-minded donors, Canada requested that World Bank Group management further develop the gender mainstreaming targets in the results framework to make them time-bound. Canada wants to see accountability further strengthened by including assessments of gender mainstreaming in the performance evaluations of managers.

In the context of IDA16, gender equality has been identified as one of four cross-cutting themes. For the first time, there are specific indicators linked to the special themes (including gender) in the IDA Results Monitoring Framework, which will be aligned with those of the Three-Year Road Map for Gender Mainstreaming.

Canada is very pleased that the 2012 *World Development Report* is on gender equality and development, and is providing financial and analytical support to assist in the development of a cutting-edge report that moves the gender equality and development discourse forward.

Going Forward

Priority 3.3 Gender:	The World Bank Group should mainstream gender considerations across operations.
New **Medium-Term Action:**	The World Bank Group should accelerate progress on gender mainstreaming and gender-related Millennium Development Goals by: • Ensuring that all of IDA's Country Assistance Strategies draw on the findings of gender assessments. • Preparing regional Gender Action Plans. • Tracking the percentage of (i) safety net projects designed to mitigate risk and vulnerability for women and girls, (ii) agriculture and rural development operations that target women, and (iii) health projects that address high fertility and maternal mortality.
Timeline:	2011–2013

Priority 3.4: Environment

Sustainable growth cannot be achieved without significant progress in addressing the world's environmental challenges. In many developing countries, the costs of environmental degradation have been estimated at 4 to 8 per cent of gross domestic product annually. Natural resource degradation—depleted soils, insufficient water supply, rapidly disappearing forests and collapsed fisheries—threatens the health of millions of people. Pollution also continues to present a major health threat: an estimated 6 million people die annually, and many more get sick, in developing countries from water-related diseases, indoor air pollution, urban air pollution and exposure to toxic chemicals. The World Bank Group has a role in combating and coping with environmental threats and climate change.

Action 2009–2011: Ensure climate change considerations are integrated into the World Bank's activities, notably those related to agriculture and new project decision making. Ensure appropriate linkages to climate change in the preparation of the World Bank's Environment and Energy Strategies throughout 2010, and encourage the use of enhanced environmental indicators as part of IDA16.

Good Progress

This year the Bank has taken several steps to integrate climate change considerations into its activities. Most significantly, the 2010 *World Development Report* focused on development and climate change.

Although the Bank's updated Energy and Environment strategies will not be released until 2011, the Bank actively sought input on both of these strategies throughout 2010. Canada has emphasized that both strategies will need to link to the Bank's existing Strategic Framework on Climate Change.

As part of the Steering Committee of the Global Agriculture and Food Security Program, Canada was active in recommending that climate change and environmental considerations be incorporated into the overall program design.

Additionally, Canada and other shareholders were successful in encouraging the use of enhanced environmental indicators as part of IDA16. Specifically, these included ensuring that IDA's climate change funding is tracked through internationally agreed markers such as the Rio Markers. As part of IDA16, IDA will also establish a coding system to measure the share of IDA investments and projects that provide climate adaptation and mitigation co-benefits.

We intend to continue to work with the Bank throughout 2011 to ensure that recent IDA16 commitments are fully implemented.

Going Forward	
Priority 3.4 Environment:	The World Bank Group's operations should make an enhanced contribution to environmental sustainability.
New **Medium-Term Action:**	Climate change considerations should be integrated into all IDA activities, particularly by: • Addressing climate change vulnerabilities in all of IDA's Country Assistance Strategies. • Scaling up IDA's analytic and advisory activities on adaptation and mitigation. • Tracking climate change funding through internationally agreed markers such as the Rio Markers. IDA will also establish a coding system to measure the share of IDA investments and projects that provide climate adaptation and mitigation co-benefits.
Timeline:	2011–2013

Action 2009–2011: Ensure that the Climate Investment Funds are achieving results, incorporating learning over time, and taking necessary steps to harmonize activities with any new climate funds that may emerge from international climate change negotiations.

Some Progress

The World Bank's Climate Investment Funds (CIFs) are a collaborative effort among the multilateral development banks and countries to bridge the financing and learning gap between now and a post-2012 global climate change agreement. Canada has contributed $100 million to the Pilot Program for Climate Resilience (PPCR) within the CIF's Strategic Climate Fund (SCF), which focuses on assisting developing countries to adapt to the effects of climate change.

Canada is represented on the Trust Fund Committees of both the PPCR and the SCF. Through these committees, we have helped to establish a working group on the harmonization of the CIF's results measurement frameworks. Although there has been general agreement on this harmonized results framework, it is still too early to test the frameworks in the field.

In 2010, Canada made an important commitment to help developing countries address climate change. As part of this commitment, Canada has made pledges to several World Bank Group initiatives beyond the CIFs. These include providing $291.5 million in concessional support for a broad portfolio of clean energy projects through the IFC, as well as $40 million for the World Bank's Forest Carbon Partnership Facility's Readiness Fund, which supports the building of national capacity to address deforestation and forest degradation in developing countries. Going forward, it will be important to ensure that all of these targeted climate-related funds are aligned and achieve results over time.

Going Forward

New	
Medium-Term Action:	The World Bank Group's climate change trust funds should enable developing country partners to achieve results in mitigating and adapting to climate change.
Timeline:	2011–2013

Priority 3.5: Sustainability Standards

As Canada seeks to enhance its support for innovation for private sector participation in development through the World Bank Group, it will be important to ensure that these initiatives also contribute to environmental and social objectives. Going forward, Canada will seek to promote rigorous policies and performance standards on economic, social and environmental sustainability, primarily through the IFC's Policy and Performance Standards on Social and Environmental Sustainability. In the medium term, we will encourage the World Bank to assist candidate and prospective candidate countries in completing the implementation process for the Extractive Industries Transparency Initiative, an initiative that Canada has championed.

Going Forward

New Priority	
Priority 3.5 Sustainability Standards:	The World Bank Group should continue to have and promote rigorous policies and performance standards on economic, social and environmental sustainability.
New	
Short-Term Action:	The World Bank Group should approve and implement the revised Policy and Performance Standards on Social and Environmental Sustainability.
Timeline:	2011
New	
Medium-Term Action:	The World Bank Group should enhance its support for candidate and prospective candidate countries in completing the implementation process for the Extractive Industries Transparency Initiative.
Timeline:	2011–2013

Canada's Priorities for 2011–2015 at the World Bank Group

1) Governance and Accountability—Playing a leadership role in pushing for innovations in the governance and accountability structures of the Bretton Woods Institutions.	
Priority 1.1 Voice Reforms: Enhance the legitimacy of the Bretton Woods Institutions through meaningful voice reforms.	
Long-Term 2014–2016	The World Bank Group should move forward with further voice reforms by approving and instituting a dynamic formula for shareholder representation consisting of relevant economic variables.
Priority 1.2 Institutional Reforms: The World Bank Group should enhance its legitimacy, credibility and accountability through meaningful governance reforms.	
Short-Term 2011	The World Bank Group should have a corporate strategy that strengthens benchmarks to track progress and review performance on its reform agenda, including a focal point responsible for bringing together all operational aspects of the reform agenda.
Medium-Term 2011–2013	World Bank Group and IMF leadership positions should be staffed through open, transparent and merit-based selection processes, regardless of candidate nationality.
2) Institutional Effectiveness—Encouraging both institutions to deliver on their core mandates as effectively as possible.	
Priority 2.3 Resources and Lending Facilities: The World Bank Group should continue to have adequate resources and appropriate instruments to fulfill its mandate.	
Medium-Term 2011–2014	The financial sustainability of IDA should be evaluated and the current acceleration policy should be formalized and respected.
Priority 2.4 Aid Effectiveness: The World Bank Group should continue to use its resources to provide maximum development impact, manage and track results, and incorporate the results of evaluations and research into policy decisions.	
Medium-Term 2011–2013	IDA should increase its focus on results, including by: • Establishing a panel of experts to make recommendations on how to strengthen the Bank's program of impact evaluations. • Increasing the number of impact evaluations, with an increase of at least 20 per cent for IDA projects by the end of IDA16. • Developing country program self-assessment methodology. • Presenting a results-based lending instrument to the Board for approval. • Expanding reporting on core indicators from four to seven sectors and including additional select indicators for IDA countries. • Mapping evaluation tools appropriate for different IDA operations. • Completing a thorough review of the implementation of the Crisis Response Window.
Medium-Term 2011–2013	The World Bank Group should implement a corporate scorecard for all of its institutions, including the new Results Management System of IDA.
Long-Term	The IFC's operations should maximize the development effectiveness of its operations by: • Demonstrating its additionality by continuing to focus on addressing market gaps in private sector financing. • Focusing a larger share of its programming on economic growth in the world's poorest countries, which includes: • Transferring a robust portion of IFC net income to IDA based on a rules-based formula. • Maintaining a large share of operations in IDA-eligible countries. • Enhancing the measurement and evaluation of the development framework.

Long-Term	The IBRD should maximize its impact on development by continuing to transfer a robust portion of its net income to IDA based on a rules-based formula.
Medium-Term 2011–2013	The World Bank Group should increase health system investments, which will be foundational for improvements in maternal and child health.
Long-Term	The World Bank Group should increase the amount of effective programming to facilitate agriculture, increase food security and improve nutrition.
Long-Term	The World Bank should continue to make significant contributions in Canada's priority countries of focus.
Priority 2.5 Innovation for Private Sector Participation in Development: Continue to support new ways to promote private sector participation.	
Short-Term 2011	The Private Sector Window of the Global Agriculture and Food Security Program should be operational, delivering innovative financing for private sector agricultural development in poor countries.
Medium-Term 2011–2013	The World Bank Group should work with Canada and other interested donors to explore results-based, innovative financing mechanisms, such as Advance Market Commitments, that harness private sector resources for agricultural innovation in poor countries.
Short-Term 2011	The World Bank Group should have additional innovative private sector funding facilities for small and medium-sized businesses.
Short-Term 2011	The World Bank Group's climate funding should include facilities to enhance private sector participation in addressing climate change.
Medium-Term 2011–2013	The World Bank Group should operationalize the amended convention to modernize MIGA's mandate in order to expand the agency's scope and allow it to increase the breadth of projects in developing countries.
3) Sustainable Poverty Reduction and Growth—Supporting the IMF and World Bank's efforts to ensure that the growth and stability they help foster today will have a lasting effect over the long term.	
Priority 3.1 Debt Sustainability: The World Bank Group should provide financial resources to developing countries in a manner that promotes development and does not jeopardize the sustainability of their debt or risk a debt default.	
Medium-Term 2011–2013	The IMF and World Bank should continue to work collaboratively with other organizations, such as the United Nations Conference on Trade and Development and the Organisation for Economic Co-operation and Development, to ensure that their responsible lending guidelines are consistent with the IMF and World Bank's Debt Sustainability Framework.
Medium-Term 2011–2013	The World Bank's Debt Management Facility should have the necessary resources and accountability framework to continue to support debt management capacity building in poor countries over the medium term.
Priority 3.2 Fragile and Conflict-Affected Countries: The World Bank Group should have proper tools for assisting fragile and conflict-affected countries.	
Medium-Term 2011–2013	The World Bank Group should improve its engagement in fragile and conflict-affected countries, including by: • Reviewing the funding allocation mechanism for fragile and conflict-affected countries. • Completing the evaluation of IDA's work in fragile and conflict-affected countries. • Adopting an improved World Bank Operational Policy on Development Cooperation and Conflict. • Completing the revision and testing of the new Post-Conflict Performance Indicators criteria, and publicly disclosing country scores. • Improving its collaboration with relevant United Nations agencies on issues related to its engagement in fragile and conflict-affected countries.

Priority 3.3 Gender: The World Bank Group should mainstream gender considerations across operations.	
Medium-Term 2011–2013	The World Bank Group should accelerate progress on gender mainstreaming and gender-related Millennium Development Goals by: • Ensuring that all of IDA's Country Assistance Strategies draw on the findings of gender assessments. • Preparing regional Gender Action Plans. • Tracking the percentage of (i) safety net projects designed to mitigate risk and vulnerability for women and girls, (ii) agriculture and rural development operations that target women, and (iii) health projects that address high fertility and maternal mortality.
Priority 3.4 Environment: The World Bank Group's operations should make an enhanced contribution to environmental sustainability.	
Medium-Term 2011–2013	Climate change considerations should be integrated into all IDA activities, particularly by: • Addressing climate change vulnerabilities in all of IDA's Country Assistance Strategies. • Scaling up IDA's analytic and advisory activities on adaptation and mitigation. • Tracking climate change funding through internationally agreed markers such as the Rio Markers. IDA will also establish a coding system to measure the share of IDA investments and projects that provide climate adaptation and mitigation co-benefits.
Medium-Term 2011–2013	The World Bank Group's climate change trust funds should enable developing country partners to achieve results in mitigating and adapting to climate change.
Priority 3.5 Sustainability Standards: The World Bank Group should continue to have and promote rigorous policies and performance standards on economic, social and environmental sustainability.	
Short-Term 2011	The World Bank Group should approve and implement the revised Policy and Performance Standards on Social and Environmental Sustainability.
Medium-Term 2011–2013	The World Bank Group should enhance its support for candidate and prospective candidate countries in completing the implementation process for the Extractive Industries Transparency Initiative.

