CHAPTER III
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AN OPEC STRATEGY FOR COOPERATION AND THE NORTH SOUTH DIALOGUE

In assessing the impacts of oil price fluctuations on industrialized and less developed countries, it is necessary to distinguish two separate effects: firstly the lessons of the past, particularly those of the 1970s, will be enhanced in the future; secondly the lesson of interdependence will be even greater, not only for the oil consumer but possibly even more so for the producer/exporter nations as industrialization and economic diversification efforts, domestically are ever more closely tied to co-ordinated policies i.e. international trade, monetary policy, the transfer of technology and the rational management of non-renewable resources. Responsibility for the problem of the developing bloc, thus created, cannot be assigned solely to either the advanced group of nations or to the OPEC.

However, a better understanding of the requirements and priorities of the OPEC nations facilitates the structuring of mechanisms to balance the need of both producers and consumers of petroleum as well as of the third world developing countries. This perception in a broader framework is invariably drawn from the content and context of the North - South divide, where aid is perceived more as a phenomenon involving the transfer of resources (for a variety of motives), from the rich north to the poor South.
Thus, the 'North-South' Dialogue', means the conference on International Economic cooperation (CIEC) held in Paris in 1975-77 which brought together eight industrialized countries and nineteen developing nations. The issues that have divided developed countries of the West and the developing countries of Africa, Asia and Latin America cover a wide rage of issues. They are adequately spelled out in the resolution on Development and International Cooperation adopted by the UN General Assembly's Seventh special session in September 1975. This resolution invited all countries to join in the search for solutions to world problems, pointing in particular to: international trade; transfer of real resources to developing countries; international monetary reforms; Science and technology; industrialization, food and agriculture; cooperation among developing nations; and restructuring the economic and social sectors of the UN system.  

A few comments on the earlier efforts, before the Paris Conference could take place may help to understand the role of OPEC members in placing the North-South parleys in their proper perspective.

1. The urgent need to create a "New International Economic, (NIEO) was expressed by the UN at an earlier date. On 1 May 1974, a day to which it can be traced back the formalization, on a global basis, of the North-South Dialogue, the UN General Assembly, at its sixth special session adopted resoultions on the "Declaration of the Establishment of a "NIEO", and the "programme of action" for its establishment in order to "correct the inequalities and redress existing injustices, and make it possible to eliminate the widening gap between the developed and the developing countries".
After the failure of the UN General Assembly's Sixth Special session (1974) on the issue, there was a general sense that negotiations between the industrialized and developing countries should at first be conducted within smaller grouping, and suggestions were aired to this end. In order to study the new developments and adopt a common position, at the suggestion of Algeria, an extra ordinary Conference of OPEC was convened on 26th Jan. 1975. The Conference welcomed in principle the idea of establishing a dialogue between smaller groups of developing and industrialized countries. The conference then decided that a summit meeting of OPEC heads of state should be convened to discuss international economic questions and OPEC's positions on them. The summit was held in Algiers in March 1975 and produced a Solemn Declaration, which is the most important OPEC document so far on the subject.

The first part of the Solemn Declaration reiterated the right of OPEC members 'to develop their natural resources, to exploit them and to fix their prices'. It also rejected 'any idea or attempt to infringe on these basic rights'.

The second part of the declaration dealt with the causes of international economic crisis. It observed that: the current international economic crisis is due basically to great differences in the economic and social progress of the various

2. For details see Appendix No.I
people; these differences, of which the backwardness of the developing countries is one feature, 'are basically the result of foreign exploitation, which perpetuates these differences'. The Declaration then rejected, 'all allegations which attribute the responsibility for the present instability of world's economy to the price of oil.'

In the third part of the declaration, the heads of OPEC states 'condemn (ed) the threats that have been made, the propaganda campaign and other measures taken, culminating in the accusation levelled at the OPEC member countries that they wish to undermine the economy of the developed countries.' They also denounce(d) any attempt by the consuming nations to form cartels with a view to a confrontation; condemn (ed) any plan or strategy aimed at economic or military acts of aggression by these or other cartels against any member countries of OPEC. Then, once more they emphasise(d) the solidarity which unites their ranks in defence of their peoples' legitimate rights, and declare(d) their readiness within the framework of that solidarity: to take immediate and effective measures to oppose these threats by adopting a united policy whenever it is called for particularly in the event of aggression.

