

Recognizing the need for further action, Canada advocated granting lower interest rates in the context of Paris Club reschedulings. In order to overcome difficulties that some other creditor countries had, Canada proposed a compromise, which was endorsed at the Toronto Economic Summit in 1988. The compromise allowed creditor countries to choose either to offer lower interest rates, forgive a portion of the debt, or offer extended grace and repayment periods. By April 1989, seven sub-Saharan countries (Senegal, Niger, Mali, Tanzania, Madagascar, Central African Republic and Uganda) had benefited by what have become known as "Toronto Reschedulings."

Strides were made during the year under review in addressing the debt problems of the middle-income developing countries, whose debt is owed largely to commercial banks. A case-by-case market-oriented strategy stressing economic adjustment and growth by debtor countries remained the basis of the international approach. However, the year saw a growing consensus emerging that the debt-service burden needed to be reduced. The challenge is to reduce debt and/or debt service to manageable levels without lessening incentives to reinforce adjustment programs or jeopardizing the flow of new resources on which the future prosperity of developing countries depend.

#### **Role of international financial institutions in development**

The international financial institutions, notably the World Bank and the International Monetary Fund, continued to play important roles in mobilizing financial resources for, and in providing policy advice to, developing countries. Growing arrears to both institutions by a number of developing countries was becoming an increasing problem because of concerns for the financial integrity of the institutions themselves and because the charters of the institutions prohibit further lending to countries that have arrears outstanding. Without such a vital source of financing to stimulate development and growth, developing countries can be caught in a vicious circle, unable to repay their debts but also unable to obtain the financing that might make it possible to pay. An intensified collaborative approach to the problems of these countries was approved at the World Bank and IMF annual meetings in Berlin in September. Canada agreed to chair the first "Support Group" in which donors made available resources to help Guyana pay its arrears to the Bank and the Fund and thereby allow it to draw again on the resources of these institutions.

Canada also urged both institutions to take greater account in their activities of the impact of economic adjustment measures on vulnerable groups. At the annual meetings of the World Bank and the IMF in September, Canada asked the World Bank to integrate environmental considerations into all its project planning.

The regional multilateral development banks for Asia, Africa, Latin America and the Caribbean continued to make available financial resources for development projects and Canada continued to be active in each. These banks have a valuable role to play through their particular regional perspectives. In particular, Canada continued to press for reforms in the Inter-American Development Bank (IADB) that would allow it to play its full role in the region. Pro-

tracted negotiations throughout the year led to agreement on a general capital increase of US\$26.5 billion for the IADB at its annual meeting in Amsterdam in March 1989. As coordinator for the developed country donors to the International Fund for Agricultural Development, Canada was especially active throughout the year in seeking a conclusion to the negotiations for the third replenishment of the fund.

#### **Implementation of Canada's new aid strategy**

Following the significant review of Canada's aid policies in 1987/88, which resulted in the adoption of a new strategy, *Sharing Our Future*, the past year was devoted to implementing its provisions. The most visible change was the completion of the first stage of the decentralization of the management of Canada's development assistance program to the field, a move designed to improve the quality and efficiency of Canadian assistance and make it more responsive to local needs. Development officers were transferred from headquarters to Manila, Singapore, Jakarta, Harare, Dar es Salaam, Bridgetown and Dakar in order to assume full responsibilities for developing and implementing projects in the field. The Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD), which reviews the aid programs of donor countries, praised this new Canadian strategy.

#### **Trade and development**

The international trading environment is a critical factor in the economic well being of many developing countries. In particular, protectionism and subsidies have created distortions in world agricultural trade that have had a serious impact on the agricultural sectors of developing, as well as developed countries. Canada has advocated general trade liberalization for the good of all and believes that developing countries need to be drawn more fully into the Uruguay Round of Multilateral Trade Negotiations. Consequently, in the past year, Canada has assisted in financing seminars in Africa and Asia to help developing country officials improve their ability to identify their own national economic interests in the Round. As host of the Montreal Mid-Term Review of the Uruguay Round, Canada was active in advancing negotiations in areas of particular interest to developing countries such as agriculture, tropical products, and textiles and clothing. Canada also argued for special and differential treatment for developing countries most in need of trade support.

#### **The United Nations and development**

In the past year, Canada continued to work in the United Nations to promote realistic resolutions on issues of debt, poverty and development. In particular, Canada participated in the Mid-Term Review of the UN Program of Action for African Economic Recovery and Development and sought a renewed commitment on the part of donors and African governments to continue to implement the program fully during its remaining years. Canada also contributed to the elaboration of the mandate for the Economic Committee of the UN to develop a Fourth International Development Strategy, as well as to the preparations for the Special Session of the General Assembly on Growth and Development in Developing Countries and the UN Conference on the Least Developed Countries.