Annex 1

Acronyms Used in This Report

AFRITAC	African Regional Technical Assistance Centre
AMC	Asset Management Company
BWIs	Bretton Woods Institutions
CAO	Compliance Advisor Ombudsman
CARTAC	Caribbean Regional Technical Assistance Centre
CIDA	Canadian International Development Agency
CIF	Climate Investment Fund
CRO	Chief Risk Officer
DeMPA	Debt Management Performance Assessment
DMF	Debt Management Facility
DTC	developing and transition country
ED	Executive Director
EMDCs	emerging market and developing countries
ESAF	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
FCL	Flexible Credit Line
FDI	foreign direct investment
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FY	fiscal year
G-7	Group of Seven
G-8	Group of Eight
G-20	Group of Twenty
GAFSP	Global Agriculture and Food Security Program
GCI	general capital increase
GDP	gross domestic product
GFSR	*Global Financial Stability Report*
GRA	General Resources Account
GTLP	Global Trade Liquidity Program
HIPC	heavily indebted poor country
IAD	Internal Auditing Department
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDA15	15th replenishment of IDA
IDA16	16th replenishment of IDA
IEG	Independent Evaluation Group

IEO	Independent Evaluation Office
IFC	International Finance Corporation
IFI	international financial institution
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INT	Department of Institutional Integrity
LIC	low-income country
MAP	Mutual Assessment Process
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MTDS	Medium-Term Debt Management Strategy
NAB	New Arrangements to Borrow
NAMA	National Asset Management Agency
ODAAA	Official Development Assistance Accountability Act
OECD	Organisation for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States
PCL	Precautionary Credit Line
PPCR	Pilot Program on Climate Resilience
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
PTA	preferential trade agreement
REO	*Regional Economic Outlook*
RTAC	Regional Technical Assistance Centre
SAF	Structural Adjustment Facility
SCF	Strategic Climate Fund
SDR	Special Drawing Right
SEMCAR	Support for Economic Management in the Caribbean
SMEs	small and medium-sized enterprises
SSP	Statement of Surveillance Priorities
TAC	Technical Assistance Centre
TF	Transfer Fund
TIEA	Tax Information Exchange Agreement
UNCTAD	United Nations Conference on Trade and Development
WBG	World Bank Group
WEO	*World Economic Outlook*

Annex 2

Summary Assessment of Progress on Canada's Priorities at the Bretton Woods Institutions in 2010

Colour code: Good progress (green) Some progress (yellow) Little progress (red)

1) Governance and Accountability		
Priority 1.1 Voice Reforms: Enhance the legitimacy of the Bretton Woods Institutions (BWIs) through meaningful voice reforms.		
Time Frame	**Action Item**	**Progress**
Short-Term 2010	Work towards a final agreement on World Bank voice reforms in 2010 for both the smallest and poorest countries, and building in incentives for donors, including emerging market and developing country donors, to support IDA.	**Good**
Short-Term 2010	Support negotiations for a new, lasting quota agreement to boost IMF legitimacy by increasing the voice of under-represented emerging market and developing country members.	**Good**
Priority 1.2 Institutional Reforms: Building on our previous reform efforts at the Bretton Woods Institutions, Canada will continue to push the IMF and World Bank to increase their legitimacy, credibility and accountability.		
Medium-Term 2010–12	Promote IMF corporate governance changes to strengthen Ministerial oversight, increase the Executive Board's strategic role and introduce a more robust independence-accountability framework for senior management who are hired on merit.	**Little**
Medium-Term 2010–12	Press for a World Bank Group corporate strategy that incorporates benchmarks to track progress and review performance on its reform agenda. Push for a focal point under the President responsible for bringing together all operational and budgetary aspects of the reform agenda, and ensuring a sound and sustainable business model.	**Some**

2) Institutional Effectiveness

Priority 2.1 IMF Mandate: Canada will encourage the IMF to remain focused on its core mandate of stability promotion.		
Time Frame	**Action Item**	**Progress**
Medium-Term 2010–2012	Engage in the IMF mandate review and push for the Fund to focus on bolstering its core surveillance and crisis lending/conditionality functions, and not expand its operations into non-core areas.	**Good**
Priority 2.2 IMF Surveillance and Crisis Prevention: Support reforms to make surveillance more effective.		
Medium-Term 2010–2012	Encourage IMF members to increase surveillance engagement and transparency, and the Fund to improve its ability to identify, communicate and spur member responses to stability threats.	**Some**
Priority 2.3 Resources and Lending Facilities: Ensure that the IMF and World Bank Group have adequate resources and appropriate instruments to fulfill their lending mandates.		
Short-Term 2010	As part of quota negotiations, push for the increase in quota resources to reflect the role of the Fund.	**Good**
Short-Term 2010	Complete the review of the Bank's financial capacity, including capital needs, and seek early conclusion of the 16th replenishment of IDA (IDA16).	**Good**
Medium-Term 2010–2012	Push for Fund programs to be based on sound economic principles and workable solutions, with targeted conditionality.	**Good**
Priority 2.4 Aid Effectiveness: Get the most development impact from World Bank resources.		
Short-Term 2010	Encourage the World Bank Group to increase the use of impact evaluations, as appropriate, to affect policy decisions.	**Good**
Medium-Term 2010–2012	Push the World Bank Group to strengthen its capacity to manage and track development results.	**Good**
Medium-Term 2010–2012	Press the World Bank to improve health system investments, which will be foundational for improvements in maternal and child health.	**Some**
Priority 2.5 Innovation for Private Sector Participation in Development: Continue to support new ways to promote private sector participation.		
Medium-Term 2010–2012	Push for greater and more effective use of innovative tools to tackle global public goods (e.g. Advance Market Commitments and catastrophic risk insurance facilities).	**Good**

3) Sustainable Poverty Reduction and Growth

Priority 3.1 Debt Sustainability: Avoid another lend-and-forgive cycle.		
Time Frame	**Action Item**	**Progress**
Short-Term 2010	Ensure that Haiti's outstanding debt to international financial institutions is completely forgiven and that reconstruction assistance is provided in the form of grants or highly concessional loans so as to not compromise Haiti's long-run development efforts.	**Good**
Medium-Term 2010–2012	Push for agreement from all creditors to abide by lending limit guidelines established by the IMF/World Bank's Debt Sustainability Framework when providing resources to low-income countries.	**Little**
Medium-Term 2010–2012	Use Canada's membership in the newly established Debt Management Facility steering committee to ensure it provides targeted, cost-effective technical assistance to low-income countries.	**Good**
Priority 3.2 Fragile and Conflict-Affected Countries: Better tools for assisting fragile and conflict-affected countries.		
Medium-Term 2010–2012	Use IDA16 negotiations to push for an increase in the length and volume of exceptional IDA allocations for fragile and conflict-affected countries, such as Haiti, while pressing for the implementation of reform to ensure that the World Bank offices in these countries have the right human resources and delegated authority.	**Good**
Priority 3.3 Gender: A real mainstreaming of gender considerations across operations.		
Medium-Term 2010–2012	Push the World Bank to include a monitoring framework, with clear and measurable targets for progress on gender mainstreaming, as part of its Gender Action Plan's transition strategy.	**Some**
Priority 3.4 Environment: Linking development and environment in a manner that is consistent with BWI core mandates.		
Short-Term 2010	Ensure climate change considerations are integrated into the World Bank's activities, notably those related to agriculture and new project decision making. Ensure appropriate linkages to climate change in the preparation of the World Bank's Environment and Energy Strategies throughout 2010, and encourage the use of enhanced environmental indicators as part of IDA16.	**Good**
Medium-Term 2010–2012	Ensure that the Climate Investment Funds are achieving results, incorporating learning over time, and taking necessary steps to harmonize activities with any new climate funds that may emerge from international climate change negotiations.	**Some**

Annex 3

Canadian Statements at the International Monetary and Financial Committee of the Board of Governors of the IMF, 2010

The Honourable Jim Flaherty, Minister of Finance for Canada

on behalf of Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines

Washington, DC
April 24, 2010

Introduction

Thanks to the extraordinary and highly coordinated policy actions of governments and multilateral financial institutions over the past 20 months, the global economy has stabilized and modest growth has emerged. This recovery remains fragile, however, particularly in advanced economies, and many shared global challenges remain. To address these challenges, we must build upon the global macroeconomic cooperation that allowed us to bring about a timely and appropriate response to the crisis.

The International Monetary Fund (IMF) is central to these efforts as the "bricks and mortar" embodiment of international economic and financial cooperation. But, as its members have acknowledged, the Fund is in need of reforms to ensure that it can deal effectively with the financial crises of the 21st century, which originate in the capital account, not just the balance of payments problems for which it was designed in the mid-20th century. The case for reform is clear: the environment in which the Fund operates has fundamentally changed as a result of the global financial integration of the past three decades. And yet, the underlying objective of the Fund remains valid. The architects of the Bretton Woods system endowed the Fund with the role of assisting its members strike the right balance between financing and adjustment. The challenge is to remain true to this mandate.

This would not be an easy assignment at any time; it is all the more important in the wake of the biggest financial and economic crisis since the Great Depression. Our efforts to reform the Fund must be informed by the lessons that the crisis made clear. One central message is that the moral hazard arising from the financial sector bailouts is going to be a legacy problem for governments and regulators. While we commend the successful confidence-building measures that the IMF took during the crisis, we need to ensure that future proposals regarding the Fund's role, size and lending toolkit do not send the wrong messages about risk-taking and prudence.

Canadian Developments

Reflecting Canada's financial, economic and fiscal strengths, together with extraordinary policy actions, Canada has weathered the global recession better than most other major industrialized countries. Real gross domestic product (GDP) increased by 5.0 per cent in the last quarter of 2009, led by a significant and continued rebound in final domestic demand, which has been the strongest of all Group of Seven (G7) countries. The IMF expects Canada to be one of the fastest growing economies among G7 countries in 2010 and 2011. However, the global recovery remains fragile. For this reason, the Government will complete the implementation of Canada's Economic Action Plan—a two-year C$62-billion plan (equivalent to about 2 per cent of GDP on average per year) to support economic growth and create and maintain jobs.

The Government will bring Canada's finances back to balance over the medium term by ending the temporary measures as scheduled in early 2011, putting in place targeted measures to restrain direct program spending growth, and undertaking a comprehensive review of government administrative functions and overhead costs. These measures will allow the Government to bring the federal deficit to 0.1 per cent of GDP in 2014–15.

Irish Developments

After two exceptionally difficult years, there is mounting evidence that conditions in the Irish economy are stabilizing. Hard data for the opening months of the year have been reasonably encouraging, while more timely soft data paint a similar picture. A resumption of modest expansion during the second half of the year is now widely anticipated, although negative carry-over and the continued correction in the residential construction sector mean that full-year activity is projected to decline by 1¼ per cent. Falling output over the past few years has been accompanied by a substantial deterioration in the labour market, although signs are that unemployment is now close to peak.

The necessary fiscal consolidation is continuing. Following measures amounting to 5 per cent of GDP for 2009, additional measures amounting to 2½ per cent of GDP have been implemented for this year. For this year, the adjustments are almost exclusively on the expenditure side, and have involved public sector pay cuts, reductions in social welfare rates and various program cuts.

Significant action has also been taken to restore the health of the banking sector. Banks' balance sheets are being strengthened through the sale of impaired assets on significantly discounted terms to the National Asset Management Agency (NAMA) accompanied by a recapitalization to take account of the losses incurred on the transferred loans, as well as likely further losses on banks' other loans. This is being done with the aim of creating a buffer in Irish banks' capital positions which will place them in a better position to access funding and assist in the recovery of the economy. This process has made clear, that while the costs of restoring the banking system will be large, there is now certainty about the overall size of these costs.

Caribbean Developments

My Caribbean counterparts are grateful for the support that the IMF and other international financial institutions (IFIs) have provided and continue to provide to Haiti.

The Caribbean economies are still facing significant challenges in the aftermath of the global economic crisis, with a very lagged pace of recovery projected. Therefore, fiscal and external sector pressures remain highly elevated. Weak conditions are expected to persist through most of 2010, with a mild strengthening towards the end of the year and into 2011. This is dependent, of course, upon a strengthening in tourism receipts and remittance inflows—mainly linked to the improvement in household confidence in the United States. It is also conditioned upon better prices for commodities exports.

While there has been an urgent short-term need to achieve macroeconomic stabilization, medium-term priorities for the region centre around transitioning to more sustainable paths for fiscal policies; achieving substantial and lasting debt reductions that create more space for spending on social sector programs; and fostering a more supportive environment for robust, private sector-led growth. Efforts to strengthen financial sector regulatory frameworks are ongoing, with heightened emphasis on regional cooperation to address systemic issues. A number of Caribbean countries have either engaged or are in the process of engaging IMF-supported programs to advance their reform agendas. More generally, the IFIs and external donors continue to provide valuable technical assistance to strengthen policy frameworks and institutions in all countries.

As highly vulnerable island states, often with relatively small populations and economies, there continues to be strong justification for ensuring the Caribbean's access to adequate and appropriate financing at the IMF and multilateral development banks. In this regard, more focus will have to be directed at supporting initiatives that enhance the region's resilience to domestic and external shocks, natural disasters, and the effects of climate change.

IMF Reform

The economic and financial crisis revealed the deep global integration of modern financial markets and economies. Consequently, the IMF must appropriately adapt how it promotes international economic stability and cooperation. The Fund's crisis response of bolstering its resource levels and reforming lending tools was necessary, but as the economy continues to recover, the IMF needs to more effectively prevent crises. And it will have to ensure that the way in which it prevents crises does not sow the seeds of an even greater, more damaging crisis in the future. Reforms at the IMF must position the institution to carry out this mandate legitimately, credibly and effectively. Equally important, we must ensure that reforms to the Fund's toolkit balance the objectives of crisis prevention and resolution against the pernicious effects of moral hazard. We must not forget the central lesson of the crisis.