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4. Ibid.
5. Ibid.
The fourth part of this Declaration dealt with OPEC aid. The part dealing with aid to developing countries read as follows:

'Once again the kings and presidents stress the mutual solidarity which unites their countries with other developing countries in their struggle to overcome their backwardness....'

They realize that the developing countries suffer worst from the world economic crisis. Consequently, they stress anew their determination to implement measures to strengthen their cooperation with these countries. They were also prepared to participate within the limits of their resources in implementing the special international programme drawn up by the UN and to give additional special allocations, loans and grants to the developing countries. In this connection they agreed on their special programme for financial cooperation to aid the worst hit developing countries in the best possible manner, especially to help them overcome their balance of payments difficulties. They were further agreed to coordinate these financial measures with long term loans for the development of the economies of these countries.

To help improve the use of the agricultural potential of the developing countries, the kings and presidents decided to encourage the production of fertilizers and to provide the latter at favourable terms to the countries which had been badly
affected by the economic crisis. They stress their readiness to cooperate with other raw material exporting developing countries, at their efforts to obtain a fair price for their exports. ... 6

This Solemn Declaration had an important impact, in that it preempted the industrialized countries' efforts to establish an exclusive dialogue with OPEC and to keep it confined to energy.

Although the Paris Conference on International Economic cooperation (CIEC) did not sign the beginning or the end of the dialogue, nonetheless it helped focus world attention, in particular, on the problems of development aid, primary commodity exports, external debt and, in general, on the increasing gap between North and South.

With respect to the issue of financial and development assistance to the South, the industrial nations agreed to contribute $1 billion in a "Special Action Programme" in order to meet, on highly concessionary terms, the urgent needs of the low income countries "facing general problems of transfer and resources." Of this amount, $385 million was later entrusted by the EEC to IDA for use in future project and programme assistance to be disbursed over a number of years. Sweden and Switzerland have since cancelled some debts of the least developed

6. Ibid.
countries totalling $55 million. The developed North also concurred, without specific commitments, in the necessity of increasing official development assistance in real terms. Part of this assistance was to be assigned for the expansion of food production in developing countries. Specifically it was agreed only to set up a minimum target of ten million tons of grain per annum for food aid, a target which remains unfulfilled to date.

However in the area of trade, the agreed arrangements were expressed in general, including such points as:

(a) further cooperation in primary commodity marketing and distribution;

(b) assisting developing countries in their attempts to diversify domestic production and exports;

(c) working out measures to cope with the problem of synthetic goods so as to ease their impact on natural products;

(d) establishing a generalized system of preferences more favourable to the developing countries;

(e) giving special and advantageous treatment to the developing nations in Multilateral Trade Negotiations (MIN's).


8. See the Tokyo Round Trade Package signed in Geneva on 12 April 1979 has so far been accepted by only one of the developing country participants in the MINs, the rest finding it short in meeting their minimum demands. Reproduced from Ibrahim F.I. Shihata, 'Other Face of OPEC - Financial (Assistance to the Third World' (Longman, London, 1982) PP.83-84.
One important commitment in this area of trade, which later on lose much of its original comprehensive content was agreed upon in principle by the industrial countries, namely the agreement to establish a Common Fund, to finance buffer stocks for certain primary commodities of export interest to the South.

Finally in the field of energy, no more than a resentment of the obvious was made, spelling out the importance of energy availability and supply, to the significance of conservation and increased efficiency of energy use and, to develop all forms of energy.

At the conclusion of Paris Conference it was not surprising, therefore, to see the developing countries express their disapprobation on having most of the proposals for structural changes, and some other suggestions dealing with crucial questions, discarded by the North. As to the latter, its expression of regret mainly centred on the lack of agreement on issues related to "Co-operation" on energy. Following the Conference, the negotiations between the industrial and the developing countries were scattered among several bodies. The issues of commodities were left to UNCTAD. Compensatory financing to the IMF - IBRD Development Committee; the matter of external debt to both UNCTAD and the Development Committee; development and balance of payments
to IMF and IBRD; and the question of access by developing
nations to industrial markets to GATT.

