

Bretton Woods and Related Agreements Act

structural adjustment. Part of the money coming from Canada will be in the form of a loan and part in the form of a grant.

The purpose of the funds in the form of a grant are to allow very concessional terms to the recipient countries. In other words, the grant funds coming from Canada enable the borrowing countries to borrow the money at very low interest rates. At the same time, the IMF will be paying the regular commercial interest rates to the lending countries such as Canada. The grant portion of the money comes from our official development assistance, ODA.

I am concerned about some of the specifics in the Bill. First, while the Government explained that the purpose of these moneys was for the ESAF, the Bill does not say that. It says "any trust or body established by the IMF". The committee rejected an amendment that would have tightened that up. In the same way, the Bill specifies certain specific sums of money but then goes on to say that any other funds that the Government wants can also be given. In effect, the Bill gives a blank cheque, and again the committee rejected amendments that would have tightened that up.

I am concerned that this Bill has the grant portion of the funds coming from ODA at a time when that assistance as a percentage of our GNP is dropping.

● (2010)

A June 22 *Globe and Mail* report pointed out that foreign development aid from western countries fell by 2 per cent in real terms last year. According to figures released by the OECD, Canadian overseas aid spending fell as a proportion of Gross National Product from 0.48 per cent in 1986 to 0.46 per cent in 1987. That is a very small percentage drop, but we must compare that with the commitment the Government made when first elected.

At that time the Hon. Secretary of State for External Affairs (Mr. Clark) went to the United Nations and promised that Canada would meet its commitment of reaching 0.7 per cent of its funding for ODA by 1990. Since then we have seen one cut-back after another rather than the fulfilment of that commitment. Now, rather than increasing the percentage of our GNP which goes to development assistance, we are decreasing it. In this connection we are concerned that the grant portion which goes to ESAF is being taken from Official Development Assistance.

Roy Culpeper who studied this matter appeared before the committee and said:

In its recent report, the UN Secretary General's advisory group on financial flows to Africa concluded that \$5 billion in additional flows annually would be necessary to secure some economic growth, increased imports, and reduce the debt servicing ratio in sub-Saharan Africa. If the ESAF and other recent initiatives, notably those by the World Bank, are factored in, then the net additional requirement falls to \$2 billion annually, still a sizeable amount that we are nowhere close to meeting. However, it is important to realize that the positive effect of the ESAF itself requires additionality; that is, it should mean that new money is flowing into Africa and not simply being taken from existing aid funds.

Unfortunately, Mr. Speaker, that is what is happening. Nevertheless, he and our Party see the ESAF as an advancement on traditional international monetary fund policies. The traditional IMF imposed form of structural adjustment with which we are all familiar involves currency devaluation, cut-backs in social programs, elimination of subsidies on basic food stuffs, cutting back on the public sector, privatization, and forcing Third World nations to spend more and more of their energy in exports and opening up their economies to external investment and control.

Very often this kind of structural adjustment, while being very hard on the poor people in these developing countries, helps local elites to become even more rich because it provides them with a pool of cheap labour, enables them to pick up bargains in terms of privatized parastatals, and so on.

ESAF will continue to impose this kind of conditionality, along the same lines as IMF traditional conditionality, but the funds will go to ease the impact on the poorest of the poor. In other words, there will not be a change in the basic kinds of conditionality that are imposed.

The head of UNICEF pointed out a couple of weeks ago that 40,000 children die every day from hunger and hunger related causes. We do not pay any attention to that because it happens in a quiet way and is far removed from the reality which we in Canada experience. He went on to point out that a good deal of that hunger and those hunger related causes are directly related to the kinds of conditionality that have been imposed upon these nations by forces such as the International Monetary Fund. Canada, as one of the nations which has a significant voice in the IMF, shares some of the guilt and responsibility for the death of those children.

I would like to suggest that there are different kinds of conditionality. In a report entitled "Adjustment with a Human Face", a group of people working with UNICEF suggested that instead of the traditional IMF conditionality we should be working for different kinds of structural adjustment. They make six suggestions.

First, there should be more expansionary macro-economic policies aiming at sustaining levels of output, investment, and human need satisfaction over the adjustment period. In other words, instead of retrenchment and cut-backs there should be expansion.

Second, there should be the use of meso policies to reinforce the more expansionary macro approach and to secure the priority use of resources to fulfil the needs of the vulnerable.

Third, there should be sectoral policies aiming at restructuring within the productive sector to strengthen employment and income generating activities and raise productivity in low-income activities, focusing in particular on small farmers and informal sector producers in industry and services.