Department of Finance Canada
Ministère des Finances Canada

Canada at the IMF and World Bank

2009

Report on Operations Under the Bretton Woods and Related Agreements Act

Canada

Cette publication est également disponible en français.

Cat. No.: F1-28/2009E-PDF
ISBN 978-1-100-15357-5

Table of Contents

Annexes

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 2009: Report on Operations Under the Bretton Woods and Related Agreements Act*.

This year's report summarizes the influential role Canada played at the International Monetary Fund (IMF) and World Bank at a time of unprecedented economic turmoil, as well as the strong support the IMF and World Bank provided to member countries in need. It also highlights Canada's plan for essential reforms that would make these institutions more legitimate, credible and effective, thereby assisting their members to better deal with the challenges of the evolving global economy.

While the recent financial and economic crisis affected all countries, I believe it will be remembered as an historic turning point for both the IMF and World Bank, two institutions on the front lines of the global response. In 2009, Group of Twenty (G20) countries, including Canada, recognized the need to strengthen both organizations, committing substantial new funding for increased lending capacity and the creation of innovative and targeted crisis response programs. Among other actions, Canada followed up on its G20 commitments by providing a US$10-billion bilateral loan to the IMF, as well as substantial financial contributions to the World Bank Group's Global Trade Liquidity Program and Vulnerability Financing Facility. World Bank President Robert Zoellick commended Canada's US$200-million commitment to the Global Trade Liquidity Program—the first by any donor country—as critical to increasing trade in developing countries.

The actions of the IMF and World Bank played an integral part in the global recovery and, while significant challenges remain, ongoing governance and operational improvements leave them better placed to respond to future global turbulence. The report released today details the progress made on Canada's priorities at the IMF and World Bank—governance and accountability, institutional effectiveness and sustainable poverty reduction and growth. But beyond the specifics found in its pages, the report stands as a testament to the importance of these institutions in supporting international cooperation and Canada's continuing commitment to them.

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance

Acronyms Used in This Report

AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Centre
AMC	Advance Market Commitment
BWIs	Bretton Woods Institutions
CAO	Compliance Advisor Ombudsman
CARICOM	Caribbean Community
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CIDA	Canadian International Development Agency
CIF	Climate Investment Fund
COGAM	Committee on Governance and Executive Directors' Administrative Matters
DC	Development Committee
DMF	Debt Management Facility
ESAF	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
EWE	Early Warning Exercise
FCL	Flexible Credit Line
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FY	Fiscal Year
G7	Group of Seven
G8	Group of Eight
G20	Group of Twenty
GAFSP	Global Agriculture and Food Security Program
GDP	gross domestic product
GFSR	*Global Financial Stability Report*
GRA	General Resources Account
GTLP	Global Trade Liquidity Program
HAPA	high access precautionary arrangement
HIPC	heavily indebted poor country

IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
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
MDB	multilateral development bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow
ODA	Official Development Assistance
ODAAA	Official Development Assistance Accountability Act
PBA	Performance-Based Allocation
PPCR	Pilot Program for Climate Resilience
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Analysis
QAG	Quality Assurance Group
RCF	Rapid Credit Facility
RTAC	Regional Technical Assistance Centre
SAF	Structural Adjustment Facility
SCF	Strategic Climate Fund
SDR	Special Drawing Right
TF	Transfer Fund
UN	United Nations
WBG	World Bank Group
WEO	*World Economic Outlook*

Executive Summary

In 2009, the crisis in the financial sector and real economies precipitated exceptional international collaboration, including joint efforts by the G20 and a rigorous crisis response by the Bretton Woods Institutions—the International Monetary Fund (IMF or "the Fund") and the World Bank Group (World Bank or "the Bank").

This experience underscored the importance of the IMF and World Bank in promoting global cooperation. With each institution advancing critical reforms to strengthen their legitimacy, credibility and effectiveness, we are at an important juncture where they can be shaped and positioned to fulfill their core mandates while adapting to the global challenges of the 21st century.

To this end, Canada has been working to advance the goals set out in the 2008 report under the following three themes:

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 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.

This year's report details the progress achieved in these three areas and sets out the plans and priorities for Canada at the IMF and World Bank for 2010 to 2012. The report is divided into four main parts:

1) Introductions to the IMF and World Bank Group explaining how they operate, what they do, and how Canada participates in their governance (see "An Introduction to the International Monetary Fund" and "An Introduction to the World Bank Group").

2) Key developments at the IMF and World Bank in 2009 and a summary of the institutions' responses to the financial and economic crisis (see "Canada at the Bretton Woods Institutions: What Happened in 2009").

3) Analysis of IMF and World Bank progress against Canada's short- and medium-term priorities and planned actions identified in the 2008 report. This section also identifies and summarizes Canada's priorities and planned actions going forward (see "2009 Report on Canada's Commitments at the Bretton Woods Institutions").

4) Comprehensive annexes providing background information such as communiqués, public statements and financial data.

Key Developments in 2009 and Canada's Priorities

In 2009, the Bretton Woods Institutions were on the front lines in responding to the global financial and economic crisis.

The IMF's response to the crisis was multifaceted. IMF members supported a large general allocation of SDR 160 billion[1] to respond to global liquidity concerns, and Canada worked with our partners to ensure that the IMF had these resources to help countries respond to the crisis. At the same time, G20 countries recognized that the crisis necessitated a larger lending capability for the IMF. As a result, they committed over US$250 billion in new bilateral resources to the Fund, including US$10 billion from Canada, and endorsed an expansion of the IMF's contingency financing source—the New Arrangements to Borrow—by over US$500 billion.

Canadian representatives also constructively engaged in the IMF effort to develop a modern lending toolkit under which member countries can accurately assess their optimal utilization of Fund resources. Canada proposed changes that balanced the need to safeguard IMF resources with the need to provide assistance to members during times of economic turmoil. The Fund responded with changes to its concessional and non-concessional facilities. Finally, in 2009, the Minister of Finance promoted corporate governance changes to increase the legitimacy, credibility and effectiveness of the Fund, and asserted that IMF Governors should be better engaged, that Executive Directors should focus more on strategic issues, and that senior management should operate within a more robust independence-accountability framework.

The Word Bank Group also provided an exceptional response to the crisis. It more than tripled its lending to middle-income countries to reach $100 billion over three years, allocated a record $14 billion to low-income countries, and created a number of innovative crisis response facilities for specialized needs such as trade finance and food security. Canada provided support for these efforts through financial contributions to the World Bank Group's Global Trade Liquidity Program and Vulnerability Financing Facility. As an important complementary effort, Canada pioneered and funded innovative temporary capital arrangements at the Inter-American Development Bank and African Development Bank. Borrowing demand from members rose due to the global economic crisis, and this put pressure on the lending limits of these institutions. Canada's response created significant additional lending headroom, allowing these institutions to continue fulfilling their development mandates through the crisis period.

Progress was also made on World Bank reforms in the areas of decentralization, transparency, human resources, and internal governance improvements to streamline procedures and reduce the administrative burden. Much remains to be done, with important opportunities for advancing the reform agenda coming up in 2010. Most importantly, the World Bank and IMF's 2010 Spring Meetings will provide an opportunity for members to reach agreements on the World Bank's post-crisis directions, voice reforms and capital needs. This will also be an important opportunity for Canada and other member countries to advance any institutional reforms we believe are important. The financial replenishment for the World Bank's International Development Association will also take place in 2010, presenting another opportunity for Canada and other shareholders to improve the Bank's policies and practices, including in areas such as fragile states and gender, where performance has been mixed.

Full details on Canada's progress in 2009, along with new actions for 2010–2012, are described in the section "2009 Report on Canada's Commitments at the Bretton Woods Institutions." Anticipated timelines, ranging from one to three years, are listed for each action, and subsequent reports will continue to assess progress against these priorities.

[1] An SDR (Special Drawing Right) 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 key international currencies: the euro, the US dollar, the Japanese yen and the British pound sterling.

Canada and the Bretton Woods Institutions: Mandates and Operations

The IMF and the World Bank

- While the IMF and the World Bank were both founded at the Bretton Woods conference in 1944, they are separate institutions.
- The IMF aims to maintain a stable international monetary system, in order to facilitate international trade and investment and bring prosperity to all the world's economies.
- The World Bank provides support to developing countries and is committed to poverty reduction.
- Their complementary mandates contribute to sustainable economic growth and the reduction of global poverty.

The IMF and the World Bank were founded at the United Nations Monetary Conference held at Bretton Woods, New Hampshire, in 1944. They were created to promote reconstruction following the devastation of the Second World War and to establish the basis for a stable world monetary system that would sustain growth and prosperity. Together they are informally known as the Bretton Woods Institutions.

Canada is the ninth largest member of the IMF and the seventh largest member of the World Bank, out of a total membership of 186 in both institutions. These strong membership positions give Canada an important voice in the two leading international institutions devoted to promoting international financial stability and poverty reduction. Canada's status as a member and leading donor also contributes to Canada's strong position on the international stage.

The IMF and World Bank are governed by their member countries. The management and staff of each institution are accountable to their members through their respective Boards of Governors and Boards of Executive Directors. They also report on their performance to members and the general public through annual reports, policy documents, country reports and analytical studies.

The IMF and the World Bank each have a separate Board of Governors, comprising 186 Governors representing each member country. The Boards are responsible for core institutional decisions and meet once a year at the IMF and World Bank Annual Meetings. Each Board is the highest authority governing these institutions. The Minister of Finance is Canada's Governor for both the IMF and the Bank.

The Boards of Governors have two sub-committees: the International Monetary and Financial Committee (IMFC),[2] which advises on global monetary and financial issues for the IMF, and the Development Committee (DC),[3] which advises on critical development issues for both the IMF and World Bank. Twenty-four Governors sit on each committee, which meets twice a year during the IMF and World Bank Spring Meetings and Annual Meetings. When participating in the IMFC and DC, Canada's Minister of Finance represents a constituency that includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana,[4] Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

2 Reports to the IMF's Board of Governors.

3 Reports to the IMF's and World Bank's Boards of Governors.

4 The constituency includes Guyana for the DC only.

Table 1

Canadian Influence at the IMF and World Bank

The Government of Canada asserts its views at the institutions through a number of channels:

Governor's statements at the International Monetary and Financial Committee and Development Committee Meetings	See Annexes 2 and 3
Policy advice to the Executive Director	Described in this section and "Canada at the Bretton Woods Institutions: What Happened in 2009"
Contributions to Multi-Donor Trust Funds	See Annex 11

The Boards of Governors delegate the day-to-day running of the IMF and World Bank to Executive Boards, each comprising 24 full-time Executive Directors. Each Executive Director represents a constituency corresponding to the IMFC and DC constituencies. The Executive Boards reside in Washington, DC, and meet several times per week.

