

- It is not enough to take ad hoc actions or to wait for others to lead. Canadian support for debt relief and structural adjustment should be determined case by case, but according to consistent criteria which reflect Canadian values. These include:
 - (a) The commitment of the debtor country government to reform, especially to development that benefits its poor and vulnerable groups.
 - (b) Respect for international norms of human rights observance. Regimes that, as SCEAIT recommended in *For Whose Benefit?*, should not receive official bilateral aid because of gross and systematic human rights violations, should also be ineligible for debt relief or adjustment loans.
 - (c) The encouragement of democratic traditions, including the promotion of popular democratic participation by those affected by the economic reform process.
 - (d) The linkage of economic recovery from debt to sustainable development that is human-centred, socially equitable, and in harmony with the natural environment. (p. 25-26)

C. Dealing with commercial bank debt and private flows

- The Sub-Committee recommends that the current 45% ceiling on reserves against problem sovereign debt exposure eligible for tax purposes remain, but that as outlined in the appended proposal by the North-South Institute—banks be able to claim an additional tax loss equal to the difference between the 45% level already claimed and the amount of any discounts only when Third World loan assets are written down or sold in ways that reduce the burden on debtor countries. This should encourage faster, larger and more beneficial discounts on remaining commercial bank exposure. In addition, there should be a time limit of 5 years or less on the length of time that banks are allowed to hold funds in loan-loss reserves above the level by the Superintendent of Financial Institutions without acting to discount the portion of the debt applicable to those excess provisions. (p. 33)