

Official Development Assistance

Canada has been a leader in forgiving the aid debt of developing countries and has forgiven C\$1.1 billion in ODA loans in the past 12 years.

The Government will introduce legislation providing for further ODA debt forgiveness, on a case-by-case basis, for low or lower middle-income countries which are debt-distressed and are undertaking needed economic reforms. Such forgiveness will also be closely linked to Canada's assessment of the implementation of development programs and to the provision of local funds for social programs.

Official Bilateral Debt

The Government believes it is appropriate to review debt or debt-service reduction options for those whose debt is primarily owed to creditor governments and not commercial banks (i.e., those for whom the Brady Plan is not relevant). This review is now under way in the Paris Club.

Canada supported the Houston Summit's call on the Paris Club to institute longer repayment terms for the lower middle-income countries and to provide possibilities for debt conversion. These are now being implemented by the Paris Club where further measures are also being discussed.

Canada has supported the extension of Toronto Terms beyond Africa and favoured their enhancement. Recently, both the U.K. and the Netherlands have made public proposals for greater debt reduction. **The Government is of the view that greater debt reduction will likely be needed by many of the poorest countries and we will participate in these discussions in a positive manner.**

Any debt reduction should be multilaterally agreed and be conditional upon commitments to sound economic policies. Canada will support measures for economic reform and pursue opportunities to ensure that debt reduction is linked directly to measures to foster sustainable development, including the use of counterpart funds.

While the Government believes that sovereign loans are ultimately collectable, it has considered it prudent to establish an allowance for general contingencies in light of international strategies to address the international debt problem.

Commercial Debt

Canada will participate, on a case-by-case basis, in debt buyback or conversion schemes using Official Development Assistance funds which could support child-related, environmental or other social objectives and programs. Costa Rica