

must address not only World Bank and IMF debt but also regional development bank debt as many problem African debtors owe more to the African Development Bank than any other international financial institution;

- Canada supports the creation or strengthening of a variety of mechanisms, across the IFIs, to help relieve multilateral debt. To ensure continued concessional flows to the HIPC's, Canada also supports the sale of a modest amount of IMF gold, the proceeds of which would be used to replenish ESAF.

Debt and Development:

Empirical evidence and experience has shown that heavy debt loads have negative implications for development for a variety of reasons (e.g. the crowding out of social spending in favour of debt service, reluctance of private investors to invest in heavily indebted poor countries etc.). Conversely, reducing debt loads to sustainable levels can have a positive impact on development prospects - in the presence of a sound macroeconomic and structural framework.

However, the regaining of financial viability, while a necessary step, does not in itself guarantee poverty reduction. Indeed, some of the steps required by the IMF, the World Bank and the Paris Club to restore viability may impact disproportionately on the poor, unless acknowledged and provisioned against. Canada continues to press the IFIs to design economic adjustment programs that better protect social safety nets and to engage in programming which has a direct impact on poverty. We have seen considerable improvement in recent years. Canada also presses for strengthened support for good governance as a key element to sustainable development.

Mexico's recent financial difficulties demonstrate the continued vulnerability of even those developing economies which have exited from the debt rescheduling process. In the period since the peso crisis, Canada and other G-7 members have successfully encouraged the IMF, the World Bank and potentially affected countries to adopt measures to help avoid or mitigate the effects of any future such financial shocks.