

attract private capital. In others, inappropriate policies have caused large outflows of private capital over an extended period of time. (The flow of private capital out of the developing countries is nearly equivalent to the inflow of multilateral and bilateral aid funds into the developing world.) The catalytic influence achieved by instituting appropriate policies is often underestimated.

Recommendation

The Government should join the IDB-UNICEF "Debt Relief for Child Development" scheme and encourage other international financial institutions to seek other innovative ways to link debt relief with development purposes.

Response

The Government agrees to consider, on a case-by-case basis, the financing of high-priority development projects for the benefit of children, the poor, the environment, etc., using the debt-swap mechanism. The Government is also prepared to encourage other institutions to examine similar schemes. A portion of existing contributions to multilateral organizations might also be used in this manner, if it leads to local financing for appropriate development projects.

Recommendation

Canada should use its good offices to advocate reform and to promote a fresh approach to conditionality within the multilateral system, as well as between donors, creditor institutions and debtor countries.

Response

Canada has been and will continue to be an active advocate of appropriate policy reform and dialogue within the multilateral system. At numerous international meetings, most notably the UN Special Session on International Economic Co-operation and Development and the UN Conference on the Least Developed Countries, Canada has stressed the importance of effective public participation in the decision-making process in developing countries. Canada has also stressed the importance of human rights. We have pressed for greater economic efficiency and warned of the negative political and economic impact of corruption.

Canada recognizes the critical importance of the human aspects of development, including the need for policies which effectively seek to reduce poverty and improve equity. The Prime Minister's decision to co-chair the World Summit for Children, which resulted in new commitments from multilateral institutions, is but one example of Canadian leadership. At the recent World Bank Annual Meeting, the Minister of Finance asked the World Bank to examine how it could help ensure countries adopt meaningful policies to reduce poverty.