In connection with the next GCI for the World Bank, it has been argued by some that reducing or eliminating the percentage of paid-in capital to callable capital might make it easier for countries to agree to a larger capital increase. However, a major reduction in the ratio of paid-in capital could send a wrong signal to the borrowing countries, as it could appear that the donor countries were not honouring their commitment to the developing world. For this reason, the Canadian government should resist proposals for any significant reduction in the proportion of paid-in capital in the next General Capital Increase of the World Bank or of the regional development banks.

Increased emphasis should be placed on the efforts of the World Bank affiliate, the International Finance Corporation, to promote investment in Third World countries and to create equity mutual funds for investment in developing countries.

There is a trend by the regional development banks to shift away from project loans, which have been their specialty, to policy-based or program lending along the lines of the new World Bank thrust. However, these regional banks lack the staff to design or administer such loans, to which important macroeconomic policy conditions are attached. This change in emphasis by the regional development banks is unwise. Project lending should remain the central activity of the regional banks.

The Arab OPEC Countries

The massive increase in oil prices in the 1970s produced large balance-of-payments deficits among oil-importing developing countries, deficits which had to be financed from external sources; much of this external financing came from funds deposited in OECD country banks by Arab OPEC countries. This cycle contributed to the current Third World debt problem. In the future, OPEC could make a significant contribution to the management of the debt problems of developing countries by bringing its consideration of oil prices within the scope of international consultation and co-operation, where the effects of oil price changes on the world economy and the interests of the developing countries would be appropriately recognized.

The World Bank has pointed to an enormous gap of $1.5 billion a year in the funds available for the needs of low-income sub-Saharan African countries until 1990. Those Arab OPEC states that have the financial resources should be urged to try to increase their funding to the International Fund for Agriculture Development (IFAD) in order to bring the total OPEC contributions to that institution up to its earlier, higher level, a step that would automatically be matched by proportionately higher OECD contributions to