Increased legitimacy, credibility and effectiveness at the IMF will only be possible if we properly align the role, tools, resources and governance of the Fund. A clear agreement on the Fund's role is the starting point from which we will be able to determine the resources and tools that the Fund needs. In parallel, we need to make appropriate changes to the Fund's governance structure to ensure it is managed accountably.

Role

The high degree of global economic and financial integration makes the Fund's core function of international monetary and financial cooperation as important as ever. While some have called for IMF involvement in new areas and created pressure to expand the IMF's mission, the Fund is best equipped to achieve its purpose by modernizing its core surveillance and crisis lending functions. The Fund should continue the role it has taken since its inception: to identify and act on threats to economic stability, and when crises do occur, strike the right balance between IMF financing and needed policy adjustments to restore confidence and strengthen the macro economy.

Tools

It is clear, however, that the escalating nature of the financial crises that we have witnessed over the past 20 years has made it more difficult for the Fund to deliver on its assigned role. As a result, today it is viewed by some as less credible in its policy advice and less effective in its ability to assist members strike the right balance between financing and adjustment. In this respect, lessons from the crisis have taught us that we must identify financial sector vulnerabilities early, and act on global imbalances and other threats. To increase the Fund's surveillance effectiveness, practices must evolve to meet financial innovation and global economic trends. The IMF needs to be in a position where it can provide clear advice on national-level events and the resulting regional or global spillover effects. But this advice must be credible if member governments are to act before "problems" escalate into "crises".

Four specific proposals merit consideration. First, reviews under the joint IMF and World Bank Financial Sector Assessment Program should be mandatory for countries with regionally or systemically important financial sectors. Such a requirement would better inform analysis of their strengths and vulnerabilities, and lead to a clear understanding of necessary responses. Second, to increase coordinated policy actions and the understanding of international spillovers of domestic policies, the IMF should initiate thematic reports or

Article IV reviews where the Fund engages multiple countries simultaneously to address similar challenges. Third, Article IV reviews could contain internal and external risk assessments, including a procedure to stress test projections and policy frameworks in the face of a large macroeconomic or financial shock. Finally, the IMF and the Financial Stability Board must better define their respective areas of jurisdiction in order to both avoid gaps and prevent overlap.

In this respect, a key lesson from the crisis is the threat posed by regulatory arbitrage—the incentive to structure financial activities in institutional forms and jurisdictions in a manner that reduces regulatory and capital requirements. As we have seen, global financial integration can provide important benefits in terms of efficient risk bearing and access to investment finance. Unfortunately, it can also be a source of systemic risk if financial problems in one country spill over to its neighbours. If we do not address this problem, we will have ignored a central lesson of the crisis. Part of our response, therefore, should be the recognition that, as members of the international community with a joint interest in the prudent stewardship of the global economy, we have obligations to the system and to each other. Much work would be required to identify the precise nature of these obligations, but the starting point is agreement on minimum capital and liquidity buffers.

Simultaneously, there is a continued need for the IMF to provide targeted technical assistance to members to help them internalize the benefits of globalization through strong policy and regulatory frameworks. This includes an increased presence for the IMF in capital account issues, not as a referee for members' policies, but as a venue for collaboration, debate and technical assistance on stability promotion measures such as financial sector development.

If a crisis were to occur, however, the IMF needs the right framework to intervene effectively. It now has responsive and flexible tools to provide liquidity if situations such as the recent financial crisis arise, and the ability to ensure the right balance of lending and conditionality when crises of solvency emerge. The Flexible Credit Line (FCL) is one such successful tool. The credibility and effectiveness of the facility is due to its strict qualification criteria, and we should not pursue FCL modifications that could dilute its positive aspects. As we learn from the crisis, we must continue to ensure that the IMF's lending toolkit does not increase moral hazard in the global economy.

Resources

Extraordinary resources were mobilized during the crisis in order to provide members and markets with confidence that the IMF was ready and able to act. Canada supported the Fund's regular and concessional lending programs with a temporary $10-billion bilateral loan to the IMF as well as new commitments of $800 million in loan resources, and $40 million in subsidy resources, to the IMF's Poverty Reduction and Growth Trust (PRGT) to help low-income countries post-crisis and over the medium term. We encourage those who have not already done so to finalize their pledges to the PRGT to ensure it has sufficient resources to meet demand over the medium term.

We now need to look longer term. Since adequate and appropriate lending resources are critical to making the IMF credible, we believe that the IMF needs to have a quota increase that is in line with the lending role of the Fund and its status as a quota-based institution. The significant increase in the New Arrangements to Borrow must be considered when determining an appropriate quota increase, and fundamentally, we must prevent an overly enlarged Fund that would create moral hazard.

Governance

Governance is the capstone piece of IMF reform that will tie all aspects together and ensure legitimacy, credibility and effectiveness at the IMF. This includes more clearly delineating the roles and responsibilities of the respective levels of governance to ensure accountability, transparency and efficiency in the Fund's operations and decision-making.

The ongoing quota and voice reform discussions are integral to the legitimacy of the Fund. We encourage all members to ratify the 2008 quota and voice agreement, and we hope to complete the next quota review by November 2010. We need to ensure that under-represented countries receive a quota allocation that represents their weight in the world economy, and we must implement the International Monetary and Financial Committee (IMFC)/G20 commitment to a shift in IMF quota share to dynamic emerging markets and developing countries of at least 5 per cent from over-represented countries to under-represented countries using the current quota formula as the basis. Over-represented members should be ready to give up share, and Canada will do its part.

Several aspects of corporate governance reform must be addressed. First, there has to be an appropriate balance between the independence of the IMF and oversight by Ministers. The optimal levels of independence and oversight will depend on the lending role, tools and resources of the Fund, and should be adapted based on the reforms of each of these, but we can start to make progress now.

Second, Fund effectiveness requires member countries to be engaged at the Fund so that they give considered guidance and in turn are suitably responsive to IMF priorities. IMF Governors should establish the strategic direction of the Fund, and the Executive Board and management should act based on this direction. The lines of accountability for each level of governance need to be clearer, including roles, responsibilities and reporting mechanisms. We need to strengthen the role of the IMFC to have IMFC members responsible for decisions on key issues, and we could consider the possibility of activating a Ministerial Council.

Third, we are encouraged that the IMF is reforming its senior management selection processes. Selecting senior management using an open, transparent and merit-based process—regardless of candidate nationality—will contribute to legitimacy.

Conclusion

Through meaningful and thoughtful reform, the IMF will gain the legitimacy, credibility and effectiveness it needs. Legitimacy will arise when the Fund has voice and representation that reflects the economic realities of the 21st century, and when the Fund makes transparent decisions with clear accountability. The Fund's credibility rose throughout the crisis period as it showed it could intervene to help stabilize the global economy. Further credibility gains will occur by having the appropriate tools for surveillance and lending that enable the Fund to achieve its mandate, and by having a governance framework where the Fund is able to take decisions quickly to act on emerging crises. Effectiveness results from the links between all four facets of reform: an effective IMF requires the right resources and tools, and strategic and accountable governance that pursues stability in the global economy.

Washington, DC
October 9, 2010

We agree that the International Monetary Fund (IMF) played an important role in helping the global economy through the financial crisis and towards recovery, particularly through fostering international economic cooperation. With a new set of global economic challenges lying ahead, the Fund will have an important role to play in ensuring a healthy and well balanced international monetary system. It will do this by promoting sound economic policy frameworks; providing financial assistance when needed that strikes the right balance between financing and adjustment; and sustaining co-operation and consultation among its members.

In doing this the IMF must ensure that the proper steps are taken to protect against another severe financial crisis. The IMF can play a critical role in promoting an open international monetary system that facilitates timely, orderly exchange rate adjustment. Future IMF reforms, particularly to the Funds' lending instruments and resources, can help to prevent future crises, but must also encourage members to adopt sound policy frameworks.

Canadian Developments

The Canadian economy continues to recover from the deepest global recession since the 1930s. Real gross domestic product (GDP) in the second quarter of this year increased by 2.0 per cent, after posting gains of 5.8 per cent in the first quarter and 4.9 per cent in the fourth quarter of 2009. The economic recovery has been underpinned by Canada's Economic Action Plan as well as a strong recovery in private domestic activity. As a result of this strong performance, Canada has virtually recouped real economic activity lost over the recession, the only G7 country to do so. Canada's solid economic performance has also supported a recovery in the labour market, as all of the jobs lost during the recession have been recovered.

The priority of the Government is to complete the implementation of Canada's Economic Action Plan—a two-year C$62-billion plan (equivalent to about 2 per cent of GDP on average per year) to support economic growth and create and maintain jobs.

To maintain and preserve Canada's strong financial position, the Government is committed to return to budgetary balance over the medium term, consistent with the G20 commitment to halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. In Budget 2010, the Government set out a three point plan to bring Canada's finances back to balance over the medium term. First, it will end the temporary measures as scheduled in early 2011. Second, targeted measures to restrain the growth of direct program spending have been put in place. And finally, the Government is undertaking a comprehensive review of its administrative functions and overhead costs in order to secure further efficiencies and savings.

Irish Developments

Irish economic developments

Turning to the Irish situation, following two exceptionally difficult years it now appears that the economy will record some marginal increase in activity this year. The exporting sector is leading the way, in part a reflection of the substantial – and necessary – competitiveness adjustments that have occurred over a relatively short timeframe. An encouraging feature has been the broadening of the export base in recent quarters, which bodes well for the future.

Domestic demand, however, lags behind. Excess supply continues to weigh on residential investment and will continue to do so for some time. Household spending remains subdued, on the back of declining real incomes and weak confidence. Having said that, the latest labour market data point towards stabilisation.

Apart from supporting the banking sector, the most pressing issue is the need to ensure the public finances remain on a sustainable path. While revenue and expenditure plans for this year are in line with expectations, the underlying deficit – that is after excluding one-off issues related to the banking sector – will nevertheless be of the order of 11.9 per cent of GDP.[1] The Irish Government has recently reiterated its commitment to reducing the headline deficit to below 3 per cent of GDP by 2014, and will publish a four-year budgetary plan setting out the annual consolidation measures necessary to achieve this early next month. This is to be welcomed, as it will underpin confidence and credibility in the sustainability of the public finances in Ireland, and as such help support economic growth over the short and medium term.

Irish banking developments

The Irish Government has recently reiterated its strong commitment to restoring the Irish banking system to health. This involves a number of actions some of which have already been undertaken with more planned by the Irish Government. A Government guarantees of banks' liabilities has been extended to ensure the banks remain able to access the necessary liquidity. The Irish Government has worked to provide certainty on the final costs of repairing the banking system. The National Asset Management Agency provides a facility to ensure that the losses of participating institutions are recognised upfront and that the most impaired loans are removed from their balance sheets. Together with the capitalisation of the banks and the resolution and reorganisation of the most impaired institutions, this should allow the banking system to play its essential role in providing the finance required to underpin economic recovery and fiscal sustainability. In addition the Central Bank of Ireland has replaced the previous dual structured Central Bank and Financial Services Authority of Ireland. The new structure has a unitary board chaired by the Governor with a specific focus on prudential regulation, protecting consumers and maintaining the financial stability of the financial system.

Caribbean Developments

While the economic outlook has improved for members of my Caribbean constituency, medium-term growth is expected to be subdued and below the Western Hemisphere average. Meaningful strengthening is not expected until 2011, underpinned by only modest prospects for tourism and FDI inflows. There are considerable downside risks, mainly associated with lowered expectations for the primary trading partner, the United States, amid household sector deleveraging and weak employment trends. The impetus from Europe is also likely to be mild, as households adjust to fiscal austerity measures. The Caribbean region also expects greater challenges in attracting FDI inflows as global flows normalize at below pre-crisis levels. Caribbean authorities believe that structural reforms to improve the business environment can help to improve these prospects, as can effective and well targeted public sector investment programs. They acknowledge that reforms must occur within a framework of fiscal consolidation to reduce high debt burdens and to enhance the economies' resilience to future shocks. While three Caribbean countries have taken on IMF programs to guide the adjustment processes, the region's engagement with the Fund has more generally intensified through the Fund's heightened surveillance activities and the increased technical assistance being provided, particularly through the focused work of the Caribbean Regional Technical Assistance Centre (CARTAC).

Enhancing financial sector resilience and stability is a top priority for the Caribbean. The authorities are intensifying their efforts to strengthen and consolidate the supervision of non-bank institutions, and to fortify bank balance sheets against weakened credit quality and strained liquidity conditions. Cooperation among supervisors and regulators is also advancing more vigorously, given the increasing regional connectedness of the financial system--underscored by the need for a speedy resolution to failed insurance sector operations, which spanned multiple jurisdictions. Many Caribbean authorities are also strengthening their international cooperation mechanisms, having concluded a significant number of Tax Information

[1] According to Ireland's Budget 2011 published in December 2010, Ireland's budget deficit for 2010 was estimated to be 11.6 per cent. See http://www.budget.gov.ie/Budgets/2011/Documents/Economic%20and%20Fiscal%20Outlook.pdf.

Exchange Agreements (TIEAs) to improve their standing with the OECD. They continue to urge however, that global initiatives to promote transparency and financial stability do not impinge upon the ability of legitimate jurisdictions to benefit from the provision of international financial services.

