

house said that a certain bill was very short and simple, that it would not be necessary for him to dwell on it too long, and that it need not go to committee. I will not repeat that mistake. The bill, while it is very short, touches upon important matters; namely, Canada's participation in the Bretton Woods Agreement and, through that, in the World Bank and its subsidiary organizations.

Honourable senators will recall that the World Bank was established, together with the International Monetary Fund, in 1944 at Bretton Woods. I believe it was Lord Keynes who said that they had succeeded in establishing a bank which was a fund, and a fund which was a bank. That, nevertheless, is not to detract from the fact that both organizations have operated, for the past 35 years, very successfully in stabilizing economic arrangements between the nations of the world.

As honourable senators will recall, the World Bank was first used as an instrument for the reconstruction of Europe. With that concluded, however, it turned its attention to the countries of the Third World, and has since been fostering economic development in those countries. At its founding, some 44 countries were members of the World Bank, with a total subscribed capital of approximately \$10 billion. Since that time, the membership has increased to 143 member countries, with a subscribed capital of more than \$80 billion, if we include the proposed refinancing in which this bill involves Canada.

The World Bank is the largest single development agency in the world. Together with the International Monetary Fund, it plays an important role in maintaining international economic and financial stability. In 1982—and any dates to which I refer will relate to its fiscal year, which ends in June—the World Bank approved some 150 loans, totalling over \$10 billion.

The World Bank finances its lending program through two types of contributions from its member countries. If I could use an analogy—a simple corporate comparison—authorized capital is established at X billions of dollars. The donor countries are required to actually pay in, at this date, 10 per cent of that amount, the rest remaining as callable capital. On the strength of the guarantee of that callable capital from all of the donor countries, the bank goes to the ordinary money markets and borrows, at competitive interest rates, the other 90-odd per cent of its authorized capital, which makes up the majority of the funds it uses in its work.

I think it is important to point out that at no time in the history of the World Bank has a call ever been made on any of the donor countries. The bank also has a remarkable record of success in its lending, so that it does not have defaulted loans and there is no likelihood of calls being made on the donor countries, at the present time or in the foreseeable future. This is because the projects of the bank are carefully chosen and evaluated by World Bank staff, along with local authorities, in order to ensure that the projects are of a high calibre and have a high rate of economic return to the countries in which the developments are taking place.

In order not to take too much time this afternoon, honourable senators, I will try to move more quickly through my notes. In addition to the multiplier effect which results from the borrowing that is made possible because of the callable nature of the authorized capital, commercial banks have developed a custom of joining in the funding of projects which the World Bank has approved. That the banking community will join as partners on the basis of the World Bank's assessments of the projects in which it is going to invest is surely an indication of the thoroughness with which the World Bank analyses those projects. The banking community must feel that its loans are virtually safe.

Because of this policy of the World Bank to see that loans are commercially justified, and as a result of the need to pay commercial rates to lender institutions for the money it borrows from them, the bank has, of necessity, developed a practice of making the majority of its loans to the better developed countries. This left a problem insofar as the poorer Third World countries were concerned. To that end, in 1960, a subsidiary agency of the World Bank, the International Development Association, or IDA, was created. The bill now before honourable senators amends not only the Bretton Woods Agreements Act but also the International Development Association Act—the two acts under which the Canadian Parliament has authorized the participation by Canada in the World Bank and in the IDA.

I might add that the IDA, generally speaking, extends not only soft loans but long-term loans at basically no rate of interest to countries with a per capita income below \$730 per annum. These loans, while repayable in theory, are, basically speaking, outright grants to those countries, and for this reason the IDA, unlike the World Bank, requires a replenishment of its capital at regular intervals. From time to time the 143 members of the World Bank need to agree on the amount of the replenishment, and also their individual participation in that replenishment. I will not say that there is a scientific formula by which the contributions of different countries are arrived at, but it has a bearing on a number of factors including their respective gross national products.

● (1510)

The last replenishment was to be for the years 1981, 1982 and 1983, being a three-year replenishment. Unfortunately, the United States felt that it was contributing more than its share to the World Bank and the IDA, and indicated—and eventually made it firm—that its three-year replenishment would extend over four years through 1984. That would have resulted in a serious shortfall to the poorer countries of the Third World during that fourth year, if the other countries did not cover the American shortfall. However, they did not wish to do this by simply increasing the amount of their contributions. So they decided to provide bridging funds for that fourth year. That is also provided for in the moneys being sought from Parliament in the legislation now before us.

I might also point out that since the inception of the World Bank, and the creation of the IDA in 1960, additional funds have been provided by Canada to those agencies by \$1 items in