In all these assemblies, and on most important issues,
the developed countries generally reacted in a negative way to
the demands of the developing countries. Whenever their
response was positive, it came late, offering at times too
little. At the root of this failure lay the seemingly
incompatible North-South differences, as each saw the world
through different lenses: The developing nations calling for
fundamental and structural changes in the existing production
and exchange systems, and the developed countries favouring only
marginal adjustments. A broad consensus among both sides on

9. The specific demands put forward by the developing
countries were related in particular to the following:
adopting of UNCTAD's integrated programme for
commodities; energy conservation, development and
finance protection of the purchasing power of export
earnings and assets; debt relief and debt reorganization;
adoption by the developed countries of the 0.7 percent
ODA target; access to capital markets of the developed
world; infrastructural development; full implementation
of the "Lima Declaration and Plan of Action" calling for
an increase in the percentage share of developing
countries to at least 25 percent of the total world
industrial production by the year 2000; increased food
production in developing countries, food security and
food aid; transfer of technology through private
foreign investment, and international financial and
monetary reforms, that is, in IMF and IBRD resources,
new allocation of SDRs, and greater access by developing
countries to these resources.
principles and objectives, therefore, remains a remote target.\(^{10}\)

However, successful producer action to raise oil prices has had a strong impact on the commodity world, in economic as well as in political terms. In fact, with the UN General Assembly proclamation on April 1974 for the right of the developing nations to control their natural wealth and to industrialize on the basis of the local processing of their raw materials - first and foremost for their own economic and social development. This order was given added point after the Paris Conference of 1975. Thus, Venezuela nationalized the country's Iron - ore industry, previously controlled by two American companies and second only to petroleum in export ventures; Peru nationalized the Cerro de Pasco Co., one of the most important mining companies in Latin America; Mauritania nationalized Mifarma, the Corporation which works the copper mines of AK Jont; Togo nationalized the mining company of Benin; and Jamaica took a majority stake in the local subsidiary of Kaiser Aluminium.

Moreover, since then several developing nations have tried to emulate the OPEC example. In particular, seven bauxite

\(^{10}\) Ibrahim F.I. Shihatea; op.cit., No.8, P.91.
producing countries (Guinea, Australia, Guyana, Jamaica, Sierra Leone Surinam and Yugoslavia), having between them some 63 percent of world production, agreed to set up the International Association of Bauxite Producers' to manufacture aluminium and assure that the multinationals do not work to the detriment of any member state; Algeria, Italy and Spain agreed a price-setting arrangement for mercury, Zambia, Chile, Peru and Zaire, accounting for 70 percent of Copper exports and constituting the intergovernmental Council of Copper Exporting Countries (CIPEC), have cutback production to boost declining world copper prices; twenty Latin American nations (including Cuba) established a cartel to protect the world price of sugar; Cameroun, Ghana and Ivory coast, Nigeria, Togo and Brazil established the Cocoa producers' alliance (COPAL); Coffee producers decided to withhold part of their production and set up a multinational organization (Cafe' Suaves Centrales) to regulate price and supply, with support from Colombia, Brazil and Venezuela to finance a 'buffer' Stockpile; Morocco, the biggest world exporter of Phosphates, joined hands with smaller producers (Senegal, Algeria, Tunisia and Togo) to maintain high prices throughout the world and promote the use of Phosphatic fertilizers. And eleven Iron-ore exporting countries had agreed to set up an organization of 12 exporting countries.

12. Stephen A. Zorm, 'Producer's Association and Commodity
Further to keep the Third World in the OPEC Camp, the OPEC states have rapidly expanded their aid commitments. Thus, in 1974, OECD estimated that the total amount of OPEC aid reached almost $US 7½ billion (as defined by the criteria applying to western aid, i.e., exclusively from high interest loans and military assistance). The amount of OPEC aid is remained even higher if we include items not included in the OECD computations - substantial purchases of world Bank bonds, contributions to the new aid mechanisms such as the IMF oil facility and the UN special Emergency Fund, and the concessionary sale of oil, notably to India and Bangladesh. While in 1979/76 OPEC aid (2 percent of its combined GNP) proved to be more generous then that provided by the west (0.3 percent of combined GNP), even more important, 40 percent of OPEC aid disbursements (compared with only 8 percent of western aid) went to this thirty-three poorest countries; the so-called fourth world (mainly some of East African and central American nations, and the Indian subcontinent).

Moreover, it was the Arab states and Iran which were doing most to try to offset the impact of higher oil prices on the poorer nations, (Kuwait, Saudi Arabia and the Emirates had emerged on the world's top donors in proportion to GNP). During this period it was achieved through:

(a) existing international monetary and development institutions such as IMF and World Bank;

(b) new regional bodies such as the Arab Bank for African Economic Development; the $US 200 million special Arab Fund for Africa; the $US 900 million Islamic Development Bank; the $340 million Arab Fund for
Economic and Social Development; and the Saudi and Iraqi Development Funds modelled on the Kuwait and Abu Dhabi Funds which have also extended their activities to non-Arab developing nations, by increasing their capital to $ US 3.4 billion and $ US 500 million respectively;

(c) the expansion of trade ties, notably Brazil bartering Soya, Sugar and cotton in exchange for oil, South East Asia which is complementary to West Asia in many ways - Singapore for instance depends greatly on West Asian oil refining; India which can provide the man power and the market for example fertilizer plants installed in the West Asia, etc.

