

Financial Institutions

The proportion of our development budget dedicated to such work has been growing steadily. I am pleased to state that it rose by more than 40 per cent last year to well over \$100 million. The Government hopes to see further growth of this kind, without any loss of the project quality and the human touch that have distinguished the efforts of Canada's non-governmental organizations.

We can all draw real satisfaction, too, from the knowledge that, despite these difficult times, many non-governmental organizations are meeting or surpassing their fund-raising goals, clear evidence that the people whom we represent feel that in hard times the need for aid is even greater, that the poorest people must not become the prime victims of economic problems.

In the course of his remarks, the Hon. Member for St. John's West raised the matter of the disturbing slowdown of the United States in providing share of the Sixth Replenishment of the International Development Association of the World Bank. That element of the World Bank provides concessional financing to the poorest of the developing countries. This replenishment was originally agreed upon among major donors at a level of \$12 billion over the three-year period 1980 to 1983.

Due to difficulties which the International Development Association had experienced in the past in receiving contributions on time from certain members, especially the U.S.A., we co-operated with other key donors in building into the Sixth Replenishment a provision that contributions would be paid according to a predetermined schedule. If the U.S.A. as the major donor slowed its rate of contributions, other donors could pay at the same rate. This is the so-called pro rata rule.

When it was clear that the U.S. was reducing the level of its payments, we joined with other donors to encourage the U.S. to maintain the original schedule. Moreover, in September, 1981 Canada took the initiative in constructing an international agreement which recognized that the U.S.A. was somewhat late with its first contribution, but which allowed other donors to maintain their rate of payment because of our joint commitment as donors to maintain the flow of resources through the International Development Association to the poorest countries of the world.

It is true that the problem of the slowdown of U.S. payments has continued in 1982. The Prime Minister (Mr. Trudeau) has received messages from a number of Third World leaders calling for action to preserve the International Development Association. They recognize that the institution was facing the serious risk of donors, other than the United States, declaring that the International Development Association had become moribund. The reason was that the fundamental principle of burden-sharing in the association was being jeopardized by the approach of the United States.

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Faced with the prospect of the demise of the International Development Association and the severe consequences that this would entail for developing countries, the major donors held a series of meetings. This September in Toronto they agreed, in effect, to extend the Sixth Replenishment of the International

Development Association to a fourth year. The United States is making its payments over four years while Canada and other donors are contributing to special funding arrangements in order to keep the Association afloat, thereby ensuring that the life blood of IDA assistance for the poorest countries continues to flow.

Later this month negotiations on the Seventh Replenishment of the International Development Association will commence in Washington. The institution continues to be in serious jeopardy, especially since the principle of equitable burden-sharing has been undermined by the difficulties over the Sixth Replenishment. But Canada will be at those negotiations, making its best effort to aid the poorest countries by ensuring, to the extent possible, that all major donors make solid international commitments and then live up to them. To do any less is to disregard our responsibility as a strong and active supporter of the Association since 1960 and to disregard our commitment to assist directly, through the Association, the poorest in the developing world.

Questions continue to be asked about the criteria upon which international financial institutions base their decisions about the approval of specific projects. Two basic principles of multilateral aid have an important bearing here: the prohibition of any political activity by these institutions, and collective decision-making through voting rights at the board of executive directors and governors.

The membership of these institutions is highly diverse, reflecting a broad range of political and economic viewpoints. It is a testament to institutional integrity that few votes are ever taken, and that these usually serve primarily to register a point of view rather than attempt directly to change policy. The original model for multilateral institutions was the World Bank, whose charter sets out the accepted criteria clearly. Article IV of the Bank's charter states:

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions.

I believe that this principle is fully in harmony with the recommendations of the recent report of our Standing Committee on External Affairs and National Defence regarding our relations with the Caribbean and Central America. As Members may recall, recommendation 7 of that report proposed:

—the Government affirm the principle that international financial institutions encourage peaceful economic development by supporting all countries and projects that meet legitimate development criteria. Countries should not be excluded because of ideological considerations.

In the final analysis, the legislation before us today, and indeed our whole effort for world development, comes down to one question: is it working? Sometimes, in frustration and impatience, we feel that international development is like a bottomless pit into which we can pour any amount of money and effort without visible effect, so vast and profound are the problems of development. Yet the Hon. Member for Edmonton South has spoken convincingly of the solid progress that he