

Our primary focus in this report is on the most appropriate Canadian actions to ease the debt crisis of developing countries. We know that this will not be cost-free, or risk-free. There are costs to inaction as well as to further actions to relieve or write down official debt. To make good policy we need a realistic accounting of sovereign loans that makes it clear what is at stake. We need to avoid both complacent expectations about the prospects of future debt repayment and public confusion about the costs versus the benefits of debt reduction. Ignoring problems in the hope that they will eventually go away is in no one's interest, including that of the Canadian taxpayer. **The Sub-Committee therefore urges the Office of the Auditor General, the Ministry of Finance and the EDC to make best efforts to reach agreement on acceptable accounting principles for Canada's official loan exposure. We also call on the government to annually table in Parliament for referral to this Committee a complete statement of all Canadian official debt exposure in developing countries, including the details of any actions taken by the government to reduce the burden of the debt during that year.**

E. Reviewing Canada's Role in the IFIs

Canada was present at the creation of the Bretton Woods framework of international financial institutions and has remained an important contributor to their lending activities. For some time these have been heavily concentrated in developing countries, although Eastern Europe is now emerging as a potential competitor for funds. Canada's subscription in the financial resources of the various lending facilities of the IMF, the World Bank Group, and the four regional development banks, normally falls within the range of 3 to 5%. While Canada has recently supported large capital increases for these institutions, recent cutbacks in the ODA budget have not exempted the IFIs. Cash payments to them through CIDA and the Department of Finance have declined considerably. Because of the nature of multilateral funding, some fluctuation in contributions from one fiscal year to the next can be expected. But for Canada to maintain its leverage within the IFIs, we must ensure that we maintain our share in the concessional resources that are made available through the multilateral funding mechanisms.

We believe that Canada must work on making its presence felt even more strongly within the IFIs. That does *not* mean just going along and supporting more of the same. Although there has been considerable progress in establishing new multilateral channels of