(d) bilateral or tripartite investment deals, e.g. the establishment of Iran-o-hind, a new shipping line run jointly by Iran and India; the setting up of a joint Tanker Shipping Company between Iran and Pakistan; the creation of a Kuwaiti-Brazilian investment Company for agricultural and industrial projects; Libyan investment in a Zaire Copper Mine development; Iraqi investment in Malaysia for the manufacture of rubber based goods; a fertilizer plant jointly owned by Abu Dhabi and Pakistan with Pakistan's share being contributed by Saudi Arabia and a company jointly by Guinea, Saudi Arabia, Kuwait, Libya and Egypt to mine the Aykoye bauxite deposits in Guinea.

Looking back over the past decade, OPEC members provided from 1974 to 1977 slightly more than $38 bn in aid to less developed countries; in 1974, the figure was $7.6 bn, and in 1977 about $10 bn. However, owing to the vagaries of the oil market, the figure for 1978 was slightly down from 1977's.

It must be stressed at this juncture that the mid 1970s marked a turning point in the OPEC aid programme. This was mainly due to the introduction of a formal institutional structure for the distribution of OPEC aid. This institution, initially known as the OPEC's special Fund, as pioneered in early 1976 as an international special account, collectively owned by all OPEC members. Three years later the Funds Agreement was amended in order to permit it to use loan repayments to finance future operations, thus providing for the agency's indefinite continuity. The very next year, the Fund's permanence was ensured when OPEC Finance Ministers converted the Fund into an 'International Agency for Financial Assistance to other Developing Countries', thus endowing it with a distinct legal personality. The Funds' formal title was changed to the OPEC Fund for International Development, to be administered by a ministerial council and a governing board on which all member states of OPEC are represented.

With the current dismal glut on the oil market, one might expect a situation in which OPEC aid programmes had almost

fizzled out, but this is far from the case. Despite its current difficulties, OPEC in this decade is still to be found financing numerous projects in the Third World.

This impression was vividly conveyed in an interview with Dr. Seyyid Abdulai, the Director General of the OPEC Fund. Among other things, he revealed that in 1984 alone, the OPEC Fund assisted 20 countries in Africa, five in Asia and three in Latin America. He also pointed out that in the same year the institution had helped to finance 21 operations in Africa, five schemes in Asia, and three projects in Latin America.

In several respects however OPEC aid cannot be compared with the aid programme of the Western World and the centrally planned economies (CPEs). Members of the industrial world have not yet complied in any meaningful way with UN Policy which states that a minimum net amount of 0.7 percent of GNP should be set aside for Official Development Assistance (ODA). Most donors from the western world have failed to provide more than one-half of this amount. As regards the CPE's the situation is even worse, since aid disbursements, which accounted for less than 0.1 percent of their GNP in the early 1970s, have slipped to 0.04 percent of their collective GNP.


By contrast, OPEC donors have sustained uniquely high levels of aid in relation to national income. From 1970 onwards, the OPEC ODA/GNP ratios have remained unmatched by those of the other aid-given groups. Indeed in every year since 1973, the world's four leading aid donors relative to GNP, have all been members of OPEC.

The unique sacrifices inherent in OPEC aid can also be discerned in the fact that these aid programmes are made possible by the depletion of a finite natural resource that is more in the nature of a capital endowment than a source of indefinitely-recurring income. By contrast DAC and CPE aid programmes are overwhelmingly derived from renewable sources of wealth. Again, almost one-half of non-OPEC aid is tied, or partially tied to procurement and its value to the recipient, or true grant element, is correspondingly reduced. On the other hand, OPEC aid is united to its source, and one consequence is that the Western World ultimately benefits from united OPEC aid since it is a major source of procurement for members of the Third World.

