

Linking actions on debt and financial flows to the promotion of sustainable, humane conditions for development should be regarded not as a radical proposal but as basic common sense. We note that last year an international expert group chaired by former West German chancellor Helmut Schmidt recommended the following as criteria for financial assistance:

Donor nations and international financial institutions should give special consideration to countries which:

- (a) emphasize poverty reduction programmes;
- (b) spend less than 2% of GNP on military expenditure;
- (c) apply or take steps toward efficient family planning policies in order to cope with the problem of population growth; or
- (d) implement policies aimed at the preservation of the environment.⁽²²⁾

It is time for Canada to move forward with a clear developmental agenda on Third World debt. The Sub-Committee has benefited in its deliberations from vigorous discussions on appropriate forms of debtor adjustment and policy reform, both multilaterally and within creditor and debtor countries. **In light of what we have learned and heard, we recommend the following as a framework of guiding principles for Canadian policy:**

- **The primary long-term goal of action on Third World debt must be sustainable human development in the debtor countries.**
- **To the extent that adjustment programs are deemed necessary, they should be supported by adequate, reliable resource flows from the IFIs and donor governments. But first, every means should be explored to reduce the debt service burden of old debt, including allowing debt repayments to be made in local currencies for investment in human development projects in the debtor country.**
- **Poverty and debt are the enemies of development, not structural adjustment per se. But adjustment is a major political, social, and environmental challenge, as well as a technical and economic one. Adjustment needs to be accomplished with, not just a “human face,” but a transformed human body. Adjustment can only be successful, and should only be supported, as part of a holistic developmental approach in cooperation with the debtor country.**

(22) *Facing One World*, Report of an Independent Group on Financial Flows to Developing Countries, 1 June 1989, p. 23-4.