

Developing Countries and the Special Problems of Africa

A substantial and increased flow of external resources to developing countries is, in Canada's view, the key to their growth and development. Canada has a considerable development assistance program. The government's new aid strategy provides that the program will grow to 0.6 per cent of GNP by 1995-1996 and 0.7 per cent by the year 2000. Canada supports a strong role for the international financial institutions, particularly the IMF and the World Bank, in facilitating resource flows to developing countries. Canada encourages greater cooperation and coordination among the Bretton Woods institutions as well as between these organizations and bilateral donors. This will ensure the most effective and efficient flow of resources and policy advice to developing countries. Canada also believes that the new round of multilateral trade negotiations provides a means to ensure further global growth through liberalized trade, and that all countries, including developing countries, will benefit.

Development in the poorest countries, particularly those in Sub-Saharan Africa, remains a particularly difficult, long-term process. There is common agreement that energy, imagination and persistence are necessary to put in place and sustain an acceptable level of development infrastructure. In many cases, substantial reform of economic policies is needed for adjustment to take place, establishing a basis for growth. A number of African governments have taken painful and courageous steps along the path of reform. Donor governments have agreed to assist Africa in this process through increased resource flows and other measures.

In this context, the external debt of the poorest countries in Sub-Saharan Africa poses a number of unique problems requiring special attention. Even though the relatively small debt in absolute terms (approximately US\$85 billion) makes it less of a threat to the world financial system than do the difficulties of the major debtors, the debt is a very heavy burden for the small, fragile economies involved. In most cases, declining terms of trade have made even more problematical the servicing of external debt in the short term. Most of the debt of the poorest countries is owed to governments and international financial institutions. Thus donors have the opportunity to play a direct role in helping to address the problem.

Since the 1987 Venice Summit, governments have achieved much. At Venice, a high priority was placed on the special problems encountered by the poorest countries. Summit leaders called for the expansion of the Structural Adjustment Facility (SAF) of the International Monetary Fund, which provides concessional financing for the poorest countries implementing economic reforms. This goal was achieved last December when agreement was reached to triple the SAF's resources with the addition of US\$8 billion. Leaders also looked to the possibility of innovations at the Paris Club, where official debt is rescheduled. There, agreement has been reached on more generous grace and period repayments for the poorest debtors. For its part, the World Bank has been able to marshal commitments of US\$6.7 billion from bilateral donors in co-financing of Bank-sponsored economic reform programs in the poorest countries in Sub-Saharan Africa over the next three years. Finally, some countries have provided relief on past official development assistance loans.