

repayment and the possibility of debt swaps. The situation continues to evolve even as this response is being written.

## **TYPE OF DEBT**

### **Official Development Assistance Loans**

Over time, the servicing of loans given to developing countries to help their development became a burden on their economies. Canada has been a leader in providing grant aid, debt relief and forgiveness of ODA loans to low-income and lower middle-income countries implementing economic reforms:

- In 1978, in response to a resolution of the UN Conference on Trade and Development, Canada decided to forgive the ODA loans of all the least developed countries, valued at C\$232 million. All future aid was offered on grant terms for these countries.
- In 1986, Canada decided to offer all future bilateral development assistance on grant terms. Our bilateral development assistance does not contribute to growth in the debt burden.
- Subsequently, the Government forgave the ODA debts of the East Africa Community, Togo and Mauritania, valued at C\$68 million.
- In 1987, Canada agreed to forgive the ODA debt of Commonwealth and Francophone countries in sub-Saharan Africa, valued at C\$672 million.
- This past March, the Prime Minister announced that Canada would forgive the C\$182 million in ODA loans of the Commonwealth Caribbean countries.

**To date, Canada has undertaken to forgive C\$1.1 billion of ODA debt.** While our primary concern has been to assist the development of low-income countries, the debt of a number of lower middle-income countries has also been forgiven, in recognition of their debt problems and efforts to undertake adjustment.

### **Official Bilateral Debt**

Official export credits are loans, extended or guaranteed by government agencies, to support commercial sales of goods and services. For Canada, these loans are usually offered by the Export Development Corporation or the Canadian Wheat Board.

When countries experience difficulties in servicing their official bilateral debt, they are expected to enter into an IMF-supported adjustment program and then to come to the Paris Club to obtain appropriate debt rescheduling.