The Executive Directors that represent Canada are employees of the IMF and World Bank, and are elected (or re-elected) by the Governors of their constituents every two years, traditionally based on a nomination made by the Canadian Governor. The Honourable Thomas Hockin has represented our constituency at the IMF since December 2009 and Mr. Samy Watson has represented our constituency at the World Bank since November 2006. The Government of Canada provides advice to the Executive Directors and their staff, which they draw upon to develop positions for discussion at the Executive Board. Executive Directors also receive advice from other constituency members.

Governors are typically asked to vote on specific resolutions and other matters requiring their approval, either at the Annual Meetings of the Boards of Governors or by mail at other times throughout the year. In contrast, most decisions by the Executive Boards are adopted in a spirit of consensus and formal recorded votes are rare (though, when a vote is taken, the Executive Director casts the vote for the entire constituency).

The voting power of members is primarily a function of their relative economic strength. Members also receive basic votes, which are distributed equally among all members. Canada's current voting shares at the IMF and World Bank are 2.89 per cent and 2.78[5] per cent, respectively.

Within the Government of Canada, the Department of Finance coordinates Canada's policy advice for IMF and World Bank issues, consulting closely with other government departments and agencies, particularly the Bank of Canada, the Canadian International Development Agency (CIDA), and Foreign Affairs and International Trade Canada. The Governor of the Bank of Canada, Mark Carney, is Canada's Alternate Governor at the IMF, and CIDA President Margaret Biggs is Canada's Alternate Governor at the World Bank.

Canada recognizes that while there are a number of avenues to influence IMF and World Bank policies, we are one of 186 members. Canada is also part of a constituency and, as a result, while we can advise our Executive Director, he or she will also take into account the views of other members of our constituency.

[5] Canada has a voting share of 2.78 per cent at the International Bank for Reconstruction and Development and a voting share of 2.96 per cent at the International Development Association.

An Introduction to the International Monetary Fund

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

The primary responsibilities of the IMF are to:

- Promote international monetary cooperation.
- Facilitate the expansion and balanced growth of international trade.
- Promote exchange rate stability.
- Assist in maintaining a multilateral system of payments.
- Provide resources to members experiencing balance of payments difficulties.

Balance of Payments

The balance of payments is a summary of the economic transactions—including transactions in goods, services, income, transfers and financial assets and liabilities—between the residents of a country and non-residents over a specific period of time, usually a year.

Membership and Governance Structure

Headquartered in Washington, DC, the IMF is governed by and accountable to the governments of its 186 member countries. Each of the 186 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.

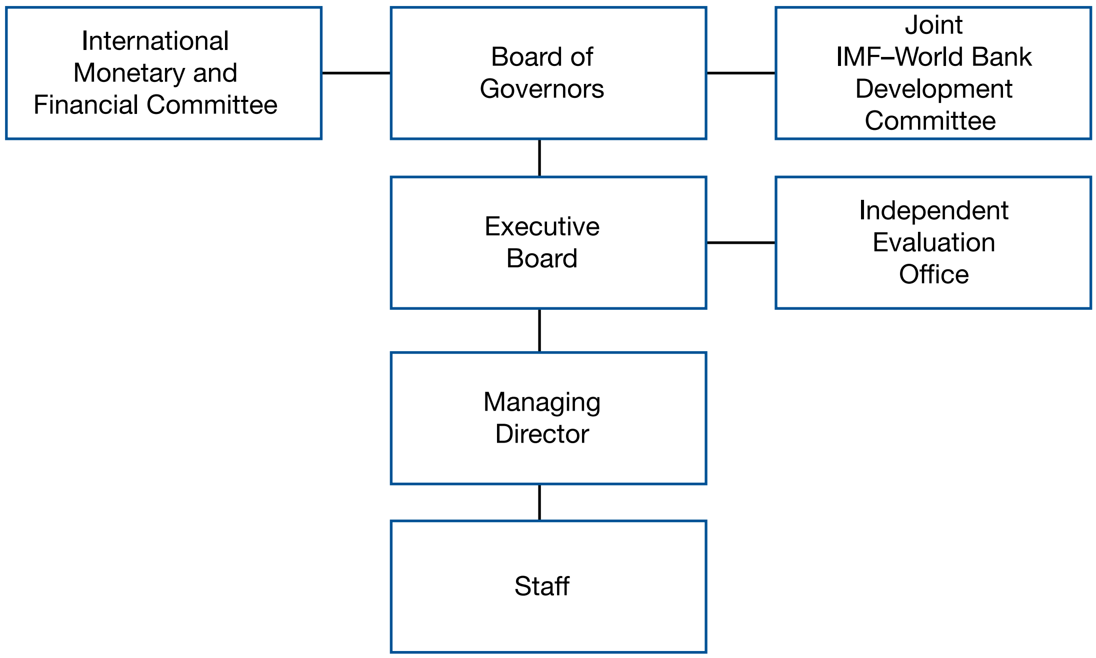
The relationship between the IMF Board of Governors, the International Monetary and Financial Committee, the joint IMF-World Bank Development Committee and the IMF Executive Board is described in the section "Canada and the Bretton Woods Institutions: Mandates and Operations" and is illustrated in Figure 1.

The Managing Director is nominated and appointed by the Executive Board. The Managing Director 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 April 30, 2009, the IMF employed 2,478 staff (from 143 member countries). Efforts are made to hire qualified nationals from the largest possible number of members. 2009 saw large changes in the total staffing levels of the IMF. As a result of a 2008 decision to restructure the organization, 490 staff voluntarily separated from the IMF in FY2009. With the onset of the global financial crisis, however, demand for IMF human resources quickly increased, and the organization hired over 100 new economists by the end of the fiscal year. The IMF is confident that it has an appropriate framework for staffing should the financial crisis become protracted.

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, and IEO staff is recruited from both inside and outside the IMF.

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.
- Capacity building: Providing technical assistance and training to help countries build the expertise and institutions they need to implement sound economic policies.
- Program support: Providing temporary financing and policy support to member countries to help them address balance of payments and/or fundamental macroeconomic problems.

A Brief History of the IMF

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

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

1971—The United States informs the 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—The IMF adopts "Guidelines for the Management of Floating Exchange Rates."

1976—The IMF establishes the 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, the IMF Executive Board adopts the "1977 Decision" to guide IMF surveillance of member economies and exchange rate policies.

1986—The IMF establishes the 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—The Systematic Transformation Facility is 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—The IMF endorses a joint debt relief initiative for heavily indebted poor countries (HIPCs)—the HIPC Initiative.

2005—The IMF begins to implement the Multilateral Debt Relief Initiative (MDRI) 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, the 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.

Surveillance—Oversight of the Global Economy

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 pursue 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 any necessary corrective measures. Consultations consist of regular (usually annual) staff visits with government and central bank officials, and IMF staff generally meet with legislators and representatives from the financial sector, industry, trade unions and academia to broaden its exposure to ongoing policy debates and promote better understanding of IMF views with stakeholders. Following these consultations, staff prepare a report for consideration by the IMF's Executive Board. In the large majority of cases, the staff report is published, along with a summary of Executive Directors' views as expressed during the Board's discussion.

Summary of Article IV Obligations

Article IV of the IMF Articles of Agreement sets the "rules of the game" to which each member country has voluntarily committed. Each member country is 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 information necessary for the Fund to exercise firm surveillance over the exchange rate policies of members.

In return, the IMF is bound to adopt 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). A few times a year, the IMF also publishes *Regional Economic Outlook* reports, which discuss recent economic developments and prospects for various regions. These reports foster discussion at the Executive Board and within member governments.[6] The Executive Board also holds regular informal discussions on world economic and financial market developments.

Following the global financial crisis, the IMF increased its surveillance activities and focused on four surveillance priorities for the coming years: risk assessment, macrofinancial linkages, multilateral perspective, and external stability and exchange rate assessments. The IMF also participates in new data transparency initiatives, including the Principal Global Indicators website, which provides access to key data on G20 economies.

Capacity Building

Technical assistance is another core function of the IMF. The IMF offers technical assistance in its areas of expertise such as macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange systems, financial sector reform, and statistical capacity building. Improving the technical capacity of member countries is fundamental to promoting sound monetary and macroeconomic policies and enabling effective IMF surveillance.

[6] For the October 2009 WEO see: http://imf.org/external/pubs/ft/weo/2009/02/index.htm and for the October 2009 GFSR see: http://www.imf.org/External/Pubs/FT/GFSR/2009/02/index.htm.

Table 2

Regional Technical Assistance Centres (RTACs)

Centre Name (Location) Year Opened	Beneficiary Countries and Territories
Pacific RTAC (Suva, Fiji) 1993	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.
Caribbean RTAC (Bridgetown, Barbados) 2001	Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos, and the Virgin Islands.
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 the Congo, Republic of the 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.

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. In addition to the IMF Institute, based in Washington DC, seven regional training institutes for country officials and seven RTACs 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.

Canada is a major contributor to the IMF training programs, including the provision of support for the Africa Regional Technical Assistance Centres, the Caribbean Regional Technical Assistance Centre, the Financial Sector Reform and Strengthening Initiative and the Iraq Technical Assistance Program. 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.

Program Support—Lending and Policy Advice

The IMF provides program support to its members through a variety of financial and policy instruments to help countries with balance of payments problems. Each mechanism is tailored to a member country's particular circumstances.

The IMF works much like a credit union. Although the IMF has only limited resources of its own, it has access to a large pool of liquid resources provided by its members, comprising convertible national currencies, Special Drawing Rights (SDRs), and other widely used international currencies. It 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 reflecting 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 15, 2010, the total quota for the Fund's 186 members stood at SDR 217.4 billion (about US$341 billion).[7] Canada's contribution to this total is presently SDR 6.37 billion (about US$10.3 billion). Canada's quota represents 2.93 per cent of total quota assigned and, aside from special loan arrangements sometimes in force, corresponds to the maximum amount that it would be asked to lend from its international reserves to the IMF to assist other members experiencing financial difficulties.

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 key international currencies.