However, there exists an economic case, as well as a political one, for oil surplus countries to invest their funds in the developing countries rather than to place them in the developed countries. It is true that, on the face of it, developed countries seem to offer Gulf surplus countries a wide

17. Hossein G. Askari, OPEC and International aid, Sais Review winter 1981-82, No. 3 reproduced from OPEC bulletin Vienna April 86, P. 14
spectrum of advantages that developing countries are unable to match. Credit worthiness, well organized financial markets, available technology, and good management are some of the attractions for oil surplus funds in developed economies. However, behind this misleading facade remain the hard facts that OPEC savings can hardly increase real investment in developed countries. Inflation would unobtrusively but persistently erode the same oil funds entrusted to highly organized markets in developed countries. Motivated by self interest, the Gulf oil states' investment in developed countries turns out to be self defeating. Developing countries, with all their short comings, can on the contrary offer Gulf oil states a chance to transform their savings into real investment and hence protect them against erosion by inflation. Even then over all the main aid recipients from OPEC during the 1970s were not, in fact, those countries most affected by OPEC price increases.

In 1979, the eight industrializing countries with a 70 percent share of the developing countries' manufacturing exports took 70 percent of Third world oil imports. The annual oil imports of the 31 poorest countries is only about 4 percent of the total. Yet during 1973-79 the group of least developed countries received some $4 bn. in aid from OPEC countries, as against the $3.3 bn they spent on oil imports. During 1974-80 these countries accounted for 13 percent of OPEC aid. Thus there is no direct link between aid and oil imports.

Concessional aid - that is, aid given at less than market interest rates - in this OPEC aid has been quite substantial during the 1970s. But the sheer magnitude of OPEC aid, though still small in comparison with aid from OECD countries, is nonetheless very significant. During 1974-76, concessional flows from OECD countries to developing countries were about 0.34 percent of their collective GNP, a figure well below the 0.7 percent target set by the 'Brandt Commission.' The equivalent for OPEC was in the range of 2 to 2.7 percent. If non-concessional flows are also taken into account, it would be 3.4 percent.

Nonetheless, without an overall assessment of OPEC aid since 1973, one cannot be sure that it has effectively achieved the aims of OPEC lending. Furthermore, the fact that OPEC countries are themselves developing countries means that aid funds do not come back to them as orders for manufactured goods or repayments for bank loans, unlike aid from industrialized countries.

To this extent, OPEC aid can be seen as contributing to increased demand for goods and services from the industrialized countries as well as facilitating the developing countries' payment of debts to the western banks - hence the keen interest among the bankers, industrialists and governments of the developed countries calling for increased OPEC aid to non-oil developing countries. One wonders whether the issue concerns help to developing countries or releasing of funds for the West. OPEC
aid could be used more effectively for the promotion of a greater degree of trade and commercial links among developing countries than has been the case so far. However investment in the Third World seems to be in the nature of a collective good. Even if the Gulf states are interested investing their savings in the developing countries the developing countries themselves remain far from being the promised land for investment. The odds against secure and successful investment in these countries are enormous. Not only inadequacy of infrastructure and qualified manpower, but also insufficient management and political instability impede any sustainable effort for development in the Third World.

A vast literature on development has emphasised the need for a substantial investment effort to break the vicious circle in developing countries and thus to make the effort worthwhile.


Whether it is called the 'big push' 'balanced growth' or 'take off', the message is always the same. Investment in the Third World cannot be made profitable unless undertaken on a massive scale. While this scale could be within the reach of the Gulf states as a group for certain regions, it is not necessarily attainable by any one country along. Here enters the nature of

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21. See respectively, P.N. Rosenstein, 'Notes on the Theory of the Big Push in H. Ellis and H. Wallish (eds.) Economic Development for Latin America (St. Martins Press, London 1966), R. Nurkse Problems of Capital Formation in Underdeveloped Countries (Blackwell, Oxford, 1954): The following is the essence of Nurkse's argument. Low income "is a reflection of low productivity, which in turn is due largely to lack of capital. The lack of capital is a result of the small capacity to save, and so the circle is complete." The inducement to investment is limited by the size of the market. The size of the market is chiefly determined by productivity and productivity "depends largely, though by no means entirely, on the degree to which capital is used in production .... But for any individual entrepreneur, the use of the capital is inhabited, to start with, by the small size of the market." This is another vicious circle. Individual investment decision cannot help. The only way out of the dilemma is the application of balanced growth. There is an overall enlargement of the market. Most mass consumption industries support each other, for they are complementary in that they provide market. W.W. Rostow, The stages of Economic growth; 2nd Edn. (Cambridge University Press, Cambridge, 1971).
investment in developing countries as a collective good. There is no doubt that it is in the interests of the Gulf oil states to transform their savings into investment in developing countries. Yet one country alone—even an oil rich one—cannot assume all the hazards of investment in developing countries. What is needed is a collective action to bring about a collective benefit. The prerequisite for meaningful development it has been said, is to undertake a massive investment programme. However, all the Gulf States' savings are too small to finance massive investment in all developing countries, and hence there is a need for concentration on a regional basis. Gulf States' accumulated savings important as they are, would become largely ineffective.

