We agree that the conditions of accountability are crucial. As a submission by John Dillon of the Ecumenical Coalition for Economic Justice put it, "simply demanding the cancellation of EDC loans begs some important questions." The Coalition joined the churches' taskforce in recommending against making Canadian debt assistance contingent on the acceptance of IMF–World Bank adjustment programs. But the submission also asked: "Who would benefit if, for example, EDC loans to Zaire were written off? President Mobutu who has siphoned so much wealth out of the country? Or the people of Zaire?" **The Sub–Committee is convinced that a new approach is needed in determining eligibility for official bilateral debt relief. We, therefore, recommend that Canadian actions to reduce the burden of official debt neither be done across–the–board or necessarily linked to the adoption of orthodox SAPs. Instead, in each case, there should be an independent Canadian assessment of the debtor country's commitment to serious economic reform and to equitable development that is environmentally sustainable. Respect for human rights, including the right of popular participation in policy decisions, should also be a factor in determining eligibility. Debt reduction should not end up rewarding corrupt elites, and even less should it be tied to measures that make the poor worse off.**

A further related matter of sovereign debt accountability has been raised with the Sub–Committee by the Auditor General of Canada among others. According to Department of Finance figures total Canadian official debt exposure to debt–distressed countries stood at about $6 billion at the end of 1989. Half of this is owed to the CWB, and most of that to the government of Poland. Although the Polish debt is not strictly an issue for this report, it is part of the same problem because it is publicly–guaranteed and unlikely ever to be repaid. Yet government policy is to treat all sovereign loan obligations as ultimately collectible in full. As a result, a Crown agency like EDC, unlike the commercial banks, has set aside only very small reserves against potential losses on its several billion dollars in outstanding loans to indebted developing countries. In his latest annual report, Auditor General Kenneth Dye argues that EDC's loan–loss provisions should be increased by $500 million, which would have seen the Corporation record a $492 million net loss in 1989 instead of its reported $7.8 million surplus.

We are concerned that an incomplete and possibly misleading picture of Canadian sovereign debt exposure could make it more difficult to pursue realistic policies on developing–country debt. Mr. Dye told the Sub–Committee that the "extent of Canada's loan exposure is not readily available to parliamentarians," and that "Canada's accounting for sovereign debt is inadequate and lacks credibility in Canada and internationally."[29] He pointed to more prudent accounting policies being followed by export credit agencies in other countries, and even by the IFIs whose present rules do not permit loan forgiveness or reschedulings of arrears. The government in turn continues to defend its position.

(29) *Minutes of Proceedings and Evidence*, Issue No. 2, 22 February 1990, p. 10.