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 (those members that joined the Fund after 1981).[8]

A member country may seek an IMF financial program in response to a serious balance of payments or fiscal problem. In these cases, the IMF provides financing to allow the country to purchase needed imports or bolster its foreign exchange reserves. The 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 competitive 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, 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 a Stand-By Arrangement, which typically lasts one to two years, or an Extended Fund Facility, which generally runs for three years. Finally, following the financial crisis, the IMF created a new facility, the Flexible Credit Line, which provides countries that have strong economic fundamentals and policies with a credit line they can use for crisis prevention purposes.

7 http://www.imf.org/external/np/sec/memdir/members.htm.

8 http://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) lending facilities are now available under a new brand, the Poverty Reduction and Growth Trust (PRGT). The access limits under the PRGT are now higher, and the total amount the PRGT may lend has doubled, making the Fund's concessional lending capacity now up to $17 billion. PRGT resources are also more attractive, since the Fund cut the interest rate low-income countries (LICs) pay on their loans by half to an historic low of 0.25 per cent. Furthermore, as part of the response to the global financial crisis, the IMF is providing temporary interest relief with zero payments on concessional lending arrangements through to the end of 2011 to help LICs cope with the crisis.

Three lending facilities exist under the new PRGT framework:

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

Finally, a Policy Support Instrument (PSI) is available to 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 country's policies, informing private and public creditors, official donors and the general public. Canada was a strong advocate of this instrument, which was introduced in late 2005. As of April 2009, Cape Verde, Mozambique, Nigeria, Senegal, Uganda and Tanzania have benefited from PSI arrangements.

Table 3

IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions
Credit tranches and Extended Fund Facility		
Stand-By Arrangements (1952)	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	Adopt policies that provide confidence that the members' balance of payments difficulties will be resolved within a reasonable period.
Flexible Credit Line (2009)	Provides large-scale, targeted and cautionary assistance to member countries with access to international capital markets.	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record.
Extended Fund Facility (1974)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt a 3-year program with a structural agenda and an annual detailed statement of policies for the next 12 months.
Facilities for low-income members		
Extended Credit Facility (2009)	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)	Address short-term balance of payments needs.	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)	Provide rapid low access with limited conditionality for urgent balance of payments needs.	Assistance is provided as an outright disbursement. The RCF does not have program reviews or ex-post conditionality, except in the case of repeated use, whereby a track record of performance would be required in advance of the disbursement unless the financing need is primarily caused by an exogenous shock.
Facilities ended during 2009		
Supplemental Reserve Facility (1997)	Short-term assistance for balance of payments difficulties related to crises of market confidence.	Available only in the context of Stand-By or Extended Arrangements with an associated program and with strengthened policies to address loss of market confidence. Although amounts provided can be larger than those under a regular Stand-By Arrangement, interest is charged at a penalty rate to encourage early repayment.
Compensatory Financing Facility (1963)	Medium-term assistance for temporary export shortfalls or cereal import excesses.	Available only when the shortfall/excess is largely beyond the control of the authorities and a member has an arrangement with upper credit tranche conditionality, or when its balance of payments position excluding the shortfall/excess is satisfactory.
Short-Term Liquidity Facility (2008)	Large, upfront, quick-disbursing, short-term financing to help countries with strong policies and a good track record address temporary liquidity problems in capital markets.	Financing is made available without the standard phasing and loan conditions of more traditional IMF arrangements. However, borrowers are expected to certify that they are committed to maintaining strong macroeconomic policies.

Table 3 *(cont'd)*

IMF Lending Facilities

Credit Facility (Year Established)	Purpose	Conditions
Poverty Reduction and Growth Facility (1999)	Longer-term assistance for deep-seated balance of payments difficulties of a structural nature; aimed at sustained poverty-reducing growth.	Adopt 3-year PRGF arrangements based on a Poverty Reduction Strategy Paper prepared by the country in a participatory process and integrating macroeconomic, structural and poverty reduction policies.
Exogenous Shocks Facility (2006)	Short-term assistance to address a temporary balance of payments need arising from an exogenous shock (e.g. a spike in energy prices).	Adopt a 1-2 year program involving macroeconomic adjustments allowing the country to adjust to the shock and structural reform is considered important for adjustment to the shock, or mitigating the impact of future shocks.
Credit tranches and Extended Fund Facility		
Emergency Assistance—Natural Disasters (1962) and Post-Conflict (1995)	Assistance for balance of payments difficulties related to natural disasters or the aftermath of civil unrest, political turmoil, or international armed conflict.	Minimal conditions are applied, consisting of reasonable efforts to overcome balance of payments difficulties with a focus on institutional and administrative capacity building to pave the way toward an upper credit tranche arrangement or PRGF.

Source: http://www.imf.org

IMF IEO Evaluations in 2009

The Independent Evaluation Office (IEO) completed two evaluation reports in 2009, providing insight into how effectively the IMF executes its trade policy mandate responsibilities and its interactions with member countries.[9]

1. IMF Involvement in International Trade Policy Issues (May 2009)

The IEO's trade policy report examines the involvement of the IMF in trade policy issues from 1996 to 2007. The report assesses the nature of the IMF's mandate in trade issues, the effectiveness of the IMF's work with other international organizations on trade issues, and whether the IMF's advice on trade policy was effective. The IEO found that in 2000, as a result of average tariffs falling in most countries, conditionality not effectively creating change in trade policy, and the discord created by unilateral liberalization efforts, the IMF reduced its involvement in trade policy issues. While the general reduction was welcomed by the IEO, the report noted that some gaps in financial and systemic stability followed, including:

- The IMF does not have a clearly defined role in financial services trade policy, which is an area where the IEO deems the IMF perspective to be essential.
- The IMF has not successfully transferred its analytical expertise in the macroeconomic and systemic effects of preferential trade agreements into its surveillance activities.
- The global effects of trade policies in key member countries have been discounted by the IMF.

9 See http://www.ieo-imf.org/eval/for the full evaluation reports.

The report's recommendations include:

- Increase support and advice to borrowing countries on resisting protectionist pressures, plans for trade finance, and reforming domestic trade policies to reduce business costs.
- Establish a role and approach for the IMF in trade in financial services.
- Actively address trade policy through multilateral and regional surveillance.
- Even-handedly provide trade policy advice by returning the IMF focus to trade policy issues in large economies and broadly engage in low- and middle-income countries that have seen their share of world trade rise recently.

IMF involvement in trade policy issues must relate to its role in international monetary stability and be proportionate to its place in the broader community of international institutions. Canada agrees with the IEO that the previous scaling-back of trade policy conditionality was appropriate since in our view, program conditionality should be focused on elements that are essential for the success of a program. Trade policy developments are often not central to achieving the objectives of a program. Using the same principles, Canada disagrees with the IEO that there is a need for more IMF resources to be dedicated to trade policy issues. Instead, such expertise could reside with other institutions and IMF staff could obtain the needed information through regular contact with these institutions.

Nonetheless, IMF involvement in trade policy issues may be beneficial in the surveillance of trade in financial services. Efficiency improvements in this sector can increase competitiveness, and surveillance by the Fund would monitor risks and ensure that they are appropriate to sustainable growth.

2. IMF Interactions With Member Countries (November 2009)

By exploring the IMF's interactions with its member countries, the IEO's second evaluation of 2009 assessed the management and effectiveness of relations between 2001 and 2008. The IEO concluded that the general exchange of views and objective assessments was effective, and that interactions in certain areas such as program and technical assistance were also positive. The report's findings also include the following:

- PRGF-eligible countries had the most effective relations, followed by other emerging economies. Relations with advanced and large emerging economies were least effective.
- Outreach by the IMF to stakeholders beyond government did not increase interaction effectiveness.
- Despite some very well managed individual interactions, overall interactions were undermanaged.

The report's recommendations include:

- Bring more experts on country visits and recruit more specialist skills.
- Develop strategies for managing the IMF's negative reputation in countries where this reputation harms interactions.
- Develop professional standards for staff interactions with authorities.

Canada welcomes the IEO report as an opportunity to ensure the Fund's interaction meets the priority needs of members, particularly in advanced and large emerging markets. However, recent events have already overtaken some of the report's recommendations, and the perception of the IMF's credibility and effectiveness has improved because of the Fund's valuable role in the current global recovery.

Of the report's recommendations, Canada favours addressing skill shortages by creating a more appropriate balance of expertise within teams rather than expanding the size of missions with "more experts." In addition, Canada believes that the Fund's improving image could be sustained by encouraging staff to be frank with national authorities and stakeholders about the past, while emphasizing and contrasting the Fund's current approaches. Finally, Canada supports increased guidance and training for staff on their professional interaction with authorities.

Canada and the IMF

As one of 186 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 citizens across the globe.

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 member countries from the Commonwealth Caribbean. Although Canada's voting share at the IMF is 2.89 per cent, the Executive Director casts the votes of all members of the constituency, for a total of 3.64 per cent. In the event of a vote, the Executive Directors of multi-country constituencies must cast all of the votes of their members as a block.

Table 4

Voting Shares of the 12 Largest Members of the IMF

Country	% of Total Voting Shares
United States	16.77
Japan	6.02
Germany	5.88
United Kingdom	4.86
France	4.86
China	3.66
Italy	3.19
Saudi Arabia	3.16
Canada	2.89
Russia	2.69
The Netherlands	2.34
Belgium	2.09

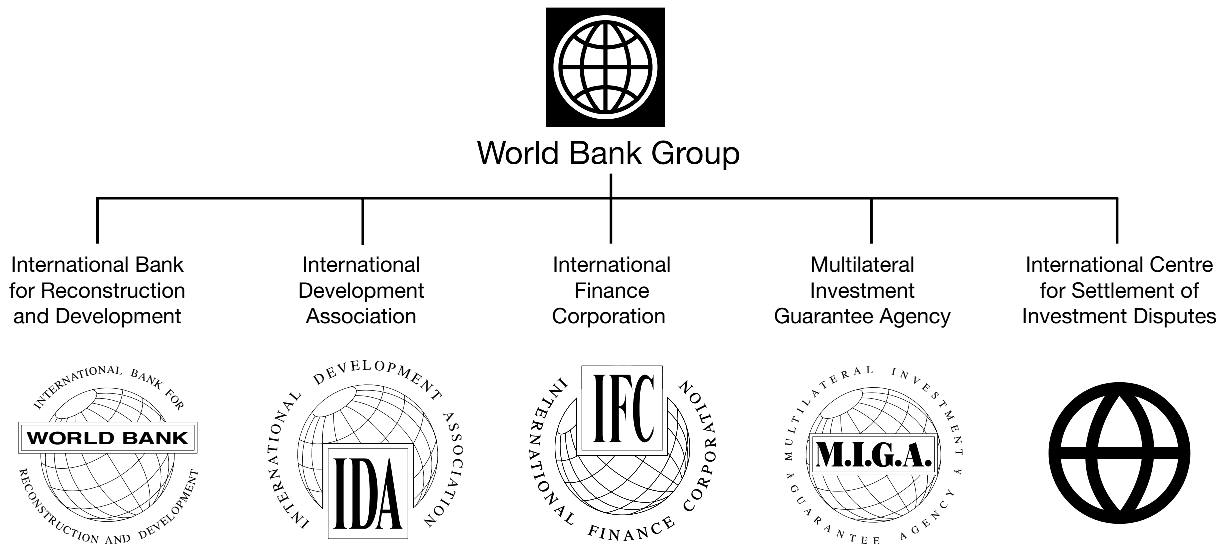
Office of the IMF Executive Director for the Canadian, Irish and Caribbean Constituency

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

An Introduction to the World Bank Group

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 but complementary role in promoting global poverty reduction.