22. A public or collective good is defined as one in which the consumption by one member of a group does not reduce its utility to other members of the group. The distinguishing feature of a collective good is that, once provided to one member of the group, it can be made available to other members at 'no extra cost'. The Joint supply principles (P. Samuelson, 'The Pure Theory of Public Expenditure', Review of Economics and Statistics, November 1954, November 1955, November 1958) and/or the rest of the group cannot be excluded from benefiting from it—the exclusion principle (R. Musgrave, The Theory of Public Finance, McGraw Hill, New York, 1959). Though collective goods are not free goods, since their production entails less care of scarce resources and implies risks, it remains true that once provided they appear to other members of the group as costless and they can enjoy them as free riders. In most cases the indivisibility of costs appears to reside at the heart of the collective goods problem. Whereas costs are indivisible and must be incurred all at once, benefits have to be divided among members of the group. A member of a group may not be able to incur alone the cost of the collective good because the initial cost exceeds its benefit to him. It is no consolation to know that the total benefits to all members of the group out match total cost. What matters to each member is the fraction of benefit that he gains from the collective goods regardless of the benefits accruing to other members of the group. Without coercion and/or co-ordination collective goods cannot be provided, no matter how important thing may be.
if thinly spread out all over the Third World. In the absence of a supranational authority able to define an investment policy by coercion, the only way to reach such a policy is through co-ordination, without such co-ordination no investment in the Third World could bring about the desired results. It is no wonder, then, that in the absence of such coordination the Gulf States acting independently prefer to place their savings in developed countries rather than to assume alone all the hazards of investment in the Third World. Unfortunately, what appears as a second best investment policy for the Gulf States, savings triggers an inflation process that would ultimately erode these very savings. On the other hand, if investing the Gulf States' savings in developing countries seems to be necessary to bring about the 'investment case' referred to earlier, this cannot be realized without coordination among them.

If this is not the case then most institutional solutions proposed to deal with the problems of commercial independence and economic development in the developing world are supposed to function through the World Bank or the IMF. Yet none of them are structurally suitable for the redirection of OPEC aid and surplus funds to achieve greater economic development.

The IMF is primarily an institution lending money on a short term basis. Solutions to development problems require availability of large sums of loans with low interest and long maturity, which is beyond the present structure of the IMF. Nor can the world Bank offer the developing countries finance on a scale needed for their development programmes. The World Bank's non-concessional finance essentially extends assistance to specific projects after a long and slow process of evaluation. Them on a commercial basis.

Another alternative suggested by the 'Brandt Report' is a "World Development Fund" which combines the functions of both the IMF and the World Bank of short term lending and project assistance. But the main resources for such a bank are supposed to come from the governments of the industrial countries. And considering that the aid record of these governments has fallen well below the targets set by the Brandt commission, this proposal clearly does not have much chance of being implemented.

In contrast to the above proposals, all of which work through the IMF or the World Bank, a proposal was suggested by Algeria and Venezuela in 1979 in Caracas for the creation of a "Third World Development Agency" based on an extension of OPEC Fund. The basic idea as a whole of OPEC states and developing countries to have a joint pool of credit for short-term support and long-term project lending. It would also
provide countries with an alternative source of finance when the IMF conditions could force them to abandon their economic priorities. (in the long-term this agency could finance development projects that would promote trade among developing countries, and create a Third World capital market). The agency could use the surplus credit of OPEC as security against loans from the industrial countries for the benefit, particularly of those poor developing countries with no access to private capital markets.

The Algerian suggestion based on the dual function of the OPEC Fund aims to redirect the benefits of OPEC's aid to the promotion of economic links among all developing countries and offers a more effective alternative to aid financing. It envisages significant extensions to the functions and the structure of the present OPEC fund to enable it to face the whole problem of recycling and gain a greater degree of financial independence for the developing countries.

The proposal for the Third World Development Agency was not adopted in 1979, but everything that has happened since indicates OPEC's need for an institution of this kind.