IMF Reform

Since the onset of the crisis, a range of surveillance and lending reforms have been put in place. These reforms have added to the Fund's existing tools for safeguarding the stability of the international monetary system. The challenge now is to utilize these reforms to assess the risks to global financial and economic stability arising from unsustainable global imbalances and possible financial sector vulnerabilities. Reforms to IMF surveillance and the scope of IMF lending can help to prevent future crises. In addition, complementary reforms to the Fund's governance structure are required to ensure that these tools are used appropriately.

Surveillance

We are encouraged by recent efforts to enhance the quality and substance of Fund surveillance. Last year's introduction of the Early Warning Exercise and revamping of the Financial Sector Assessment Program (FSAP) should help facilitate the identification of vulnerabilities stemming from the financial sector and global imbalances in a timely fashion.

Future reforms to the substance of Fund surveillance should focus on further enhancing analysis, particularly through more extensive examination and clarification of the risks arising from global imbalances. Specifically, Fund analysis of cross-country spill-over effects; the impacts of precautionary reserves accumulation; financial sector vulnerabilities; and international capital flows, will be critical. Existing bilateral and multilateral surveillance products should be relied upon as much as possible so as to stream-line analysis. The IMF Statement of Surveillance Priorities (SSP) in particular can guide Fund surveillance and be a vehicle for Governors to set strategic surveillance priorities and promote accountability.

Lending Instruments and Fund Resources

Recent reforms have dramatically altered the Fund's lending toolkit and substantially strengthened the provision of global financial safety nets, providing a range of options for countries seeking financial assistance. In addressing the liquidity concerns and balance of payments problems resulting from, and laid bare by, the global economic crisis, the IMF substantially expanded its available resources and introduced new and improved lending instruments. The New Arrangements to Borrow (NAB) was increased to US$500 billion, there was a US$250 billion general Special Drawing Rights (SDR) allocation, and the Flexible Credit Line (FCL) was introduced. More recently, the Fund has reformed the FCL and created a new Precautionary Credit Line (PCL).

These reforms represent significant change. Before undertaking further significant changes, we need to ensure that the proper governance structures are in place to maintain accountability and due oversight for IMF programs. Much of the financial sector reform effort of the G20 is aimed at reducing incentives to take undue risk. We must work to ensure this is also the case at the country level.

Similarly, a further increase in quota resources will be necessary in order to realign relative quota shares as part of current quota review, but the size of the aggregate increase should reflect the need to restore the adequacy of IMF resources without expanding overall Fund resources so far as to spur excessive risk-taking. To this end, a substantial increase in aggregate IMF quota should be offset by a scaling back of NAB resources, in line with the membership's calls to maintain the Fund's status as a quota-based institution.

Voice and Representation

One of the main elements of IMF reform centers on efforts to enhance the legitimacy of the institution by ensuring that all members are properly represented. The current quota review, together with possible reforms to the structure of the IMF Executive Board, will be instrumental towards a more proper alignment of member countries' voice and representation with their global economic weight, while protecting the voting power of the Fund's poorest members.

Securing a new quota deal that meets the Pittsburgh commitments will require a significant element of compromise and pragmatism. As a first step, it should remain a priority for those members that have not already done so to ratify the 2008 quota agreement. Implementation of this agreement will increase the voice and representation of emerging markets and developing countries (EMDCs) through the increase in quota, the increase in basic votes, and the introduction of second alternate Executive Directors for large multi-country constituencies.

Quotas constitute the bulk of overall voting power at the Fund. They also represent the financial obligation of each member and have a bearing on access to Fund financing. With such heavy responsibilities, it is essential that quotas properly reflect global economic weight, and align incentives in a manner that promotes fundamentally sound economic policies that are consistent with strong, sustainable, and balanced global growth.

In addition to quota reform, implementing changes to the landscape of the IMF Executive Board is another way of enhancing the Fund's role in the global economy. In particular, it is clear that the voice and representation of (EMDCs) at the Executive Board needs to increase. We must do our best to ensure that the IMF membership is most appropriately represented at the table.

Corporate Governance Reforms

A number of other governance reforms can help enhance the effectiveness, credibility, and legitimacy of the IMF. Firstly, since ministers and governors play a primary role in establishing the strategic direction of the Fund, pursuing options for increasing Ministerial engagement with Fund issues will be essential. Second, a clarification of the roles and responsibilities of the various bodies in the IMF governance structure should be undertaken to enhance the accountability of the Executive Board and Fund management.

We also reaffirm our desire to see an open, transparent and merit-based management selection process introduced at the Fund whereby senior management is selected regardless of candidate nationality. Done in step with quota and Executive Board reform, this will go a long way towards effectively enhancing Fund legitimacy.

Annex 4

Canadian Statements at the Development Committee of the Boards of Governors of the World Bank and IMF, 2010

The Honourable Jim Flaherty, Minister of Finance for Canada

on behalf of Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines

Washington, DC
April 25, 2010

Over the past few years, the World Bank has been on the front lines responding to the global financial and economic crisis. This crisis has precipitated exceptional international collaboration, including joint efforts by the Group of Twenty (G20) and other multilateral financial institutions. This experience underscored the need for these multilateral institutions, including the World Bank, to continue to advance critical reforms to ensure they remain effective and responsive. Ongoing governance and operational improvements have positioned the World Bank well to respond to future global turbulence. However, significant challenges still lay ahead and much remains to be done. Continuing to support countries as they deal with the aftermath of the financial crisis, getting back on track as we head toward the critical final years of implementing the Millennium Development Goals, and developing a global response to climate change are just a few of the challenges that the Bank now faces.

Today's meeting of the Development Committee is an especially important one. Decisions taken today will shape the future of the World Bank Group, and put it on a course to meet these important challenges.

We must make the improvements necessary to ensure that the World Bank becomes an even more focused, effective and responsive institution. We must modernize voice and participation within the Bank, rebalancing its governance structure to better reflect the views of all shareholders. And we must enhance the effectiveness of these significant reforms by strengthening the Bank's financial capacity, including new capital for the International Bank for Reconstruction and Development (IBRD).

The financial replenishment for the World Bank's International Development Association (IDA) will be finalized later this year, and will represent a renewed commitment to helping those countries with the highest levels of poverty. This replenishment presents a great opportunity for Canada and other shareholders to strengthen the Bank's policies and practices in such areas as crisis response and fragile states, where performance has been mixed.

Creating a Focused, Effective and Responsive Institution

The financial crisis has left a legacy of global economic slowdown and weakened financial markets. It has also left fiscal challenges in many countries. A growing global economy is the surest path to prosperity for all members of the international community. That is why we have been working hard to reach agreement within the G20 on policy actions necessary to meet our shared objectives of strong, sustainable and balanced growth.

Yet, as we have seen, the poorest countries are still suffering the consequences of the global recession with decreased capital flows, remittances and income from tourism. As a result of these factors, the number of people living in poverty is projected to rise this year. As a result, an effective and responsive Bank meeting the needs of the poor is required now more than ever.

The World Bank has put considerable effort into a strategy to reposition itself for a world emerging from financial crisis. I am encouraged by elements of the strategy that emphasize the highest value interventions: targeting the poor and the vulnerable; creating opportunities for growth; providing cooperative models; strengthening governance; and preparing for the inevitable crises of the future. As important as the strategy itself is a plan for implementation that includes benchmarks with which we can track progress and review performance over time.

I would also like to commend the Board's work on strengthening its governance and oversight role, and in many ways has acted as a catalyst for many of the operational reforms. Last April's review of internal governance by Executive Directors led to an ambitious work program for the Committee on Governance and Executive Directors' Administrative Matters, and many of the recommendations are either completed or in progress. This suite of reforms to internal governance structures and the accountability framework has been designed to improve the efficiency and effectiveness of the World Bank Group and strengthen its standing and trust as a global development institution.

Many of the reforms are interdependent and mutually reinforcing, and successful implementation will result in an organization which is closely aligned with the vision and objectives of a proactive and responsive World Bank. Success in the eyes of poor countries will also mean timelier project approvals, streamlined disbursements, and a clear understanding of the results that are achieved from shareholders' investments.

The World Bank will also need to determine how it can be most effective by working collaboratively with other multilateral institutions, each according to its own strengths. Over time, this will result in the World Bank increasing its efforts in particular areas, and decreasing its efforts in others.

One area in which the Bank should continue its focus is on reducing global poverty, including remaining steadfast in the fight against hunger. Last Thursday, I had the pleasure of attending the launch for the new Global Agriculture and Food Security Program (GAFSP), a multilateral trust fund focused on scaling up sustainable agricultural and food security assistance to low-income countries. We see the GAFSP as an effective means of improving food security through sustainable agricultural development, and Canada is proud to be among the first contributors to the program with a contribution of $230 million. We hope that other donors will participate in this important initiative.

The work done by the World Bank through IDA is another good example of how it strives to maintain its focus on the world's poorest. For instance, IDA provided US$39 million in further debt relief to Haiti as a response to this year's earthquake. Also, important improvements to the Multilateral Debt Relief Initiative of the Bank have been agreed to amongst donors as part of the IDA replenishment discussions currently taking place. Going forward, we would like the World Bank to (i) review both the length and volume of its engagement in fragile states; (ii) establish clear triggers and objectives for a permanent Crisis Response Window; and, (iii) simplify and strengthen its financial instruments to benefit borrowers most in need of its assistance.

Modernizing Voice and Participation

A more effective and responsive World Bank must reflect the present realities of the international community. As such, the Bank's voice and participation reform is another critical part of strengthening the Bank for the future, and we are committed to reaching an agreement at this meeting. It is already significant that the membership has agreed to develop a Bank-specific formula for shareholding for the first time, and with shareholding reviewed regularly, this should give us a basis for a proper evolution of voice and voting power over time.

We give our full support to the agreement reached in Istanbul for an immediate shift of at least an additional 3 per cent to developing and transition countries, on top of the 1.47 per cent already agreed through the first phase of reforms, with contributions from over-represented countries, and protection for the smallest poor countries.

In choosing a formula that reflects this agreement, it is important that we make sure it remains grounded in sound principles and can serve as a sensible foundation for shareholding into the future.

Strengthening the World Bank's Financial Capacity

The World Bank, through IBRD, played a critical role in supporting its client countries through the recent global financial and economic crisis. It responded swiftly and significantly, including a tripling of its lending levels to compensate for a tightening of credit from other sources. We recognize that this effort has resulted in a reduction of resources for the future. In recognition of this effort, and the implementation of the reforms already noted, we support increasing IBRD's capitalization to ensure that it has enough capacity to continue lending at its pre-crisis level.

We all have a shared responsibility to support this increase in capitalization. It is critical that members release capital previously contributed to IBRD in an unusable form. And, recognizing the important role that loan pricing plays in long-term financial sustainability, we look forward to a comprehensive review of IBRD loan pricing during the annual review process.

We have confidence providing significant financial support to IBRD because we know that this contribution provides important support for middle-income countries, as well as low-income countries, including through IBRD's net income transfers to IDA. We look forward to the development of a rules-based framework to ensure continued transfers to IDA, in line with IBRD's financial ability.

The World Bank's International Finance Corporation (IFC) plays an important role as the largest provider of multilateral finance to the private sector in developing countries. Canada is pleased to have partnered with this institution on a number of occasions recently, including through the Global Trade Liquidity Program. IFC's growth rate remains impressive. We are open to it seeking resources for continued growth through a Specific Capital Increase, voluntary hybrid capital and earnings retention. Similar to IBRD, it remains important that IFC continue to support the development of low-income countries through IDA, using a rules-based framework that recognizes IFC's financial capacity and triggers transfers of its net income as appropriate.

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The crisis has galvanized unprecedented international cooperation and has underscored the need to modernize and strengthen multilateral institutions to reflect the present reality. It requires institutions that are responsive to client needs, accountable and that can give voice to the voiceless. The World Bank has been a leader, unleashing a vigorous response to the global financial and economic crisis. Now, we must work together to build on this momentum, taking the decisions necessary to create a World Bank that is well structured, well capitalized and ready to take on the challenges of today and tomorrow.

Washington, DC
October 9, 2010

We believe that international financial institutions provide an important vehicle through which member countries put international cooperation into practice. The World Bank continues to be on the front lines of the effort against the global financial and economic crisis. Sustained cooperative effort has produced results: the global economy is stabilizing and is now in recovery mode because of the extraordinary and coordinated actions that governments and international financial institutions, including the World Bank, have taken to protect against the economic shocks that we have experienced.

Canada has weathered the crisis well. Our experience now provides an example to others as they take the bold steps necessary to strengthen public finances and financial systems. These countries are now turning the corner towards economic recovery. The global recovery continues to be fragile, however, and we must recognize the benefits of coordination and cooperation, and continue down this path.

We must also recognize that some regions, including the Caribbean, continue to grapple with the negative impact of the global crisis. We must work to ensure that recovery is balanced and shared by developed and developing nations alike. When they met in Toronto earlier this year, Group of Twenty (G-20) Leaders committed to create the conditions necessary to achieve strong, sustainable and balanced growth.

There are still other regions that have had the misfortune this year of having crisis compounded upon crisis. Natural disasters afflicting the people of Haiti and Pakistan continue to occupy our minds and our efforts. We wish to express our gratitude to the World Bank for its timely and well-planned interventions to assist with reconstruction efforts, and recognize that, while much work has been done, it will be many years and much more effort before lives are returned to anything approaching normality in these countries.