Figure 2
Five Agencies—One 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 sustained development and provide the Bank and other donors with common targets and yardsticks for measuring results. The Bank 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

- End extreme poverty and hunger.
- Make sure all children receive a primary education.
- Promote equal rights for women and give them power to help themselves.
- Improve the health of pregnant women and mothers.
- Reduce child death rates.
- Tackle HIV/AIDS, malaria and other diseases.
- Protect the environment and natural resources.
- Develop an international partnership for development.

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, environment and agriculture. The IFC and MIGA support private sector investment in developing countries.

World Bank Group Agencies[10]

IBRD—International Bank for Reconstruction and Development

IBRD at a Glance

- Established: 1944
- Members: 186
- Mission: Broad poverty reduction
- Clients: Middle-income and creditworthy low-income countries
- Tools: Loans, guarantees, analytical and advisory services
- Size: US$32.9 billion in new commitments, 2009

Established in 1944, the IBRD is the original institution of the World Bank Group and its main lending agency, providing loans to middle-income and creditworthy low-income countries with per capita incomes of less than US$17 per day.

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.

[10] All figures and activities in this section are for the World Bank's 2009 fiscal year (July 1, 2008 to June 30, 2009)

Chart 1
Total IBRD Lending by Region, 2009
(% share of US$32.9 billion)

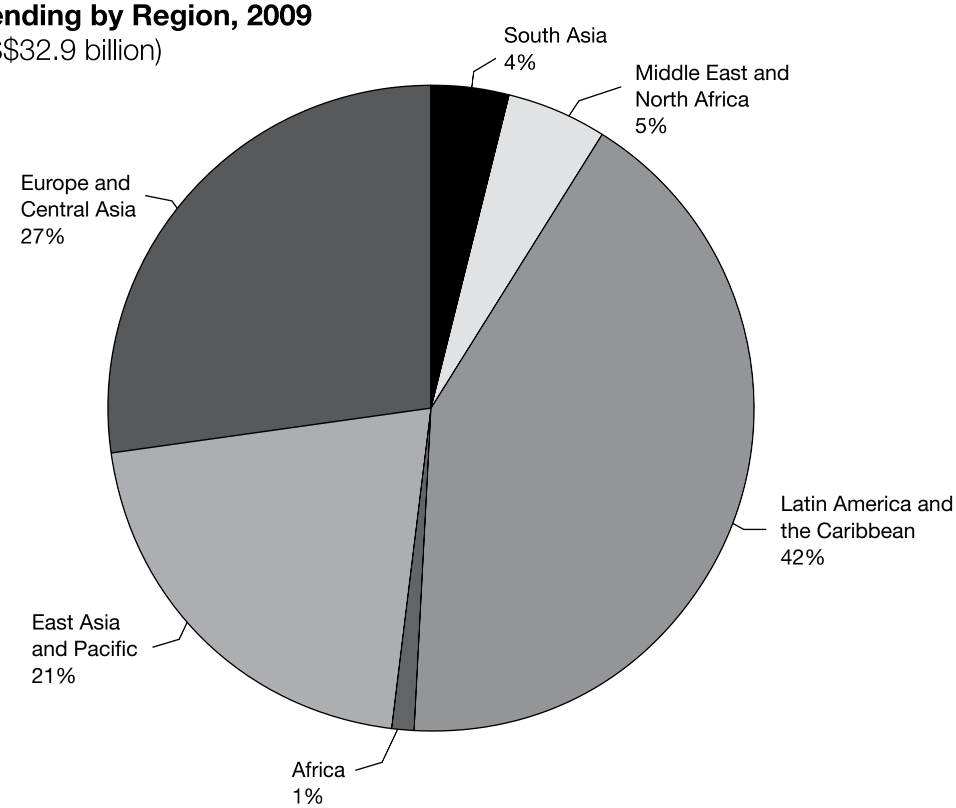
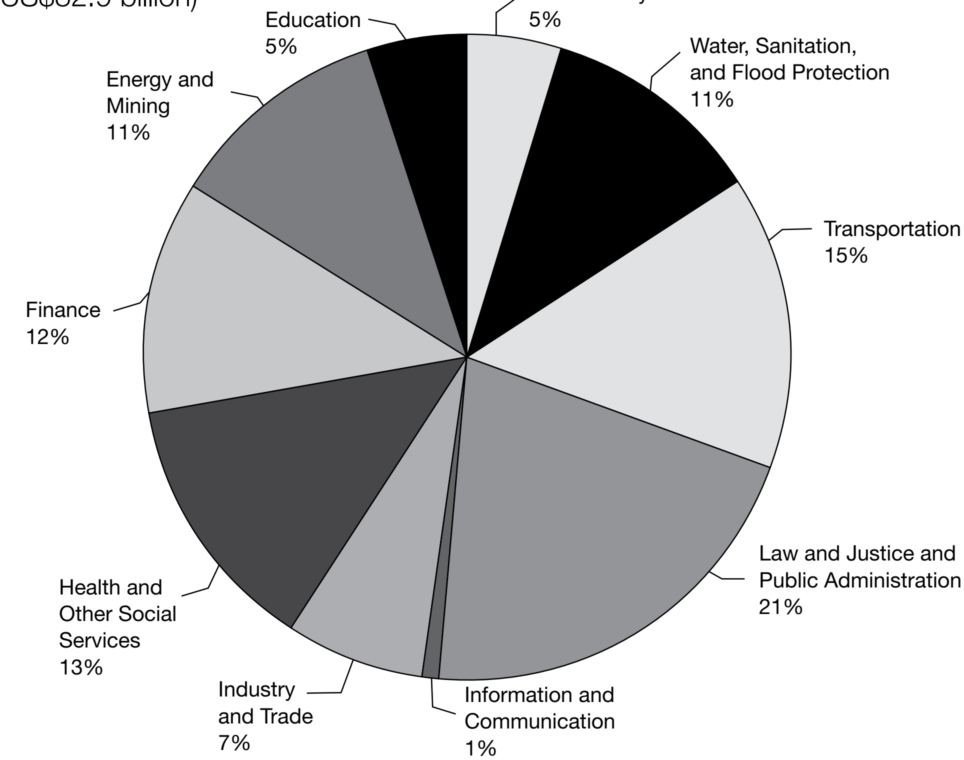


Chart 2
Total IBRD Lending by Sector, 2009
(% share of US$32.9 billion)



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 2009, the IBRD committed a historically high US$32.9 billion to 126 projects in developing countries after raising US$44.3 billion on world capital markets.

Latin America and the Caribbean received the largest portion of IBRD funding in 2009 (42 per cent), followed by Europe and Central Asia (27 per cent). IBRD lending for infrastructure (transportation, energy and mining, and water, sanitation, and flood protection) accounted for approximately 37 per cent of total lending in 2009.

IDA—International Development Association

IDA at a Glance

- Established: 1960
- Members: 169
- Mission: Broad poverty reduction
- Clients: Poorest countries
- Tools: Interest-free loans, grants, analytical and advisory services
- Size: US$14 billion in new commitments, 2009

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 lend to very poor countries at zero interest. 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$3 per day. IDA offers 35- and 40-year interest-free loans and grants and represents the largest source of development financing for these countries. Seventy-nine countries were eligible for IDA financing in 2009.

New IDA commitments are financed through contributions from donor governments, annual transfers from IBRD and 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, and FY2009 was the first year of a new three-year cycle.

Nigeria and Pakistan were the largest single recipients of IDA funding in FY2009. Regionally, Africa received the largest share of FY2009 IDA resources at US$7.8 billion, or 56 per cent of total commitments. South Asia received 30 per cent of new commitments, totalling US$4.2 billion. Sectorally, public administration, energy and mining, infrastructure, health and education were major focuses for IDA financing.

Chart 3
Total IDA Lending by Region, 2009
(% share of US$14 billion)

