

Bretton Woods Agreements Act

Finance Corporation, a branch of the World Bank whose activities are directed toward the private sector; second, the Bill consolidates legislation relating to all member institutions of the World Bank group; and third, it modifies the procedure for obtaining the approval of Parliament for financing these institutions.

The Bill's main objective is therefore to legislate the necessary authorization for Canada's participation in the International Finance Corporation, usually referred to as the IFC.

The IFC was created by the World Bank in 1956, with a special mandate to promote private sector investment in less developed countries by seeking out investment opportunities and bringing them to the attention of local and foreign investors. Using its own staff and consultants, the IFC seeks out and promotes investments that are not only commercially viable but will also contribute to the overall economic development of the country in question. In this respect, the International Finance Corporation complements very considerably the World Bank's development activities.

The International Finance Corporation, which has a capital base of \$1.3 billion, expects to invest \$4.5 billion over the next five years in projects estimated at a total value of \$30 billion. Although the majority of the Corporation's investments will take the form of loans, the IFC also uses part of its resources to acquire an interest in a company when there is a lack of private venture capital. Since the IFC is able to underwrite part of the investment, it has also been possible to set up joint ventures and to help investors obtain commercial loans. Furthermore, the IFC has been active in promoting the expansion of capital markets in developing countries to create both national and foreign sources of investment capital.

Although Canada has been a member of the IFC since its inception, our legislation does not provide any authorization for Canada's participation in the Corporation. As is the case for many other programs, the necessary authorization was considered to have been given by tacit agreement when Parliament approved the payments after the Estimates were tabled. In 1982, the President of the Treasury Board decided that legislation would have to be passed in the case of each program. Last year, another increase in the Corporation's capital, totalling \$650 million in U.S. funds, was negotiated to enable the IFC implement its new investment program. If Canada is to be able to contribute like other member countries towards increasing the capital of this important development institution, official approval must now be obtained through legislation.

The second change I am proposing would consolidate, in a single Act, the legislation concerning the three institutions that constitute the World Bank group. Besides the IFC, these institutions include the International Bank for Reconstruction and Development, better known as the World Bank and the largest institution in the group, and the International Develop-

ment Association—the IDA—which is responsible for providing the poorest countries with loans on more flexible terms.

The World Bank was created in 1944 to help finance the reconstruction of a Europe destroyed by war. Once the reconstruction of Europe had become a reality, the World Bank shifted its attention to the economic development of the Third World. Today the World Bank, which has over \$80 billion in subscribed capital and some 143 members, is the largest single development agency in the world. Together with the International Monetary Fund, it plays a vital role in maintaining international economic and financial stability. In 1984, the World Bank approved some 130 loans valued at about \$12 billion to more than 43 developing countries.

The World Bank finances its loans through two kinds of contributions it receives from member countries. A small amount, recently just 8.75 per cent of the Bank's capital, is provided in cash and in the form of demand notes. The remainder 91.25 per cent of subscribed capital is available in the form of callable capital guaranteed by the governments of member countries. The World Bank borrows funds, usually by selling long-term bonds on the international capital market which are guaranteed by its callable capital. The funds are then lent to developing countries on terms that enable the World Bank to recover 100 per cent of its costs and to constitute a prudent level of adequate reserves.

Although World Bank loans are granted under the best possible commercial terms, some countries find that even these rates would place an undue burden on their resources. Since as a result of loans granted to countries with a low solvency level, the World Bank's AAA credit rating might suffer, in 1960 World Bank member countries set up the International Development Association in order to expand the World Bank's activities in the poorest countries. Unlike the World Bank, the resources of the International Development Association are provided directly by governments of member countries in the form of regular replenishments. The IDA then uses these funds to grant long-term loans on very concessional terms to developing countries with annual per capita incomes below \$790. However, IDA projects must maintain a very high quality and provide a high economic rate of return. The IDA—excuse me, Mr. Speaker, but this is of course the English abbreviation and although I realize that the French abbreviation would be in order, I shall continue to refer to the Association as the IDA—therefore, the International Development Association also finances technical assistance to ensure that the objectives of the projects are achieved.

In 1984, IDA approved 106 loans valued at over \$3.5 billion to 43 countries. About 32 per cent went to African countries south of the Sahara. In future, the proportion of IDA loans directed to Africa will be increased to 37 per cent, as the World Bank is now concentrating even more of its attention on the very serious problems confronting this region. An increasing proportion of IDA resources is being used to help revamp