Focusing on the Millennium Development Goals (MDGs)

As Prime Minister Stephen Harper noted in his address to the United Nations last month, Canada has clearly demonstrated its resolve to achieve the MDGs. We have already doubled our aid to Africa. We are on track to double our international assistance, to a total of $5 billion this year. We untied our food aid in 2008 and will untie all of our aid by 2012–13. At this year's G-8 Leaders Summit, Canada championed—and Leaders agreed to enact—the Muskoka Initiative on Maternal, Newborn and Child Health, which will do much to accelerate progress on MDGs 4 and 5 through cost-effective interventions in areas where the least progress has been made to date. Canada has committed $2.85 billion over the next five years towards maternal, newborn and child health.

Hunger is one of the major constraints to accelerating progress across all the MDGs. We would like to acknowledge the leadership of Ireland in highlighting the central importance of eradicating hunger, given its own history of famine and its long-standing role as advocate for the millions of people who suffer its terrible effects.

Another impediment to progress on the MDGs is corruption in the natural resources and extractive industries sectors. These sectors play an increasingly important role in the economies of developing countries and without good governance and institutions, they run the risk of fuelling corruption and conflict. We support the efforts the World Bank Group to prevent and curb illegal activities and corruption in these industries. We welcome recent initiatives of the international community to improve due diligence and create supply chains that do not support trade in conflict minerals. We urge candidate countries to the Extractive Industries Transparency Initiative to complete the implementation process as a mechanism to enhance governance and accountability in the extractive sector.

The recent financial and economic crisis has reinforced our resolve to tackle global issues in a coordinated fashion. On October 8, 2010, I chaired a meeting of the Commonwealth Finance Ministers in Washington. This group of 54 nations, including many of the member states of our constituency at the World Bank, shares a common heritage and desire to cooperate within a framework of common values and goals. At our meeting, we resolved to strengthen this spirit of cooperation by improving collaboration between the Commonwealth and the G-20. This strong spirit of global cooperation gives me confidence that we can continue on the path towards strong, sustainable and balanced growth that benefits even the poorest of our global citizens.

A More Efficient, Effective and Accountable Bank

Over the course of the global financial and economic crisis, the World Bank Group has been instrumental in the re-establishment of global stability by delivering on record levels of lending to compensate for diminished levels of private sector capital. Shareholders of the Bank have supported this response through recapitalization, ensuring that the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) together have a sufficient capital base to increase annual lending from pre-crisis levels by over 80 per cent, to US$32 billion.

When the global community agreed to this program of recapitalization at the Spring Meetings in April 2010 and at the G-20 Leaders Summit in Toronto, we required the World Bank to implement reforms that would usher in renewed confidence in the development results attained from our recapitalization investments. We must now ensure that these reforms are implemented in a way that builds confidence in the global financial infrastructure, including the World Bank, and the resiliency of the countries that the World Bank supports.

Management must continue to press towards efficiency, effectiveness, legitimacy and accountability of the World Bank Group and ensure it remains client-focused.

This year, the World Bank has made changes to the Annual Meetings that will result in enhanced accountability and shareholder stewardship. This is in response to our requests, as Governors, to strengthen accountability and oversight and demonstrates that the new governance culture is gaining momentum.

Beginning with the elections that concluded yesterday, we will have a third chair for Africa at the Board of Directors. This important development captures the essence of the discussions on balanced and equitable representation in the governance of this institution.

Durable reform is a gradual process that takes time, and one on which we must remain focused. The Board of Directors is advancing a challenging agenda to strengthen the internal governance architecture of the World Bank. We look forward to seeing measurable and concrete results as this reform agenda advances, including receiving a breadth of well-formulated and actionable options from the Working Groups on President Selection and Dual Evaluation of the Board and Management in advance of our next meeting in spring 2011.

Our Commitment to the Global Community

As the Bank makes progress on its commitment to improve its own efficiency, effectiveness and accountability, we also bear responsibility as shareholders and donors to continue to do our part. This responsibility extends beyond providing financial support as required, and includes a continual push for measurable results.

Our commitment to results includes encouraging greater involvement and innovation from the private sector in international development as a critical engine of growth and poverty reduction. Canada is pleased to partner with the World Bank Group on a number of initiatives designed to leverage private sector investment for development:

- Helping fill a crucial gap in private sector financing to sustainable agriculture in low-income countries by being the first participant in the Private Sector Window of the Global Agriculture and Food Security Program, with a $50-million contribution;
- Supporting small and medium-sized businesses in all sectors to have critical access to financing needed to expand their businesses and create jobs through Canada's leadership investment of $20 million into the scale-up of winners of the G-20 SME Finance Challenge;
- Helping to build private sector capacity to address climate change through a landmark investment of $285 million in concessional financing for clean energy projects, and $5 million to build financial technical expertise for these investments; and
- Harnessing the creativity and resources of the private sector in achieving breakthrough innovations in food security and agricultural development in poor countries through advance market commitments.

The IFC plays an important role in supporting private sector development. We must continually ensure that the growth of these taxpayer-subsidized institutions does not crowd out a return of private sector investment in emerging markets. The IFC should continue its push into low-income countries and frontier markets: places where growth is constrained by an abundance of risk and an undersupply of private capital. With the IFC's anticipated growth over the coming decade will come additional net income that should be used, in part, to further bolster the financial capacity of the International Development Association (IDA) without jeopardizing the long-run financial stability of the IFC.

The World Bank's Multilateral Investment Guarantee Agency (MIGA) has adopted changes to its convention to provide greater flexibility and scope to do more business and generate greater development impact—changes that will be instrumental in ensuring the agency's relevance going forward. MIGA's political risk insurance products are important for promoting foreign direct investment into developing countries.

We will support an ambitious replenishment of IDA this fall. As in past replenishment cycles, Canada and Ireland are prepared to provide a meaningful level of assistance to those low-income countries around the world that have had to work additionally hard to protect their vulnerable populations and continue to face significant hardship as a result of the global economic crisis. This replenishment, like capital increases at the IBRD, must be matched with a rigorous focus on results.

We support IDA's efforts to recover funds from countries that no longer require the preferential rates that IDA offers, so that IDA credits can be redirected towards their most efficient and effective use: the low-income countries that IDA targets.

Already we have reached agreement to make important changes that recognize the unique challenges faced by fragile, post-conflict and small states, which will result in greater investment in these categories of countries. It is becoming increasingly clear, as well, that a key prerequisite to sustained development is good governance and strong institutions that protect and promote human rights and facilitate desired development outcomes.

Also under discussion is the creation of a Crisis Response Window. We can all recognize the importance of creating institutional capacity to respond to future crises, but this must be done in a pragmatic way, with clear criteria and parameters, ensuring that donors can have confidence that important development assistance is being put to effective use.

We can point to several development success stories: countries that have experienced sustainable growth and are now transitioning from recipient to contributor in a way that was unknown 20 years ago. Accepting responsibility for international obligations is an outcome that is to be celebrated where it has occurred, and encouraged where it has yet to occur. Our continual and ongoing efforts to achieve strong, sustainable and balanced growth are what mark the global cooperation that has been strengthened over the past two years.

Annex 5

Communiqués of the International Monetary and Financial Committee of the Board of Governors of the IMF, 2010

Washington, DC
April 24, 2010

Communiqué of the Twenty-First Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

Chaired by Dr. Youssef Boutros-Ghali, Minister of Finance of Egypt on April 24, 2010

1. *Global economy*. Signs of a strengthening economic recovery are encouraging but many challenges remain that need to be tackled collaboratively. We will continue to work to phase in country-specific exits from stimulus, recognizing the diverse pace of recovery and potential spillovers across countries and regions. We remain firmly committed to implementing policies that are collectively consistent with our goals for a balanced and stable global economy, renewed job creation, and price stability, and to avoiding protectionism in all its forms. We are strongly committed to ensuring sustainable public finances and addressing sovereign debt risks. We call on the Fund to continue strengthening its monitoring of global economic and financial developments and providing policy advice. We welcome the Fund's support of the G-20 Mutual Assessment Process, which should help guide members toward strong, sustainable, and balanced growth.

2. *Financial sector*. Problems in the financial sector were at the heart of the recent crisis. Strengthening financial regulation, supervision, and resilience remains a critical but as yet incomplete task. We agree to redouble efforts to forge a collaborative and consistent approach for a stable global financial system that can support the economic recovery. We look forward to the report on progress and priorities on these issues. We look forward to the completion of reviews under the Financial Sector Assessment Program of countries with systemically important financial systems. We support continued efforts to map systemic risks and transmission channels, and look forward to a report on addressing data gaps; we also support exploring a possible voluntary financial data dissemination standard based on broad consultation, while respecting country circumstances. We look forward to discussing the work by the Fund on a range of options on how the financial sector can make a fair and substantial contribution to cover the burden of extraordinary government support, while reducing excessive risk-taking, helping to promote a level playing field, and respecting country circumstances.

3. *Low-income countries*. We welcome the recovery in many low-income countries, reflecting their improved macroeconomic frameworks, effective policy responses, and the support of the international community. We thank members that have committed additional loan and subsidy resources for concessional lending, and call on other donors to contribute. We welcome the recent adoption of the framework for facilitating mobilization of loan resources for concessional lending to low-income countries. We look forward to consideration by the Fund of proposals for providing exceptional debt relief to countries hit by catastrophic disasters and, in that context, to joining international efforts to relieve Haiti's debt.

4. IMF reform. We commit to accelerate our work to improve the Fund's legitimacy, credibility, and effectiveness through quota and governance reforms and modernizing its surveillance and financing mandates.

- *Quotas and other governance reforms.* We urge all members to promptly consent to the 2008 quota and voice reform. We pledge to complete the quota review before January 2011 in line with the parameters agreed in Istanbul and in parallel deliver on other governance reforms. We take note of the Board's progress report on quota and governance issues, and intend to remain deeply engaged in these matters. We will take up these issues at the Annual Meetings, and in preparation for this, we call for an acceleration of the substantial work still needed on the full range of quota and other governance reforms, including management selection, ministerial engagement, Board composition and size, voting majorities, and staff diversity. We welcome the agreement on the New Arrangements to Borrow. We look forward to full implementation of the new income model, welcome the initiation of the gold sales by the Fund, and urge all members to promptly consent to the 2008 reform to expand the Fund's investment authority.
- *Mandate*. We commend the Fund's intensive efforts in responding to members' needs in dealing with the fallout from this crisis. The crisis has underlined the importance of strengthening the analysis of systemic risks and linkages, of avoiding moral hazard, and of responding to such crises as appropriate with adequate quota and other resources, and well-tailored facilities with adequate safeguards. In this regard, we welcome the important work on the Fund's mandate and responsibilities over surveillance, lending, and the stability of the international monetary and financial system. We urge full and open debate aimed at enhancing the Fund's effectiveness in these areas, including critically on ways to improve the focus and traction of surveillance, crisis prevention, and options to improve the global financial safety net based on sound incentives. We call on the Fund to study the policy options to promote long-term stability and the proper functioning of the international monetary system. In the meantime, we call on the Fund to strengthen surveillance further, including by sharpening its focus on macro-financial issues, capital flows, and systemic risks and spillovers. We call on members to fulfill their obligations under Article IV of the Articles of Agreement. We look forward to reviewing concrete progress on these issues at our next meeting.

5. Next IMFC meeting. Our next meeting will be on October 9, 2010 in Washington, D.C.

Washington, DC
October 9, 2010

Communiqué of the Twenty-Second Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

Chaired by Dr. Youssef Boutros-Ghali, Minister of Finance of Egypt, on October 9, 2010

Global economy. Economic recovery is proceeding, but remains fragile and uneven across the membership. Faced with this source of potential stress, we underscore our strong commitment to continue working collaboratively to secure strong, sustainable, and balanced growth and to refrain from policy actions that would detract from this shared goal. Our priorities are to address remaining financial sector fragilities; ensure strong growth in private sector demand and job creation; secure sound public finances and debt sustainability; work toward a more balanced pattern of global growth, recognizing the responsibilities of surplus and deficit countries; and address the challenges of large and volatile capital movements, which can be disruptive. The rejection of protectionism in all its forms must remain a key element of our coordinated response to the crisis; renewed efforts are urgently needed to bring the Doha Round to a successful conclusion.

Financial sector reform. We welcome the recent Basel agreement on a substantial improvement in the quality and quantity of bank capital together with the introduction of a global liquidity standard and a leverage ratio. We look forward to full, timely, and consistent implementation across jurisdictions, which will improve financial sector resilience. Further action is needed to enhance regulation, supervision, cross-border resolution, and macro-prudential surveillance. Progress is also needed to strengthen balance sheets and market infrastructure, and to reduce risks from systemically important financial institutions and moral hazard, while ensuring a level playing field. We call on the Fund to contribute to this important agenda in collaboration with relevant bodies. We welcome the IMF-FSB progress report on data gaps and encourage further efforts to follow up on its recommendations.

Low-income countries (LICs). The resilience and rapid recovery of many LICs is a positive development. The significant reforms undertaken by these countries in recent years have cushioned their economies during the crisis. Rebuilding policy space is a priority, along with strengthening the capacity to invest efficiently and borrow sustainably in order to meet their growth and development needs. We welcome members' contributions for concessional lending and call for further such support, including from new contributors. The international community needs to redouble its efforts to achieve the MDGs by 2015, including by meeting aid commitments.

IMF reform. We welcome the extensive and ongoing work by the Fund on the review of its governance and mandate that we had called for. The Fund has responded well in adapting to the membership's needs during the crisis. Further action is urgently needed to reinforce the institution's role and effectiveness as a global body for macro-financial surveillance and policy collaboration.