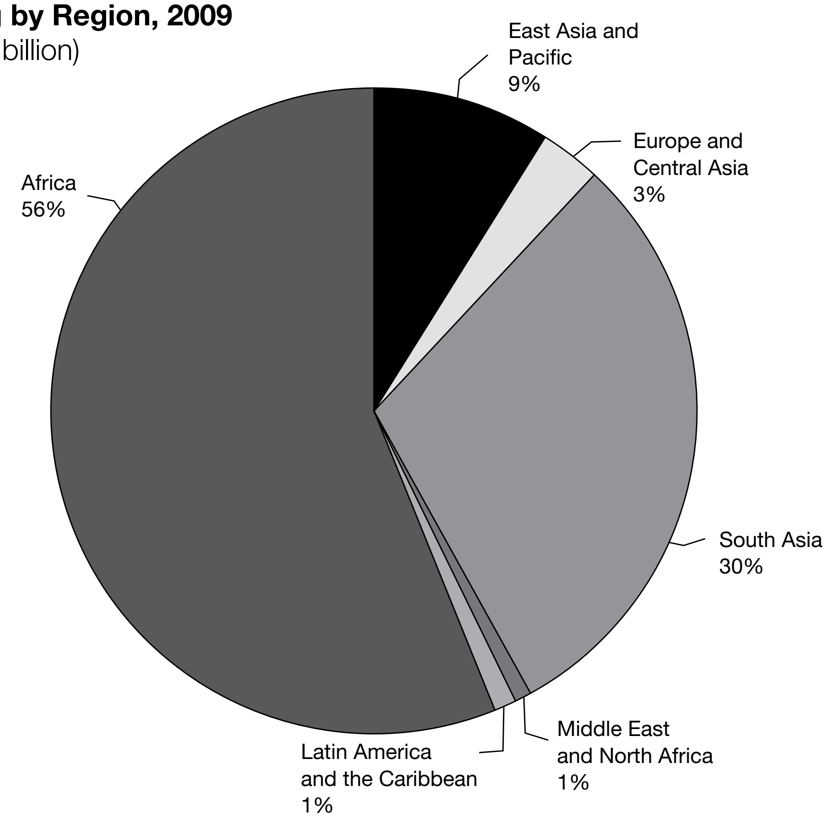
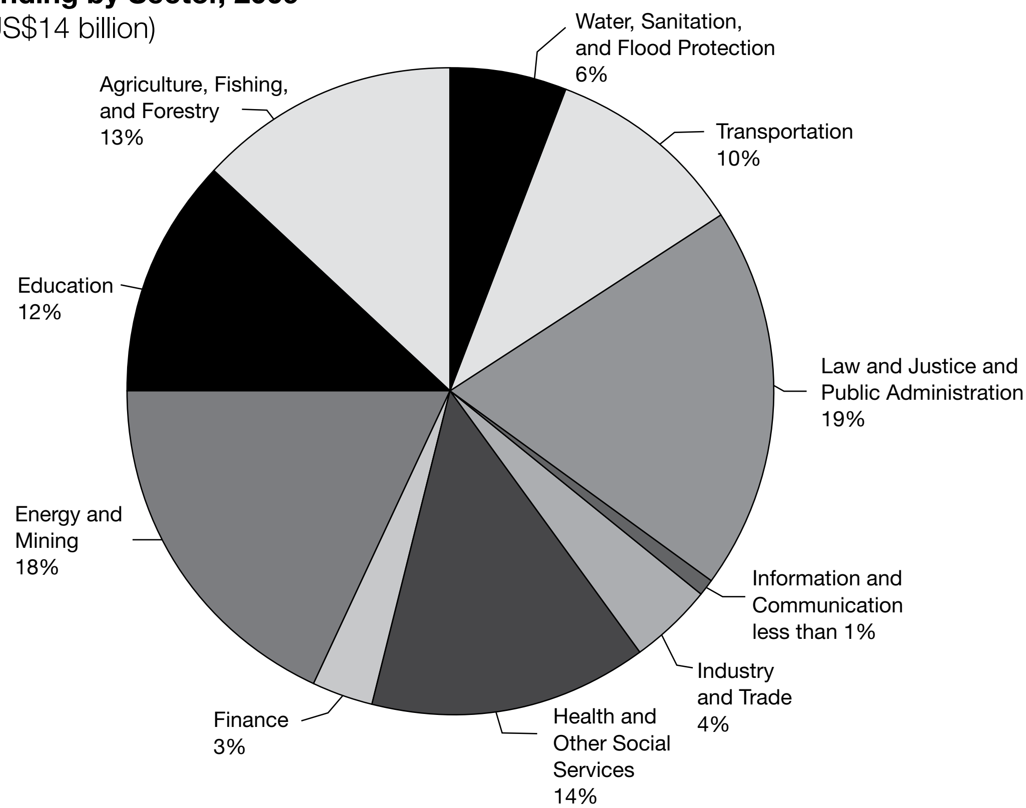


Chart 4
Total IDA Lending by Sector, 2009
(% share of US$14 billion)



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, advisory services
- Size: US$10.5 billion in new commitments, 2009

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 2009, the IFC committed US$10.5 billion in new investments. The IFC's total portfolio grew 6 per cent to US$34.4 billion from US$32.4 billion the previous year. New commitments were US$1.2 billion in East Asia and the Pacific, US$2.7 billion in Latin America and the Caribbean, US$2.2 billion in Europe and Central Asia, US$1.3 billion in the Middle East and North Africa, US$1.2 billion in South Asia and US$1.8 billion in Sub-Saharan Africa.

Chart 5
New IFC Investments by Region, 2009
(% share of US$10.5 billion)

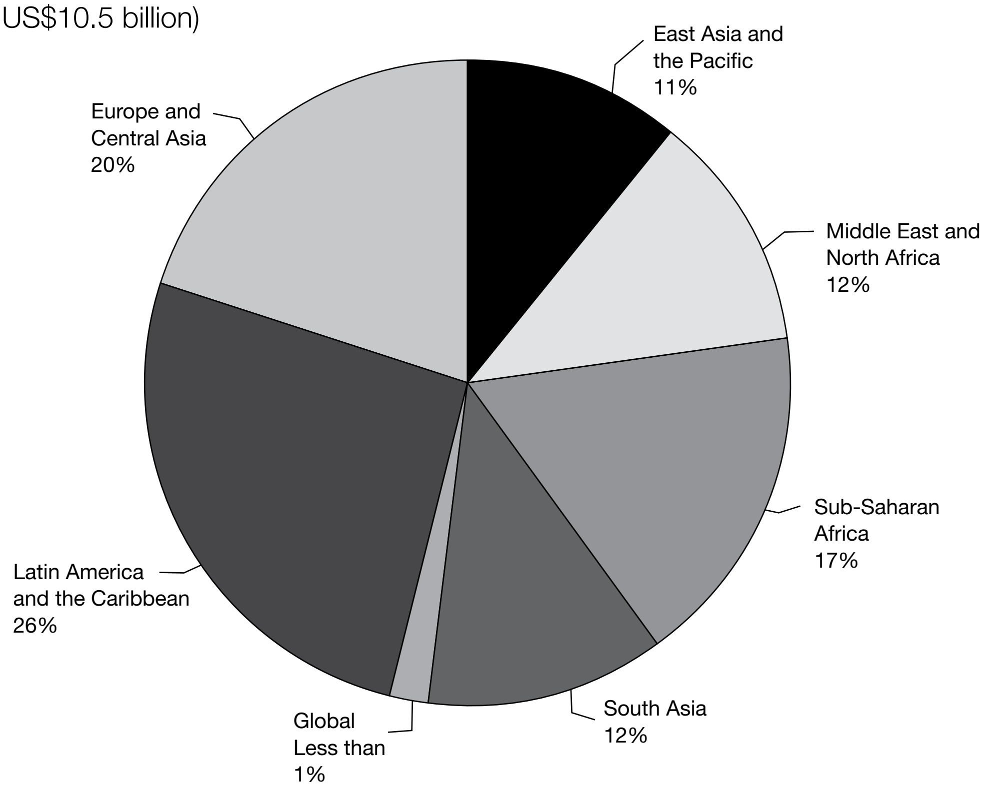
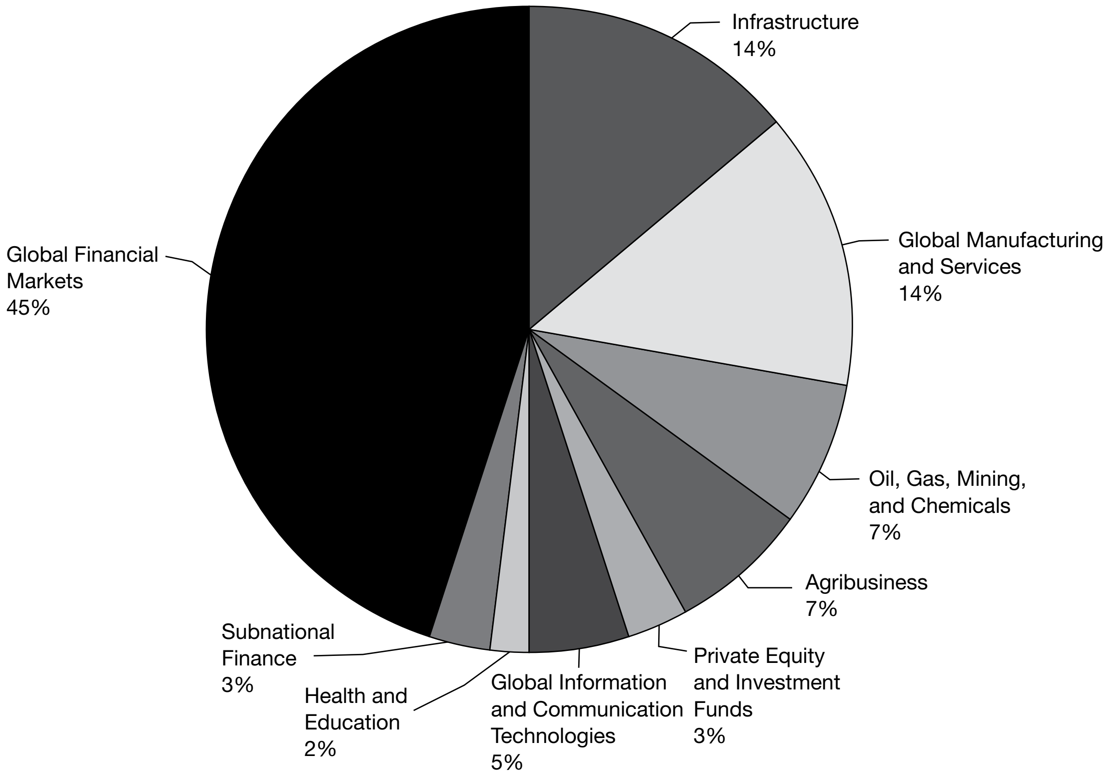


Chart 6
New IFC Investments by Sector 2009
(% share of US$10.5 billion)



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, advisory and legal services
- Size: US$1.4 billion issued in risk guarantees, 2009

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 2009, the total amount of guarantees issued for projects in MIGA's developing member countries was US$1.4 billion. This is a decrease on 2008 levels, which MIGA attributes to reduced investment flows as a result of the global financial crisis. Nonetheless, the amount is similar to 2007 guarantee levels.

Chart 7
Total MIGA Risk Guarantees Issued by Region, 2009
(% share of US$1.4 billion)

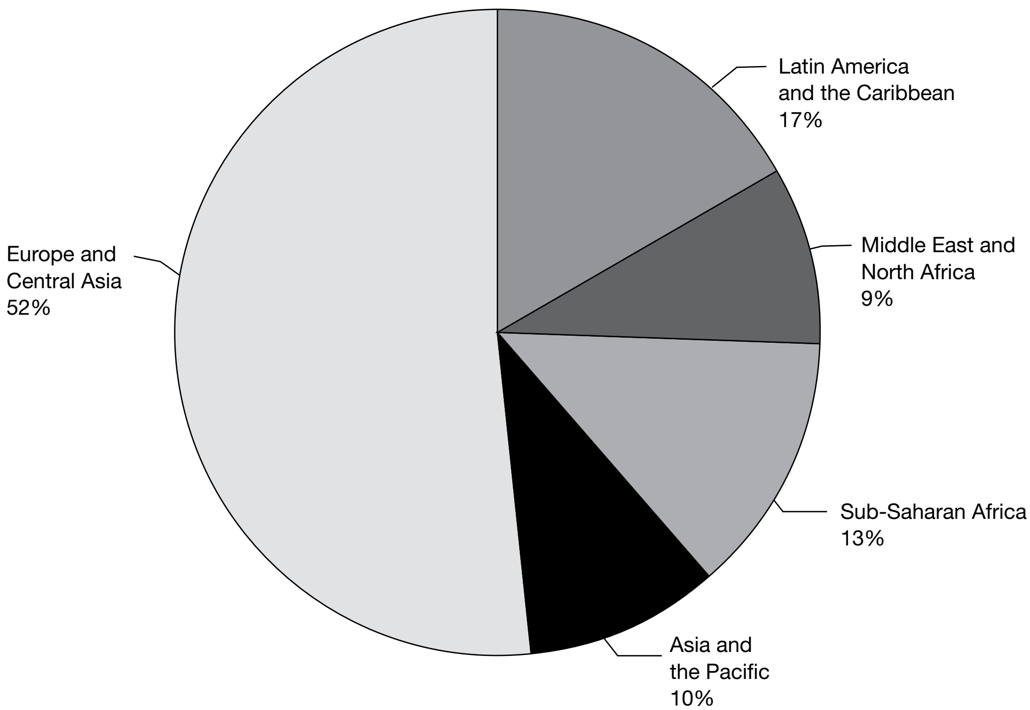
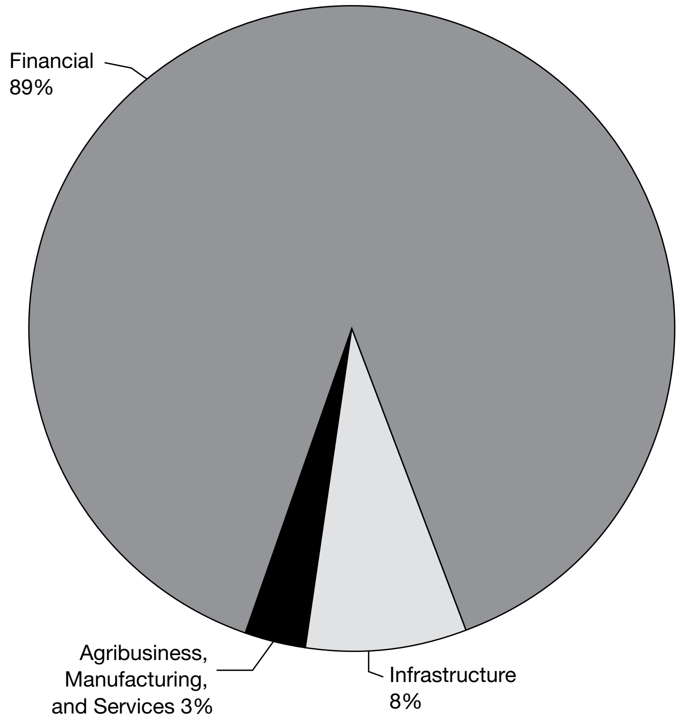


Chart 8
Total MIGA Risk Guaranteess Issued by Sector, 2009
(% share of US$1.4 billion)



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. In 2009, the IEG conducted 25 evaluations of individual Bank projects and 5 corporate reviews. These reports are available online at: http://www.worldbank.org/ieg.

Quality Assurance Group (QAG)

QAG's primary objective is to promote increased internal accountability at the Bank by providing staff with credible, timely feedback on operational performance and identifying systemic issues affecting operational performance. It highlights the skills and resources needed to ensure high-quality work and uses lessons learned to support staff training. QAG's homepage is located at: http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/QAG/0,,pagePK:109619~theSitePK:109609,00.html.

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 has received 110 complaints since 2000, including 11 in 2009. 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. In 2009, the Panel completed four investigations and received four new requests for inspection. 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 the Department of Institutional Integrity can be found at: http://go.worldbank.org/1ZEK9VGAR0.

Canada and the World Bank

The World Bank is governed by 186 member countries. Each owns shares of World Bank stock and thus holds decision-making power. Every World Bank member state appoints a Governor to represent them 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.

They delegate responsibility for the day-to-day running of the organization to 24 full-time Executive Directors, located at the Bank's headquarters in Washington, DC. Executive Directors are appointed for two-year terms. In October 2008, Mr. Samy Watson was re-elected to represent the 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 his positions and applies his 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 5

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 Kintgdom	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.

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 6

Canada's Capital Subscription

	IBRD	IDA	IFC	MIGA
		(US$ millions)		
Capital subscription	5,403.8	–	81.3	56.5
Amount paid in	334.9	8,719.55[1]	81.3	10.7
Amount callable	5,068.9	–	–	45.8
Subscription share (%)	2.85	3.60	3.43	2.96
Voting power (%)	2.78	2.51	3.38	2.48

Note: Figures are from the 2009 financial statements and annual reports for the World Bank, IFC and MIGA respectively.
[1] IDA figure represents Canada's cumulative contributions.

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

Executive Director	Samy Watson (Canada)
Alternate Executive Director	Kelvin Dalrymple (Barbados)
Senior Advisor	Donal Cahalane (Ireland)
Senior Advisor	Cal MacWilliam (Canada)
Advisor	Robert Chiew (Canada)
Advisor	Sharon Krooks (Jamaica)
Advisor	Anne Donegan (Ireland)
Advisor	Anita Ambroise (Canada)
Executive Assistant	Monique Piette
Phone/fax	202-458-0082/202-477-4155
Address	MC-12-175, 1818 H Street N.W., Washington, DC 20433, USA

IDA Replenishments

Every three years IDA funds are replenished through donor contributions. The replenishment provides another opportunity for Canada to influence policy, as during this process IDA and its donors discuss policy directions for the upcoming period. Governors from each donor country appoint an IDA deputy to represent them at these discussions, which conclude with a round of donor pledges to replenish the association's finances. Canada's IDA Deputy is Mr. John Davies, Director of the International Finance and Development Division of the Department of Finance.

The Benefits of World Bank Membership

Membership at the World Bank provides significant benefits to Canada, including:

- An important voice in the leading international institution for global poverty reduction and development.
- A vehicle to contribute to development in low-income and emerging countries beyond that which can be achieved through our bilateral programs.
- Participation in an institution that shares our priorities with respect to effectiveness and results; is a key partner for Canada in fragile states; and leads the international community's efforts on debt sustainability.
- An opportunity to partner with the Bank on its research and policy work, which enriches our own understanding of international development.
- Business opportunities for Canadian companies and individuals, through its transparent and fair procurement system.
- The opportunity for closer ties with the countries with which we share a constituency, including a better understanding of their global development priorities and the unique development context in the Caribbean.

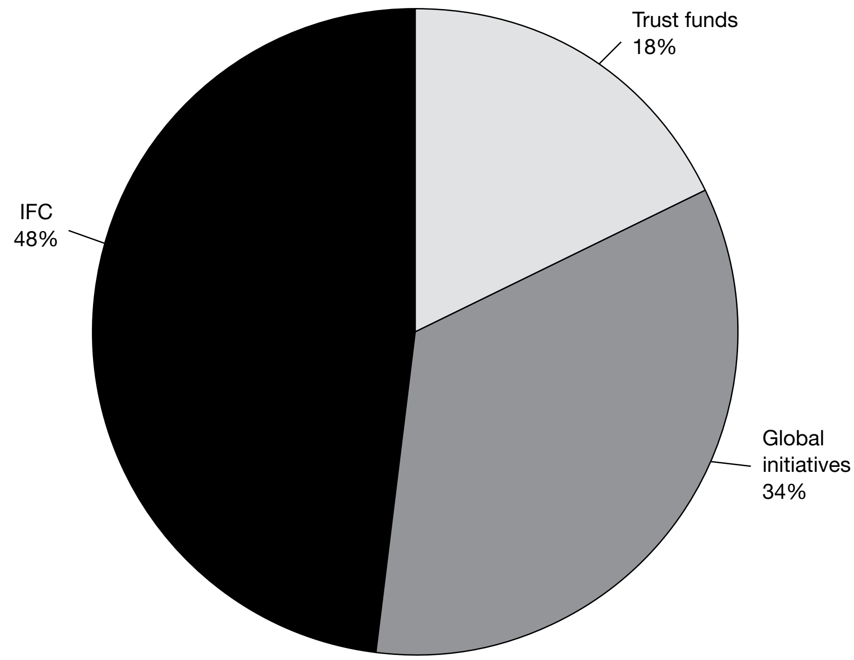
Canada's Financial Contributions in 2009

Canada is an important provider of donor funding for the World Bank Group. In 2009, we made the following contributions:[11]

- IFC: In June 2009, Canada became the first donor to participate in the IFC's Global Trade Liquidity Program, with a US$200-million contribution.
- Multi-Donor Trust Funds (MDTFs): Canada also makes use of World Bank-administered MDTFs, where the World Bank manages funds on behalf of multiple donors. Annex 11 shows Canada's contributions in previous years. These trust funds have been set up to mobilize donor resources to address key strategic development priorities at the country level. Canada contributed $75.6 million to World Bank MDTFs from April 1 to December 31, 2009.
- Global Initiatives: The World Bank also acts as a financial administrator for a number of global initiatives, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Environment Facility. Canada contributed $141.9 million to these initiatives from April 1 to December 31, 2009.

[11] Canada's first demand note issuance under IDA15 ($384 million) was made in December 2008 instead of the anticipated timeline of January 2009 as the IDA15 replenishment became effective earlier than anticipated and IDA requested an early note issuance as permitted under the terms of the replenishment resolution. The encashment of this demand note is scheduled for April 2009.

Chart 9
Canada's Financial Contributions in 2009
(% share of $417.5 million)



Canada at the Bretton Woods Institutions: What Happened in 2009[12]

The Global Financial and Economic Crisis

The global financial and economic crisis was the major focus for the international community and the Bretton Woods Institutions in 2009. The onset of financial instability in 2007 and its subsequent deepening in 2008 resulted in a global economic downturn and steep declines in capital flows to emerging markets. Economic crises spread across advanced, emerging and low-income countries. The IMF's 2009 Article IV Consultation With Canada, an annual report that reviews Canada's economic developments and policies, noted that the global economic slowdown and financial market turmoil hurt growth in Canada, but that Canada "entered the crisis from a position of strength, reflecting a track record of strong policy management that has supported underlying macroeconomic and financial stability."