- *Quota and governance reforms*. We reemphasize that quota and governance reforms are critical to institutional legitimacy and effectiveness. The Fund is and should remain a quota-based institution. We urge members who have not consented to the 2008 quota and voice reform to do so promptly. We have made progress toward finding common ground on the core reform areas, and we are working actively to resolve outstanding issues. These issues relate to the size of the quota increase and the quota shift, in line with our October 2009 Istanbul communiqué; enhanced voice and representation of emerging markets and developing countries at the IMF's Executive Board; modalities for protecting the voting share of the poorest members; enhanced ministerial engagement and strategic oversight; and an open, transparent, and merit-based process for selecting the heads of the IMF and other IFIs. We call for progress in Board and management accountability, Board effectiveness, and staff diversity. Given the urgency of these issues, we call on the Managing Director to report to the IMFC on progress on quota and governance reforms by the end of October.
- *Surveillance mandate.* Fund bilateral and multilateral surveillance must be further strengthened, drawing lessons from the crisis. Stronger and evenhanded surveillance to uncover vulnerabilities in large advanced economies is a priority. Surveillance should also be better focused on financial stability issues and their macroeconomic linkages, and more attentive to cross-border spillovers. Synergies between surveillance tools should also be strengthened. We welcome the decision to make FSAP financial stability assessments mandatory for members with systemic financial sectors as part of surveillance. We call for the 2011 triennial review to consider the effectiveness of the Fund's framework for surveillance, including its rigor, candor, evenhandedness, focus on systemic issues, and ways to improve its traction. We call on members to fulfill their obligations under Article IV of the Articles of Agreement. We look forward to reviewing progress at our next meetings.

- *Financing mandate*. Having overhauled its lending facilities early in the crisis, we welcome recent decisions by the Executive Board to further strengthen the Fund's crisis prevention role by refining the Flexible Credit Line and establishing the Precautionary Credit Line. These are important initiatives that should now be assessed over time. Also, we call on the Fund to continue its work on ways to improve its capacity to help members cope with systemic shocks, and to cooperate with other relevant bodies, in particular regional financial arrangements. We look forward to progress reports.
- *Mandate for international monetary stability*. While the international monetary system has proved resilient, tensions and vulnerabilities remain as a result of widening global imbalances, continued volatile capital flows, exchange rate movements, and issues related to the supply and accumulation of official reserves. Given that these issues are critically important for the effective operation of the global economy and the stability of the international monetary system, we call on the Fund to deepen its work in these areas, including in-depth studies to help increase the effectiveness of policies to manage capital flows. We look forward to reviewing further analysis and proposals over the next year.

Next IMFC meeting. Our next regular meeting will be held in Washington, D.C. on April 16, 2011. We call on our Deputies to prepare for our discussions in advance.

Annex 6

Communiqués of the Development Committee of the Boards of Governors of the World Bank and IMF, 2010

Washington, DC
April 25, 2010

Development Committee Communiqué

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

1. The Development Committee met today, April 25, 2010, in Washington DC.

2. As it emerges from the worst crisis in decades, the world economy faces an uncertain and uneven recovery. The crisis interrupted progress in reducing poverty and the impact will be long-lasting. With only five years to meet the Millennium Development Goals, we must intensify efforts to reach the poor wherever they are – in Middle Income Countries, Low Income Countries, and especially in Sub-Saharan Africa. We welcomed the World Bank Group (WBG)'s response to the crisis through new and creative approaches to help its clients, including IFC's innovative response, as well as the increase since the start of the crisis in the WBG's support to over $100 billion and the IMF's support to almost $175 billion.

3. The crisis response underscored the importance of international cooperation and effective multilateral institutions. With global mandates and memberships, the WBG and the IMF must play key roles in a modernized multilateralism.

4. We noted the ongoing discussion at the IMF on its current mandate and the review of its role in surveillance, lending, and the stability of the international monetary system.

5. We recognize the historic nature of the crisis and support the World Bank Group embarking on fundamental reforms and developing a post-crisis directions strategy. The WBG will be better equipped to address the development challenges of the 21st century and its overarching objective of overcoming poverty. These ongoing reforms will strengthen the efficiency, effectiveness and accountability of the World Bank Group. We are increasing its legitimacy through voice reform. We are rebuilding its financial capacity. This transformative agenda is set out in the *Synthesis Paper-New World, New World Bank Group*. Effective implementation will be critical and we look forward to reviewing progress at our future meetings. We look forward to Board proposals for strengthening corporate governance and accountability at the WBG at the 2010 Annual Meetings.

6. In line with our Istanbul commitments, we endorsed voice reform to increase the voting power of developing and transition countries (DTC) in IBRD by 3.13%, bringing it to 47.19%. This represents a total shift of 4.59 % to DTCs since 2008 (http://www.worldbank.org/voiceibrd). This 2010 realignment includes a selective capital increase of $27.8 billion with paid-in capital of $1.6 billion. The approach used for the 2010 shareholding realignment and its elements are the basis for the current selective capital increase only. For the next shareholding review in 2015, we committed to establish a work program and a roadmap to arrive at a benchmark for a dynamic formula reflecting the principles we agreed in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries. We reiterate the importance of an open, merit-based and transparent process for the selection of the President of the World Bank Group. We will also promote staff diversity to reflect better the global nature of the WBG.

7. As a first step in IFC voice reform, we endorsed an increase in basic votes and a selective capital increase of $200 million, representing a total shift of 6.07%, to bring DTC voting power to 39.48 % and move towards a broad and flexible alignment with IBRD shareholding (http://www.worldbank.org/voiceifc).

8. The WBG must remain financially strong. We endorsed a general capital increase for IBRD of $58.4 billion of which 6%, or $3.5 billion, would be paid in capital, as set out in the paper *Review of IBRD and IFC Financial Capacities*. We further endorsed related matters contained in that paper as well as in *Synthesis Paper-New World, New World Bank Group*, including a reform of loan maturity terms to be discussed at the integrated financial review in June 2010. We recognized the importance of the inclusive nature of the GCI and our ongoing commitment to IDA by enhancing the value of IDA transfers, in line with IBRD's financial capacity. We reiterated our support for a successful IDA-16 replenishment through fairer and wider burden-sharing. We also reconfirmed our commitment to ensuring that IFC has the resources necessary for its continued growth. We endorsed the package to enhance IFC's financial capacity, including consideration of a long-term hybrid instrument to shareholders, subject to the Board review of terms and conditions, and earnings retention.

9. We urged the Boards and WBG management to expedite the necessary procedures so the appropriate resolutions to implement the voice reform and capital packages are submitted to the IBRD and IFC Boards of Governors by end-June 2010.

10. We thank Kiyoshi Kodera for his services over the past four years as Secretary to the Development Committee. The Committee's next meeting is scheduled for October 10, 2010 in Washington, DC.

Washington, DC
October 9, 2010

Development Committee Communiqué

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

1. The Development Committee met today, October 9, 2010, in Washington DC.

2. Two years after the onset of the global financial crisis, actions by developed and developing countries, with strong support from multilateral financial institutions, have helped head off a catastrophic economic downturn. Economic resilience among many developing countries, reflecting sound policies in the years prior to the crisis, has underpinned the effectiveness of the global response, and is now contributing to the nascent global recovery.

3. Many developing countries have done well in maintaining growth and output and preserving core spending on health, education and infrastructure. Protecting vulnerable groups has proved a bigger challenge--especially in low-income countries--partly because of fiscal constraints and difficulties in scaling up effective social protection mechanisms.

4. Until 2008, developing countries had made significant, if uneven, progress to achieve the Millennium Development Goals (MDGs). The food, fuel and financial crises, however, have taken a heavy toll. We commit to intensify our efforts to achieve the MDGs by 2015, with a stronger focus on results.

5. We welcome the role played by the multilateral financial institutions in supporting countries' own responses to the crises. We note the exceptionally high levels of commitments and disbursements by the World Bank Group (WBG) and the International Monetary Fund (IMF) since the onset of the financial crisis. We call on the WBG and the IMF to continue identifying policies and instruments that could best assist in preventing and responding to future crises, reduce the risks to growth and increase prospects for a sustainable recovery.

6. The International Development Association (IDA) is one of the world's most important instruments for achieving the MDGs and improving the lives of millions of people. IDA contributes unique strengths to development policy and financing, which underlie its strong track record of delivering development results. In this context, we welcome the continued efforts to improve IDA's results measurement. We call for a strong sixteenth IDA replenishment, with fair and broader burden sharing among all donors and the WBG.

7. We stress the importance of the revival of world trade and investment in underpinning global economic recovery and growth. Therefore, we urge members to avoid all forms of protectionist measures. Developing economies will play an increasing role in global growth and trade. We reiterate our support for the WBG's continuous efforts in infrastructure, innovation and human capital investment. We would like to emphasize our support for further strengthening and mainstreaming of the WBG's work on gender. We also recognize the WBG's work in the area of climate change, including Climate Investment Funds. We encourage further collaboration with the United Nations Framework Convention on Climate Change.

8. Food security and nutrition will remain vital concerns for many developing countries. We look forward to strengthened efforts by the WBG, in coordination with other international institutions, to address issues of agricultural productivity, food security and challenges posed by agricultural commodity price volatility.

9. We encourage the continued implementation of the Post Crisis Directions framework that provides the WBG with strategic guidance to help the institution prioritize, make trade-offs and maximize its development impact. We acknowledge the work underway on results, including a corporate scorecard, on knowledge sharing and learning, and on decentralization. We expect the Board to monitor and report on all the agreed reforms to ensure their timely and effective implementation. We commend the WBG on opening access to data, tools and information. We welcome the continued efforts of the International Finance Corporation to contribute to stronger private sector development, including in IDA countries, and its efforts to mobilize additional resources, such as through the Asset Management Company.

10. We welcome the third Sub-Saharan Africa Chair at the WBG. We stress the importance of timely implementation of the remaining proposals on voice reform and on strengthening the WBG's financial capacity that we endorsed last spring.

11. We note the progress made on the governance and accountability of the WBG, and look forward to proposals from the Board, including work underway on presidential selection and dual performance, at our next meeting. We reiterate the importance of an open, merit-based and transparent process for the selection of the President of the WBG. We also reiterate the importance of promoting staff diversity to reflect better the global nature of the WBG.

12. The Committee's next meeting is scheduled for April 17, 2011 in Washington, DC.

Annex 7

Operational Highlights and Key Financial Indicators of the IMF for Fiscal Year 2010

The flow of IMF disbursements (purchases) exceeded the flow of repayments (repurchases) in FY2010, continuing the trend of FY2009, when disbursements outstripped repayments for the first time since FY2004. FY2010 saw an increase in purchases and a large decrease in repurchases.

IMF Resource Flows as of April 30

	FY2009	FY2010
	(millions of SDRs)	
Purchases	16,363	21,087
Extended Credit Facility (ECF)[1] loans	719	1,402
Total disbursements	17,082	22,489
Repurchases	1,833	275
ECF repayments	468	489
Total repurchases and repayments	2,301	764

Note: Numbers may not add due to rounding.

1 Formerly PRGF.

The IMF's outstanding credit continued to grow in FY2010, increasing significantly from FY2009, primarily due to increases in purchases (use by members) of Stand-By Arrangements.

Outstanding Credit by Facility and Policy as of April 30

	FY2009	FY2010
	(millions of SDRs)	
Stand-By Arrangements	19,925	40,752
Extended Fund Facility	468	453
Supplemental Reserve Facility	–	–
Compensatory and Contingency Financing Facility	33	33
Systemic Transformation Facility	–	–
Subtotal, General Resources Account	20,426	41,238
Structural Adjustment Facility Arrangements	9	9
Extended Credit Facility/Exogenous Shocks Facility (ESF) Arrangements[1]	4,124	5,037
Trust Fund	66	66
Total	24,625	46,350

Note: Numbers may not add due to rounding.

1 Formerly PRGF-ESF Arrangements.

Annex 8

Active IMF Lending Arrangements as of December 31, 2010

Please see the IMF 2010 Annual Report for detailed data regarding the policies and finances of the IMF. All data referenced in this annex can be found in the appendices of the IMF 2010 Annual Report.