In 2009, governments around the world continued and expanded the extraordinary actions they initiated in the previous year to shore up confidence, support key financial institutions, and restore credit market conditions. They also implemented large and coordinated fiscal stimulus packages to spur economic activity. For its part, Canada implemented one of the largest economic stimulus plans in the G7—as a per cent of gross domestic product (GDP)—through the Government's two-year Economic Action Plan.

The crisis also created large financing needs in many less developed economies. In 2009, the G20 committed to ensuring that the IMF and the multilateral development banks, including the World Bank, have the resources they need to help the world's poorest. Canada demonstrated strong international leadership on this by providing these international financial institutions with US$22 billion in additional resources in 2009 to help them respond to the crisis.

The IMF's Crisis Response and Lending Activity

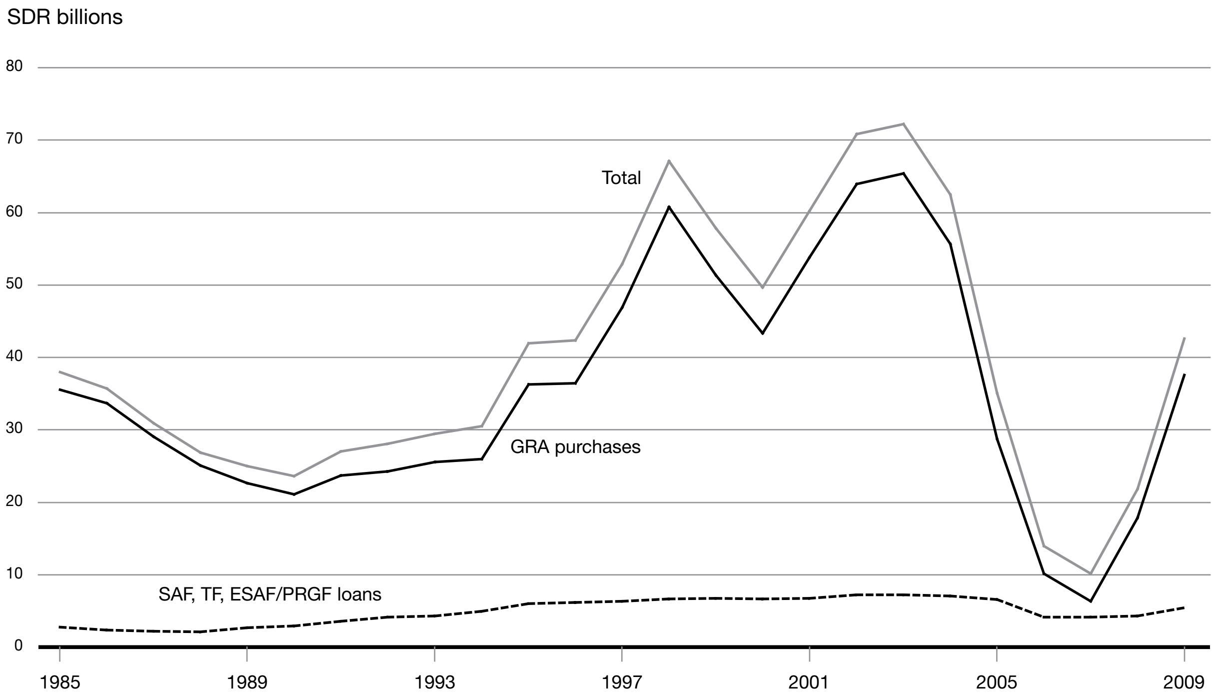
The financial and economic crisis reinvigorated the IMF's central role as a "crisis responder" and provided a key impetus for reviewing how the IMF can be most effective in preventing future crises. The G20 mobilized its support for the IMF and backed significant new measures to ensure that the IMF had adequate resources to help countries respond to the global economic crisis. IMF members supported a general allocation of SDR 160 billion to respond to global liquidity concerns. At the same time, G20 nations recognized that the crisis necessitated a larger lending capability for the IMF. As a result, they committed over US$250 billion in new bilateral resources for the Fund, including US$10 billion from Canada, and endorsed an expansion of the IMF's contingency financing source—the New Arrangements to Borrow—by over US$500 billion. The IMF's lending facilities were also retooled to effectively target and constructively deal with the issues at hand, and IMF surveillance processes were reformed to enhance financial stability.

In last year's report, Canada committed to play a strong role in ensuring that the IMF has adequate lending resources and that the lending role of the Fund is tailored to the 21st century economy. The section "2009 Report on Canada's Commitments at the Bretton Woods Institutions" details how Canada pursued its goals in these areas and provides further information on the extraordinary actions that the IMF took in 2009.

[12] As required under the Bretton Woods and Related Agreements Act, this report outlines Canada's activities at the IMF and World Bank during the 2009 calendar year. In some cases, however, the listed data are sourced from the financial reports of either Canada, the IMF or the World Bank. As a result, some reported items follow fiscal reporting schedules rather than the calendar year. Canada's fiscal year is April 1 to March 31, the IMF's fiscal year is May 1 to April 30, and the World Bank Group's fiscal year is July 1 to June 30.

The impact of the global financial crisis on many emerging and developing economies (the IMF's traditional borrowers) resulted in a sizeable expansion of IMF lending in the latter half of 2008 and throughout 2009 (see Chart 10). For many of these economies (in particular emerging Europe), the global downturn brought a sharp reversal of capital inflows from boom years preceding the crisis, which led to large balance of payments funding gaps. Currently, half of all outstanding IMF Stand-By Arrangements are with Eastern European countries (detailed in Annex 7).

Chart 10
IMF Credit Outstanding for All Members, 1985–2009



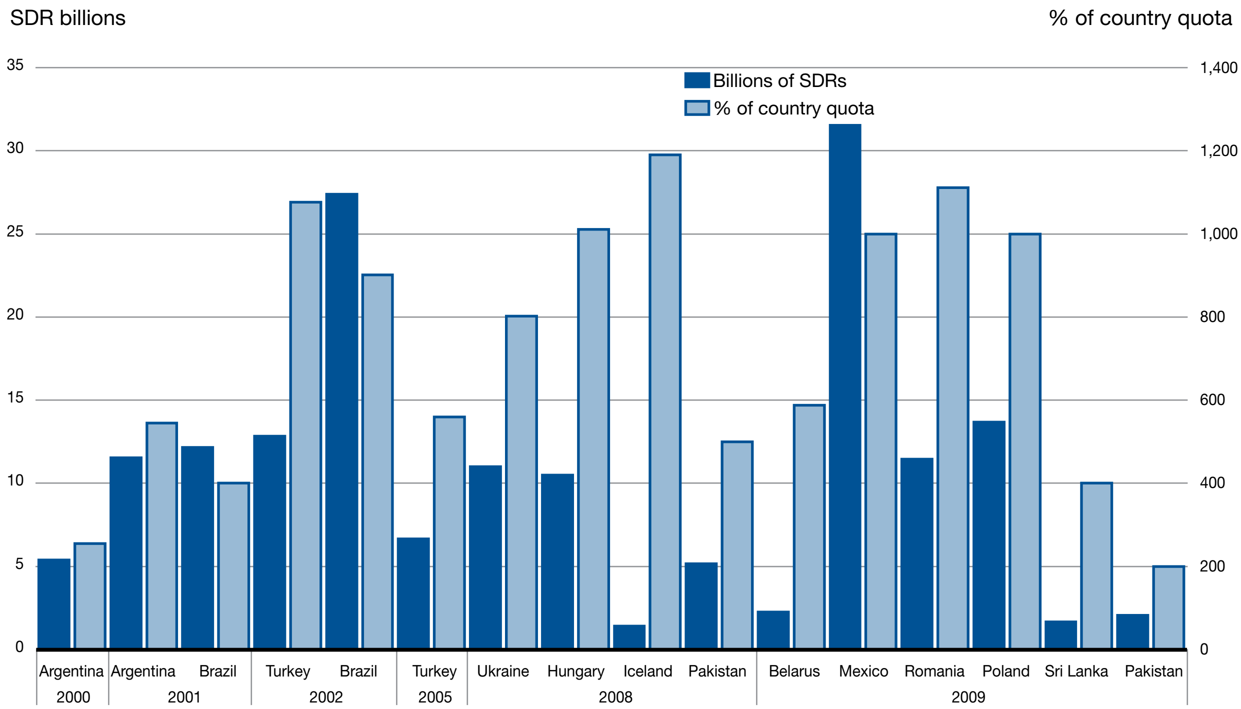
Notes: GRA = General Resources Account; SAF = Structural Adjustment Facility; TF = Transfer Fund; ESAF = Enhanced Structural Adjustment Facility; PRGF = Poverty Reduction and Growth Facility.
Source: http://www.imf.org/external/fin.htm.

Table 7

Highlights of IMF Lending Activity, 2009

Lending Facility	Purpose	Total Amount	Countries Entering Arrangements
Stand-By Arrangement	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	SDR 23.3 billion	Angola, Armenia, Belarus, Bosnia and Herzegovina, Costa Rica, Dominican Republic, El Salvador, Guatemala, Mongolia, Romania, Serbia and Sri Lanka.
Exogenous Shocks Facility	Short-term assistance to address a temporary balance of payments need arising from an exogenous shock (e.g. a spike in energy prices).	SDR 494.4 million	Ethiopia, Maldives, Mozambique and Tanzania.
Poverty Reduction and Growth Facility	Longer-term assistance for deep-seated balance of payments difficulties of a structural nature; aimed at sustained poverty-reducing growth.	SDR 830 million	Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Ghana, São Tomé and Principe, and Tajikistan.
Flexible Credit Line (FCL)	Provides large-scale, targeted and cautionary assistance to member countries with access to international capital markets.	SDR 52 billion	Mexico, Poland and Colombia became the first countries to receive new precautionary FCL arrangements. As of March 2010, no FCL has been drawn upon, and Mexico has concluded its arrangement.

Chart 11
Large Approved IMF Lending Amounts: 2000–2009



Note: These lending arrangements include total lending amounts made available, including cases where lending arrangements were extended beyond initial stand-by facility timelines. Also note that the amounts above show the total amounts of lending made available: not all of these funds were fully drawn upon. For instance, Poland and Mexico have yet to draw on their FCL arrangements.

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

The World Bank's Crisis Response and Reform Efforts

While the global economy is showing signs of recovery, poor countries are still suffering the consequences of the global recession. In 2009, poor countries were hit hard as private capital inflows, remittances, and income from tourism fell. As a result of these factors, the number of people living in poverty is projected to rise in 2010.