IMF Lending Arrangements as of December 31, 2010

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
			(thousands of SDRs)	
Stand-By Arrangements				
Angola	November 23, 2009	February 22, 2012	858,900	286,300
Antigua and Barbuda	June 7, 2010	June 6, 2013	81,000	60,750
Bosnia and Herzegovina	July 8, 2009	June 30, 2012	1,014,600	676,400
Dominican Republic	November 9, 2009	March 8, 2012	1,094,500	547,250
El Salvador	March 17, 2010	March 16, 2013	513,900	513,900
Georgia	September 15, 2008	June 14, 2011	747,100	170,000
Greece	May 9, 2010	May 8, 2013	26,432,900	17,301,600
Honduras	October 1, 2010	March 31, 2012	64,750	0
Iceland	November 19, 2008	August 31, 2011	1,400,000	525,000
Iraq	February 24, 2010	February 23, 2012	2,376,800	1,604,340
Jamaica	February 4, 2010	May 3, 2012	820,500	310,600
Kosovo	July 21, 2010	January 20, 2012	92,656	73,896
Latvia, Republic of	December 23, 2008	December 22, 2011	1,521,626	539,386
Maldives	December 4, 2009	December 3, 2012	49,200	41,000
Pakistan	November 24, 2008	September 30, 2011	7,235,900	2,299,865
Romania	May 4, 2009	May 3, 2011	11,443,000	1,643,000
Serbia, Republic of	January 16, 2009	April 15, 2011	2,619,120	1,298,078
Sri Lanka	July 24, 2009	July 23, 2012	1,653,600	826,800
Ukraine	July 28, 2010	December 27, 2012	10,000,000	7,750,000
Total			70,020,052	36,468,165
Extended Fund Facility				
Armenia, Republic of	June 28, 2010	June 27, 2013	133,400	98,400
Ireland	December 16, 2010	December 15, 2013	19,465,800	19,465,800
Moldova, Republic of	January 29, 2010	January 28, 2013	184,800	144,800
Seychelles	December 23, 2009	December 22, 2012	19,800	10,560
Total			19,803,800	19,719,560

IMF Lending Arrangements as of December 31, 2010 *(cont'd)*

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
			(thousands of SDRs)	
Flexible Credit Line				
Colombia	May 7, 2010	May 6, 2011	2,322,000	2,322,000
Mexico	March 25, 2010	March 24, 2011	31,528,000	31,528,000
Poland, Republic of	July 2, 2010	July 1, 2011	13,690,000	13,690,000
Total			47,540,000	47,540,000
Poverty Reduction and Growth Trust				
Extended Credit Facility[1]				
Armenia, Republic of	June 28, 2010	June 27, 2013	133,400	96,000
Benin	June 14, 2010	June 13, 2013	74,280	63,660
Burkina Faso	June 14, 2010	June 13, 2013	46,154	32,250
Burundi	July 7, 2008	July 6, 2011	46,200	13,200
Comoros	September 21, 2009	September 20, 2012	13,573	7,788
Congo, Democratic Republic of	December 11, 2009	December 10, 2012	346,450	247,464
Congo, Republic of	December 8, 2008	December 7, 2011	8,460	3,626
Côte d'Ivoire	March 27, 2009	March 26, 2012	373,980	143,088
Djibouti	September 17, 2008	September 16, 2011	12,720	7,380
Gambia, The	February 21, 2007	February 20, 2011	24,880	4,665
Ghana	July 15, 2009	July 14, 2012	387,450	238,300
Grenada	April 18, 2010	April 17, 2013	8,775	6,250
Guinea-Bissau	May 7, 2010	May 6, 2013	22,365	12,070
Haiti	July 21, 2010	July 20, 2013	40,950	32,760
Lesotho	June 2, 2010	June 1, 2013	41,880	34,080
Liberia	March 14, 2008	March 13, 2011	239,020	4,440
Malawi	February 19, 2010	February 18, 2013	52,050	38,170
Mali	May 28, 2008	May 27, 2011	27,990	4,000
Mauritania	March 15, 2010	March 14, 2013	77,280	55,200
Moldova, Republic of	January 29, 2010	January 28, 2013	184,800	104,800
Nicaragua	October 5, 2007	December 4, 2011	78,000	11,100
Niger	June 2, 2008	June 1, 2011	23,030	9,870
São Tomé and Principe	March 2, 2009	March 1, 2012	2,590	1,850
Sierra Leone	July 1, 2010	June 30, 2013	31,110	22,230
Tajikistan, Republic of	April 21, 2009	April 20, 2012	104,400	39,135
Togo	April 21, 2008	August 31, 2011	95,410	8,800
Yemen, Republic of	July 30, 2010	July 29, 2013	243,500	208,710
Zambia	June 4, 2008	June 3, 2011	220,095	18,395
Total			2,960,792	1,469,281

IMF Lending Arrangements as of December 31, 2010 *(cont'd)*

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
			(In Thousands of SDRs)	
Exogenous Shocks Facility				
Maldives	December 4, 2009	December 3, 2011	8,200	6,150
Total			8,200	6,150
Standby Credit Facility				
Honduras	October 1, 2010	March 31, 2012	64,750	64,750
Soloman Islands	June 2, 2010	December 1, 2011	12,480	6,240
Total			77,230	70,990
Grand total			140,410,074	105,274,146

Note: Numbers may not add due to rounding.

[1] Formerly Poverty Reduction and Growth Facility.

Source: http://www.imf.org/external/fin.htm.

Annex 9

Operational Highlights and Key Financial Indicators for the World Bank Group in Fiscal Year 2010

Operational highlights and key financial indicators for World Bank Group associations are summarized in the following tables. IBRD lending commitments to member countries were $44.2 billion in FY2010, up $11.3 billion from $32.9 billion in FY 2009. IDA lending increased to $14.5 billion for 190 projects in FY2010. The IFC committed $12.7 billion in FY2010, an increase of $1.1 billion from FY2009. MIGA issued guarantees worth $1.5 billion in FY2010.

International Bank for Reconstruction and Development

	FY2009	FY2010
	(millions of US dollars)	
Administrative expenses	1,441	1,589
Operating income	572	800
Total assets	275,420	283,010
Fiscal-year commitments	32,911	44,197
Gross disbursements	18,564	28,854
Undisbursed loans	51,125	63,574
Principal repayments including prepayments	10,217	11,624
Net disbursements (losses)	8,347	17,230
Equity-to-loans ratio (per cent)	34	29

Sources: The World Bank Group Annual Report (2010) and IRBD financial statements (2010).

International Development Association

	FY2009	FY2010
	(millions of US dollars)	
Net income	1,850	(1,077)
Cumulative commitments	207,000	221,900
Fiscal-year commitments	14,041	14,550
Gross disbursements	9,219	11,460
Principal repayments	2,209	2,349
Net disbursements	7,010	9,111

Source: The World Bank Group Annual Report (2010).

International Finance Corporation

	FY2009	FY2010
	(millions of US dollars)	
Administrative expenses	582	664
Operating income (loss)	(153)	2,285
Total assets	51,483	61,075
Committed portfolio	34,502	38,864
Fiscal-year commitments	10,547	12,664
Number of projects	447	528
Loan and equity investments, net	22,214	25,944

Sources: IFC Annual Report (2010) and IFC financial statements (2010).

Multilateral Investment Guarantee Agency

	FY2009	FY2010
	(millions of US dollars)	
Administrative and other expenses	29.8	36.2
Operating income	50.6	33.9
Total assets	1,190	1,255
Statutory underwriting capacity	12,096	12,177
Fiscal-year guarantees issued	1,377	1,464
Number of new projects	20	16
Net exposure	3,966	4,296
Return on operating capital, before provisions (per cent)	3.2%	1.4%

Source: MIGA Annual Report (2010).

Annex 10

IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2010

	IBRD Amount	IDA Amount	Total Amount
	(millions of US dollars)		
By Region			
Africa	4,258.1	7,178.8	11,436.9
East Asia and Pacific	5,864.7	1,652.0	7,516.7
Europe and Central Asia	10,196.0	620.2	10,816.2
Latin America and the Caribbean	13,667.3	239.6	13,906.9
Middle East and North Africa	3,522.6	213.9	3,736.5
South Asia	6,688.7	4,645.2	11,333.9
Total	44,197.4	14,549.7	58,747.1[1]

	Total Amount
By Theme	
Economic Management	3,949.9
Environmental and Natural Resources Management	4,337.3
Financial and Private Sector Development	17,726.0
Human Development	8,421.3
Public Sector Governance	5,750.4
Rule of Law	207.1
Rural Development	5,003.8
Social Development, Gender and Inclusion	952.3
Social Protection and Risk Management	5,006.3
Trade and Integration	1,818.3
Urban Development	5,574.5
Total	58,747.1

Note: Numbers may not add to totals due to rounding.

1 Includes a HIPC grant of $45.5 million for Côte d'Ivoire.

IBRD Loans and IDA Credits—Summary Statistics for Fiscal Year 2010 *(cont'd)*

	IBRD Amount	IDA Amount	Total Amount
	(millions of US dollars)		
By Sector			
Agriculture, Fishing, and Forestry			2,618.3
Education			4,944.5
Energy and Mining			9,925.2
Finance			9,136.5
Health and Other Social Services			6,792.0
Industry and Trade			1,251.3
Information and Communication			146.3
Law and Justice and Public Administration			10,828.2
Transportation			9,001.9
Water, Sanitation, and Flood Protection			4,102.8
Total			58,747.1
Of which IBRD			44,197.4
Of which IDA			14,549.7

Source: The World Bank Group Annual Report (2010).

Annex 11

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2010

Region/country	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
				(millions of US dollars)		
Africa						
Africa (regional)			6	694.9	6	694.9
Angola			2	152.5	2	152.5
Benin			3	67.8	3	67.8
Botswana	1	379.1			1	379.1
Burkina Faso			2	130.0	2	130.0
Burundi			3	87.0	3	87.0
Cameroon			1	30.0	1	30.0
Cape Verde			2	19.5	2	19.5
Chad			1	20.0	1	20.0
Comoros			2	8.3	2	8.3
Congo, Democratic Republic of			4	460.0	4	460.0
Congo, Republic of			1	25.5	1	25.5
Côte d'Ivoire			3	155.0	3	155.0
Ethiopia			2	890.0	2	890.0
Gambia, The			2	10.8	2	10.8
Ghana			6	313.3	6	313.3
Guinea-Bissau			2	11.0	2	11.0
Kenya			4	590.0	4	590.0
Lesotho			2	30.0	2	30.0
Liberia			2	26.0	2	26.0
Malawi			4	158.0	4	158.0
Mali			2	140.5	2	140.5
Mauritania			1	25.5	1	25.5
Mauritius	3	120.0			3	120.0
Mozambique			4	260.4	4	260.4
Niger			1	10.0	1	10.0
Nigeria			3	890.0	3	890.0
Rwanda			5	233.8	5	233.8
São Tomé and Príncipe			1	4.1	1	4.1
Senegal			5	186.0	5	186.0
Seychelles	1	9.0			1	9.0
Sierra Leone			4	61.0	4	61.0
South Africa	1	3,750.0			1	3,750.0
Tanzania			7	928.0	7	928.0

Projects Approved for IBRD and IDA Assistance in Fiscal Year 2010 *(cont'd)*

	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
	(millions of US dollars)					
Africa *(cont'd)*						
Togo			2	25.0	2	25.0
Uganda			3	440.0	3	440.0
Zambia			2	95.0	2	95.0
Total	6	4,258.1	94	7,178.8	100	11,436.9
East Asia and Pacific						
Cambodia			1	5.0	1	5.0
China	14	1,414.0			14	1,414.0
Indonesia	10	2,986.4			10	2,986.4
Lao People's Democratic Republic			8	124.3	8	124.3
Mongolia			3	34.0	3	34.0
Papua New Guinea			1	25.0	1	25.0
Philippines	2	685.0			2	685.0
Samoa			1	23.0	1	23.0
Solomon Islands			2	6.5	2	6.5
Thailand	1	79.3			1	79.3
Timor-Leste			1	5.0	1	5.0
Vietnam	2	700.0	9	1,429.2	11	2,129.2
Total	29	5,864.7	26	1,652.0	55	7,516.7
South Asia						
Afghanistan			6	197.0	6	197.0
Bangladesh			7	828.0	7	828.0
Bhutan			1	12.0	1	12.0
India	13	6,688.7	10	2,557.6	23	9,266.3
Maldives			1	13.7	1	13.7
Nepal			3	351.9	3	351.9
Pakistan			2	300.0	2	300.0
Sri Lanka			7	365.0	7	365.0
Total	13	6,688.7	37	4,645.2	50	11,333.9

Projects Approved for IBRD and IDA Assistance In Fiscal Year 2010 *(cont'd)*

	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
				(millions of US dollars)		
Europe and Central Asia						
Armenia	5	87.6	1	60.0	6	147.6
Azerbaijan	1	171.6		70.0	1	241.6
Belarus	2	242.5			2	242.5
Bosnia and Herzegovina	3	150.0	1	81.0	4	231.0
Bulgaria	1	118.7			1	118.7
Croatia	3	474.3			3	474.3
Georgia	3	205.0	1	85.0	4	290.0
Hungary	1	1,413.2			1	1,413.2
Kazakhstan	3	1,065.0			3	1,065.0
Kosovo			2	20.3	2	20.3
Kyrgyz Republic			2	37.0	2	37.0
Latvia	2	426.6			2	426.6
Macedonia, former Yugoslav Republic of	2	42.1			2	42.1
Moldova			1	69.0	1	69.0
Montenegro	1	7.2			1	7.2
Poland	1	1,331.3			1	1,331.3
Romania	1	423.0			1	423.0
Serbia	3	588.0			3	588.0
Tajikistan			2	52.4	2	52.4
Turkey	5	2,990.0			5	2,990.0
Ukraine	1	460.0			1	460.0
Uzbekistan			3	145.5	3	145.5
Total	38	10,196.0	13	620.2	51	10,816.2

Projects Approved for IBRD and IDA Assistance In Fiscal Year 2010 *(cont'd)*

	IBRD		IDA		Total	
	No.	Amount	No.	Amount	No.	Amount
				(millions of US dollars)		
Latin America and the Caribbean						
Argentina	4	634.0			4	634.0
Brazil	18	3,744.6			18	3,744.6
Chile	1	3.0			1	3.0
Colombia	7	1,172.8			7	1,172.8
Dominican Republic	5	360.5			5	360.5
El Salvador	4	250.0			4	250.0
Grenada	1	4.5	1	3.5	2	8.0
Guatemala	2	464.5			2	464.5
Haiti			6	121.5	6	121.5
Honduras			1	40.0	1	40.0
Jamaica	3	231.0			3	231.0
Mexico	9	6,386.5			9	6,386.5
Nicaragua			3	64.3	3	64.3
OECS countries			1	2.3	1	2.3
Panama	1	40.0			1	40.0
Peru	4	360.0			4	360.0
St. Lucia	1	4.0	1	8.0	2	12.0
Uruguay	1	29.9			1	29.9
Total	61	13,667.3	13	239.6	74	13,906.9
Middle East and North Africa						
Djibouti			2	8.9	2	8.9
Egypt	8	2,155.0			8	2,155.0
Iraq	1	250.0			1	250.0
Jordan	1	300.0			1	300.0
Morocco	6	729.5			6	729.5
Tunisia	2	88.1			2	88.1
Yemen			7	205.0	7	205.0
Total	18	3,522.6	9	213.9	27	3,736.5
Grand total	164	44,197.4	190	14,549.7	354	58,747.1

Note: Figures include guarantees. Supplemental and additional financing operations (except for projects scaled up through additional financing) are not counted as separate lending operations, although they are included in the amount. Joint IBRD-IDA operations are counted only once as IBRD operations. OECS = Organization of Eastern Caribbean States. A blank space equals zero.
Source: http://siteresources.worldbank.org/EXTANNREP2010/Resources/7074178-1285788609189/finance0303_projects.pdf.