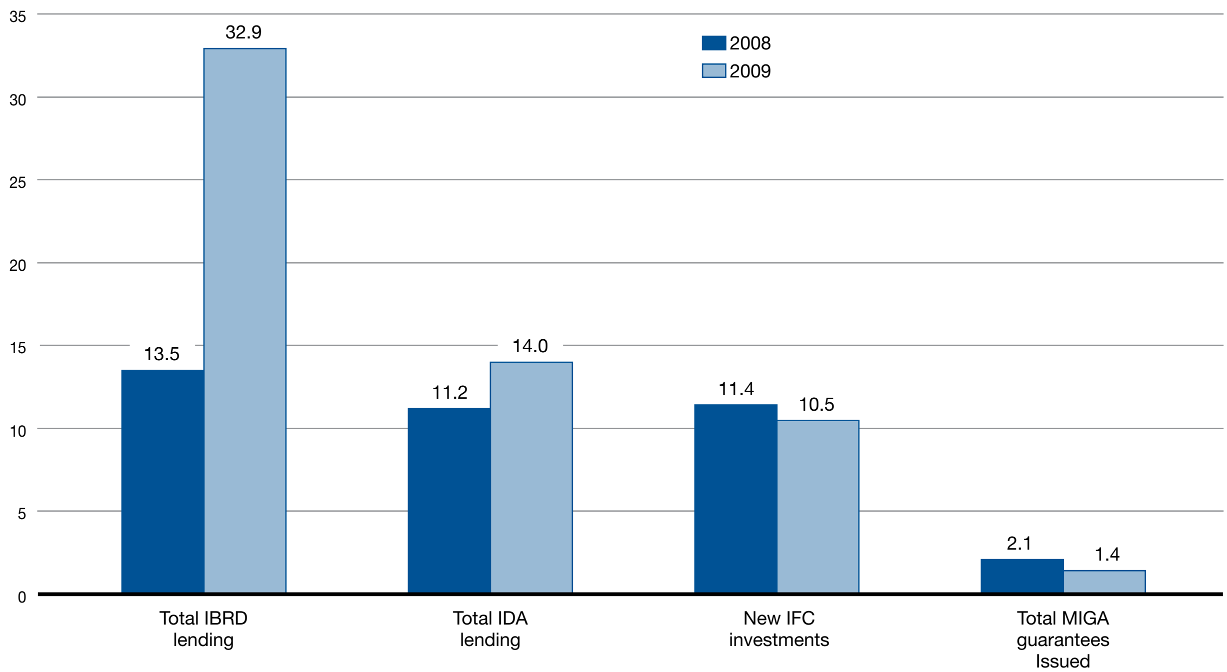
As at the IMF, the World Bank Group's lending increased in 2009. It committed nearly US$60 billion—an historic high for the World Bank Group and a 54-per-cent increase from 2008.

Highlights of World Bank Group lending, grant and investment activities in 2009 include (see Chart 2):

- US$32.9 billion in lending by the IBRD to middle-income and creditworthy low-income countries.
- US$14 billion in concessional financing to the world's poorest countries by IDA.
- US$10.5 billion in new financing by the IFC to promote private sector investment in developing countries.
- US$1.4 billion in new guarantees by MIGA to promote foreign direct investment in developing countries through protection against loss from non-commercial risks.

Chart 12
World Bank Group Lending, Grant and Investment Activities, 2008 and 2009

US$ billions



Taken together, the credits, loans, grants and guarantees issued by the World Bank Group supported 767 projects in 2009.

In addition to ramping up its own lending activities, the World Bank Group played a leadership role in creating a number of specialized facilities to target specific crisis needs and to help catalyze additional donor resources.

This includes the creation of the Global Food Crisis Response Program, a Global Agriculture and Food Security Program, an Agriculture Finance Support Facility, a Rapid Social Response Program, an Infrastructure Recovery and Assets Platform, and an IDA Crisis Response Window. These initiatives provide relief from high food prices, income and food security improvements, access to basic social services and safety net programs, additional infrastructure funding, and extra resources to help vulnerable countries recover from the economic crisis.

The IFC also launched a new Global Trade Liquidity Program, Global Equity Fund, Infrastructure Crisis Facility and Microfinance Enhancement Facility to improve global trade, and provide financing to recapitalize important emerging market banks, viable infrastructure projects and microfinance institutions.

Donor Support for the International Financial Institutions' Crisis Response

At their 2008 Summit in Washington, the G20 Leaders committed to ensure that the World Bank and other multilateral development banks had sufficient resources to continue playing their role in overcoming the crisis.

As part of this commitment, Canada provided financial support for the World Bank Group's crisis response measures, including by contributing US$200 million to the IFC's Global Trade Liquidity Program. In addition, as part of its $600-million G8 commitment on food security, Canada will fund the World Bank's Global Food Crisis Response Program and its new Global Agriculture and Food Security Program.

Canada supported a 200-per-cent general capital increase at the Asian Development Bank, contributing US$5.3 billion. In addition, Canada implemented an innovative idea to strengthen the Inter-American Development Bank (IDB) with US$4.0 billion and the African Development Bank (AfDB) with US$2.6 billion of extra callable capital, on a temporary basis. These initiatives allowed the IDB and AfDB to increase their lending levels in 2010 by almost 70 per cent and 75 per cent, respectively, helping them address the challenges resulting from the global economic crisis in their member countries. These initiatives are a further demonstration of Canada's commitment to these institutions and to their development efforts in the Americas and Africa.

Canada's Participation in the Global Trade Liquidity Program: Supporting Trade in Developing Economies

The global financial crisis created an important gap in the supply of trade finance, which is vital to the approximate US$10 trillion in annual global trade flows. Developing economies were particularly vulnerable to this shortage. The Global Trade Liquidity Program (GTLP) was created by the IFC to address this vulnerability by raising funds from international finance and development institutions, governments and banks, and working through global and regional banks to extend trade finance to importers and exporters. Through this arrangement, the award-winning facility is also enticing a return of private sector trade financing sources in developing economies. Canada was the first donor to participate in the GTLP, and its US$200-million contribution is expected to support up to US$2 billion in trade over the next three years. With the contributions of all donors, the facility is expected to support up to US$45 billion in trade over the next three years.

Reform Efforts

Over the past year, the World Bank Group also continued to move forward on several important reforms including internal governance, decentralization, human resources, transparency and voice. Canada considers internal governance reforms to be an especially important element, as they involve streamlining administrative processes for more timely project approvals and will allow the Executive Board to focus on strategic, rather than operational, issues.

While there has been sound progress, the Bank's reform efforts are still far from complete, and 2010 will provide a unique opportunity to take a big step forward, as shareholders will be aiming to reach final agreements on four interrelated issues by the 2010 Spring Meetings: voice reforms; the Bank's request for more capital; the World Bank Group's post-crisis directions; and other important institutional reforms. The IDA16 replenishment discussions beginning in early 2010 will provide an opportunity to pursue additional reforms, including improvements in the Bank's support for fragile states, gender and global public goods, as well as climate change.

The section "2009 Report on Canada's Commitments at the Bretton Woods Institutions" details Canada's efforts to advance work in these areas.

Canada's IMF and World Bank Voting Record and Outreach in 2009

Canada's Voting Record in 2009 at the IMF

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 affects policy proposals before they are brought to the Board (through informal discussion with staff and management) and works collaboratively with other members of the Executive Board before or during the course of Board deliberations. In 2009, the Executive Director representing Canada, Ireland and the Caribbean did not abstain from or oppose any items voted upon by the Executive Board. The Board of Governors took several resolutions in 2009. The positions taken by Canada's Governor are described below.

Voting Record of the Canadian Governor in 2009

- Canada supported the proposal to create US$250 billion in new Special Drawing Rights, injecting liquidity into emerging market and developing economies' central banks to help cope with the effects of the financial crisis.
- Canada supported Kosovo's application to join the IMF.
- Canada supported the proposal to hold Annual Meetings of the IMF and World Bank in Washington in 2010 and 2011 and in Egypt in 2012.
- Canada's Governor did not submit a vote on amendments to the statute guiding the operations of the IMF's Administrative Tribunal.

Canada's Voting Record in 2009 at the World Bank

Canada and other 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 2009, the Executive Director representing Canada supported all policies and projects approved by the Board, with one exception.

Voting Record of the Executive Director Representing Canada in 2009

(Only oppositions or abstentions listed)

- In February 2009, Canada's Executive Director at the World Bank abstained on the decision to finance an offshore oil project in Ghana through the IFC. While it was recognized that the investment had a significant potential development impact for Ghana, specific concerns such as the environmental classification of the project, the use of a single-hulled tanker instead of a double-hulled one for storage and transfer, as well as an exception to IFC guidelines concerning the oil content of cuttings disposed into the sea contributed to Canada's decision. Canada recommended that the IFC insist on better environmental performance before the corporation continued its involvement.

Similarly, the Board of Governors is asked to vote on a number of resolutions throughout the year. Below are Canada's positions on the five resolutions taken in 2009.

Voting Record of the Canadian Governor in 2009

- Canada supported the first phase of voice and participation reforms, which will provide developing countries with more voice in the Bank's decision-making processes.
- Canada supported the transfer of US$55 million from the IBRD surplus to replenish the Trust Fund for Gaza and West Bank.
- Canada supported Kosovo's application to join the World Bank Group.
- Canada supported the proposal to hold Annual Meetings of the IMF and World Bank in Washington in 2010 and 2011 and in Egypt in 2012.
- Canada's Governor did not submit a vote on amendments to the statute guiding the operations of the World Bank's Administrative Tribunal.

Outreach in 2009

Canada's Executive Directors at the IMF and World Bank met with a variety of stakeholders, including governmental and civil society organizations and those pursuing business opportunities at the respective institutions.

In 2009, the IMF Executive Director and his staff met with many Canadian, Irish and Caribbean officials and civil society organizations, often alongside their counterparts from the Executive Director's Office at the World Bank. These meetings included representatives from the Brookings Institution, Results-Résultats Canada and the Canadian Forces College. 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 Department.

In 2009, the World Bank Executive Director's Office met with representatives from Canadian and international civil society, including the Debt and Development Coalition of Ireland, Results-Résultats Canada, Oxfam International, ActionAid International, the Halifax Initiative, the Social Justice Committee of Montréal, Bridges Across Borders and the North-South Institute. Staff from the Executive Director's office also met with students from Queen's University, the University of Ottawa and McGill University.