Annex 12

World Bank Group Procurement From Canada

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

By World Bank Fiscal Year (July 1 – June 30)	Amount (millions of US dollars)
2006–07	51.9
2007–08	58.3
2008–09	46.2
2009–10	62.0

Source: World Bank, "Summary and Detail Borrower Procurement Reports" (2010).

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

Supplier	Sector	Category	ID	Amount (US dollars)
ROSE BALOU	Agriculture	Consultant Services	P001194	29,246
RICHARD WEGER	Agriculture	Consultant Services	P090887	47,080
ADA CONSULTANTS	Agriculture	Consultant Services	P083609	195,754
MRS. VIVIAN VILICH	Agriculture	Consultant Services	P101213	26,207
ÉDUCATION INTERNATIONALE	Education	Consultant Services	P064557	309,588
DAVID COMERFORD	Education	Consultant Services	P100534	154,000
THOMAS GOUGEON	Education	Consultant Services	P102174	19,433
SARAH MARIE MURRAY	Education	Consultant Services	P110571	38,500
ÉDUCATION INTERNATIONALE	Education	Consultant Services	P064557	1,693,493
SNC-LAVALIN	Energy & mining	Civil Works	P064844	4,259,738
RSW INTERNATIONAL	Energy & mining	Consultant Services	P116745	1,896,089
BOUCIF BELHACHEMI	Energy & mining	Consultant Services	P098531	50,710
AECOM TECSULT INC	Energy & mining	Consultant Services	P104456	497,557
TECSULT/AECOM	Energy & mining	Consultant Services	P094916	4,946,872
MCKINSEY AND COMPANY	Energy & mining	Consultant Services	P108768	199,000
KCM ENGINEERING LTD	Energy & mining	Consultant Services	P002797	24,180
KEN BECK LEE	Energy & mining	Consultant Services	P106832	60,460
HATCH LIMITED	Energy & mining	Consultant Services	P002797	571,961
SGGROUP	Finance	Consultant Services	P094704	195,797
ANDY MACDONALD	Finance	Consultant Services	P085124	43,000
INSURANCE TECHNOLOGY GROUP ITG	Finance	Consultant Services	P108080	54,750
DR. JEAN PHILIPPE SAC-EPEE	Health & social serv	Consultant Services	P103158	28,700

Disbursements by IBRD and IDA Borrowers: Suppliers of Goods and Services From Canada *(cont'd)*

Supplier	Sector	Category	ID	Amount (US dollars)
MAGDALENA JANUS	Health & social serv	Consultant Services	P093096	34,084
CHARLES A. JEANNERET	Health & social serv	Consultant Services	P077326	23,100
ACCESSTEC INC.	Health & social serv	Goods	P076799	550,000
ROGER CHRISTEN	Industry and trade	Consultant Services	P112975	282,774
JORGE EDUARDO FILMUS	Industry and trade	Consultant Services	P106752	10,000
POUNA EMMANUEL	Industry and trade	Consultant Services	P112975	20,858
GLOBESCAN	Info & communication	Consultant Services	P110469	30,000
STATISTICS CANADA	Public admin, Law	Consultant Services	P092429	27,848
ANNICK LACHANCE	Public admin, Law	Consultant Services	P105393	18,000
SERGE A. BOUCHARD	Public admin, Law	Consultant Services	P104041	259,770
MANMOHAN RUPRAI	Public admin, Law	Consultant Services	P110760	88,400
IDEA INTERNATIONAL	Public admin, Law	Consultant Services	P117382	289,900
IAN MCLELLAN	Public admin, Law	Consultant Services	P111849	33,749
TERESA PETROCCO	Public admin, Law	Consultant Services	P104743	80,100
WESTERNWORLDCONSULTANTS CONSULTING&TRA	Public admin, Law	Consultant Services	P076234	226,991
LOUISE OUIMET	Public admin, Law	Consultant Services	P104041	81,437
LOUISE OUIMET	Public admin, Law	Consultant Services	P104041	248,055
LIVINGSTON ARMYTAGE	Public admin, Law	Consultant Services	P099201	204,811
ROBERT VARDY	Public admin, Law	Consultant Services	P092484	426,043
SAMSON PIERRE	Public admin, Law	Consultant Services	P073507	49,382
G&M, GROUPE CONSEILS CANADIEN INC.	Public admin, Law	Consultant Services	P107355	64,825
GERARD VERGER	Public admin, Law	Consultant Services	P090265	66,426
ANDRÉ CÔTÉ	Public admin, Law	Consultant Services	P090265	146,002
CRC SOGEMA	Public admin, Law	Consultant Services	P078627	660,302
CRC SOGEMA	Public admin, Law	Consultant Services	P107851	1,000,000
SNC/LAVALIN GROUP INC.	Public admin, Law	Consultant Services	P090159	288,675
FREE BALANCE INC.	Public admin, Law	Goods	P109775	1,494,356
FREE BALANCE INC AND TELECOMMUNICATION	Public admin, Law	Goods	P071063	2,590,063
CRC SOGEMA	Public admin, Law	Goods	P107248	2,122,670
SNC-LAVALIN INTERNATIONAL INC.	Transportation	Consultant Services	P095523	547,375
ROMAIN BRIARD	Transportation	Consultant Services	P103343	97,938
EXPERCO INTERNATIONAL	Transportation	Consultant Services	P095523	750,450
SNC-LAVALIN INTERNATIONAL INC	Transportation	Consultant Services	P099270	7,164,669
CPCS TRANSCOM INT. LIMITED	Transportation	Consultant Services	P113845	476,798
ABD EL HALIM OMAR	Transportation	Consultant Services	P094488	100,000
MMM GROUP LIMITED	Transportation	Consultant Services	P117152	1,523,441

Disbursements by IBRD and IDA Borrowers: Suppliers of Goods and Services From Canada *(cont'd)*

Supplier	Sector	Category	ID	Amount (US dollars)
MMM GROUP LTD.	Transportation	Consultant Services	P095977	9,706,853
LEA INTERNATIONAL LTD. JOINT VENTURE	Transportation	Consultant Services	P091077	1,001,892
SENES CONSULTANTS LIMITED	Water/sanit/fld prot	Consultant Services	P108078	260,103
M/S SNC-LAVALIN INTERNATIONAL INC.	Water/sanit/fld prot	Consultant Services	P040712	6,838,797
SNC-LAVALIN INTERNATIONAL INC.	Water/sanit/fld prot	Consultant Services	P116595	3,777,023
SNC-LAVALIN INTERNATIONAL INC.	Water/sanit/fld prot	Consultant Services	P093826	512,547
SNC-LAVALIN INTERNATIONAL INC.	Water/sanit/fld prot	Consultant Services	P093826	731,045
HYDROSULT INC.	Water/sanit/fld prot	Consultant Services	P093132	861,342
TECSULT-AECOM/AFRICONSULT	Water/sanit/fld prot	Consultant Services	P093826	320,176
NREM INTERNATIONAL INC.	Water/sanit/fld prot	Consultant Services	P086508	371,174
RUSSELL BOALS	Water/sanit/fld prot	Consultant Services	P104806	32,750
ROCHE	Water/sanit/fld prot	Consultant Services	P110020	213,918

Annex 13

World Bank Group Borrowing in Canada

There was no World Bank Group borrowing in Canada in 2010.

On July 22, 2009, the Bank issued, via the Royal Bank of Canada, a C$121-million capped floating rate bond due October 31, 2012. This was the only issue in Canada since November 20, 2007, when the Bank issued a C$850-million 4.30-per-cent 5-year maturity global bond via TD Securities and HSBC.

Annex 14

Statement Submitted by the *Canadian Executive Director on the World Bank's Reproductive Health Action Plan: 2010–2015* on May 11, 2010

We would like to commend Staff and Management on the preparation of this Reproductive Health Action Plan and on the efforts to ensure due attention is given to reproductive health issues in Bank investments, in analytical work and policy dialogue with partner countries, and in Bank engagement with donor partners and institutions. We are encouraged by the action plan's focus on meaningfully integrating reproductive health issues within a health systems based approach. It is clear that solutions to improving reproductive health outcomes readily exist and that such solutions are well recognized and accepted -- the science and practice in this field are well established. Outstanding results have been achieved where commitment has existed, where adequate resources have been brought to the effort and where implementation has been effective. There is little excuse for not meaningfully improving results and making significant progress toward achieving millennium development goals objectives in this area.

Along these lines, it will be important, not only that the Bank adopt the Reproductive Health Action Plan, but that the regional Vice-Presidencies effectively implement the Action Plan in their respective regions and member countries. The Human Development Network has commendably identified the issues, justified the imperative for action and provided a road map for achieving results. It is now up to the programming units of the Bank, the regions and country programs, to seriously commit to implementing this Action Plan, particularly in Africa. We are encouraged by the outline provided for a Strategic Plan for Population and Reproductive Health in Africa. We would like to encourage finalization of this plan and the preparation of similar plans in other regions. We would also like to encourage the inclusion in such regional plans of measurable and quantifiable results indicators so that progress can be tracked and Staff and Management held accountable for the implementation of regional reproductive health action plans and the achievement of results. It would be useful to be able to track and ensure commitment to the implementation of such action plans.

We appreciate that efforts to improve reproductive health outcomes will depend to a great extent on country authorities and their level of commitment, as is the case in any sector. Without wanting to push a supply-driven approach, we would nonetheless, like to encourage a pro-active approach on the part of the World Bank Group in advocating with country authorities and other donor partners the necessity of fully integrating and embedding reproductive health issues and efforts to improve gender equality in country health systems strengthening efforts. As such, we would encourage considerable attention to reproductive health in Analytic and Advisory Activities and Economic and Sector Work activities and would like to see targets for such work included in regional reproductive health action plans. We also recognize that reproductive health outcomes are not only women's issues, and that male behaviour, driven and influenced by a variety of social and cultural norms can significantly impact reproductive health outcomes. We would encourage the Bank in its analytical work, advocacy efforts and policy dialogue to not shy away from addressing such issues as important determinants of reproductive health outcomes.

The upcoming World Development Report on Gender will provide a singular opportunity for further highlighting reproductive health issues, and their intrinsic link to gender equality and the status of women, and in forging consensus and fostering coherence on ways forward. We would strongly encourage incorporation of reproductive health issues throughout the report where appropriate so that the important links between reproductive health issues and broader gender and socio-economic issues are made explicit. It might also be useful to have a stand-alone chapter/section on reproductive health in order to give it greater prominence. Also, as noted above, we would encourage an approach to reproductive health issues in the World Development Report on Gender that is not only rooted in women's health issues, but that also squarely and forcefully addresses male behavioural influences on reproductive health outcomes and the important role of promoting equality between men and women.

In sum, we see this as an important Action Plan, one that could meaningfully address shortcomings in achieving reproductive health related millennium development goals, but recognize that it will require effective implementation. In that regard, we expect the regions to follow through with effective implementation plans and to hold themselves accountable in meeting clearly articulated and measurable results.

Annex 15

Canadian International Development Agency Countries of Focus

Country of Focus	FY2010 Amount Disbursed by IDA (US$)	IDA Status	IDA Member
Ethiopia	890.0	Regular	Yes
Ghana	313.3	Regular	Yes
Mali	140.5	Regular	Yes
Mozambique	260.4	Regular	Yes
Senegal	186.0	Regular	Yes
Tanzania	928.0	Regular	Yes
Indonesia	0.0	Graduated	No
Vietnam	1,429.2	Blend country	Yes
Ukraine	0.0	–	No
Colombia	0.0	Graduated	No
Haiti	121.5	Regular	Yes
Honduras	40.0	Hardened borrowing terms	Yes
Peru	–	–	No
Afghanistan	197.0	Regular	Yes
Bangladesh	828.0	Regular	Yes
Pakistan	300.0	Blend country	Yes
Caribbean Regional Program			
Guyana	0.0	Hardened borrowing terms	Yes
Dominica	0.0	Blend, small island economy exemption	Yes
Granada	3.5	Blend, small island economy exemption	Yes
Saint Lucia	8	Blend, small island economy exemption	Yes
Saint Vincent	0.0	Blend, small island economy exemption	Yes
Bolivia	–	Hardened borrowing terms, blend country	Yes
West Bank and Gaza	0.0	–	No
Sudan	0.0	Inactive country	Yes