

The IMF and IADB: Instilling Needed Confidence

In the current climate of fiscal restraint in the major industrialized nations — their leaders are scheduled to meet July 9-11 in Houston for the 1990 Economic Summit — there are questions about the ability to sustain their commitment to multilateral lending. The International Monetary Fund (IMF), the World Bank and others are under close scrutiny to ensure funds are used efficiently and with probity.

At their latest meeting, the 22-member IMF Interim Committee, chaired by Canadian Finance Minister Michael Wilson, announced plans to increase its resources by 50%, to \$180 billion (U.S.) by the end of 1991. This initiative of the seven Summit nations was struck on the eve of the Committee meeting. There were concessions at both ends of the spectrum as rich and poor countries agreed to an arrangement that would address the needs of the Third World as well as Eastern Europe. Although subject to ratification by the governments of the 152 IMF member states and to a U.S. insistence on tighter scrutiny of delinquent nations, the new lending cap is expected to go into effect.

Cambodia, Costa Rica, Guyana, Honduras, Panama, Peru, Sierra Leone, Somalia, Sudan, Vietnam and Zambia are in arrears on IMF repayments. The Committee authorized the sale of three million ounces of gold, equal to the delinquents' outstanding debt, to cover the arrears. Failure to show good faith on their commitments could cost delinquents their voting status, but the Committee is prepared to be flexible. However, as Mr. Wilson put it at the conclusion of the meeting in Washington, "each country has had to put a little water in its wine."

The atmosphere was much the same at the recent 31st annual meeting of the Inter-American Development Bank (IADB). Victim of a fundamental struggle between its biggest lender, the U.S., and its Latin American beneficiaries, the IADB is struggling to remain relevant. Canada is effectively caught in the middle, a situation aggravated by the decision to upgrade to full membership from observer in the Organization of American States. Central and South America

obviously expect more from Canada but there is that overwhelming U.S. presence to consider.

"Sobering Daily Reality"

Prime Minister Mulroney walked a fine line in his speech to the IADB meeting. "The problem of human expectations constitutes the single most daunting challenge facing many countries," he said. "Latin America in particular is confronting that sobering reality daily. It was very severely hit by the economic crisis of the 1980s. A dramatic drop in standards of living threatened the very fibre of society, and the explosion of the debt crisis revealed deeper problems.... There are no easy answers to these structural problems and there is no viable alternative to the adoption of vigorous and coherent market-based problems by the affected countries. But the international community can and must assist to the fullest extent possible."

Mr. Mulroney was "encouraged" by the positive steps taken by many Latin American and Caribbean countries to address their problems and reiterated Canada's "unequivocal" commitment. He underscored the need for each country "to keep its own economic house in order" and said the IADB "must continue to ensure that the majority of its disbursements go to benefit the less privileged."

Last year, the IADB received a \$26.5 billion (U.S.) infusion of new capital that boosted its total to \$61 billion. From that, total lending amounted to only \$2.6 billion, which, although a considerable improvement on \$1.6 billion in 1988, still trailed the \$3.4 billion lent in 1984. The target this year is \$3.6 billion but much depends on the IADB's ability to marshal its own resources. "This institution cannot afford inertia," External Affairs Minister Joe Clark told the representatives from the 43 other IADB countries. "We must not drift. The need for multilateral organizations which work has never been greater in this hemisphere."

There is, then, a consensus that now is definitely not a good time for retrenchment, that the undeveloped and developing countries are more than ever in need of encouragement and support. As Mr. Clark points out, in helping other

countries that are too poor to buy Canadian goods and services, Canada is in the long run, only helping itself because of the goodwill generated. But this does not imply — nor should it — that the industrial countries have bottomless pockets.

Is Smaller More Beautiful?

A clear majority of Canadians apparently favour a reduced foreign aid budget but, in favouring more support for small agencies and NGOs, they evidently disagree with the federal government's ongoing commitment to the IMF and larger projects. The latter is suggested in the results of a national public opinion poll commissioned by Probe International. Conducted by Thompson Lightstone pollsters, it had 2,002 respondents, a sample considered accurate to within 2.2 per cent 19 times out of 20. Citing an earlier poll showing that 69% of Canadians want overall aid cuts, Thompson Lightstone listed four options and asked its respondents specifically where cuts should occur. Although there were slight variations according to province, community size and level of education, the national sample was fairly representative. Some 53% said support should be cut for corporations that specialize in large projects while 49% proposed them for international monetary institutions such as the IMF. As for smaller agencies such as the International Development Research Centre and Oxfam, the respective proportions favouring reduced spending were 34% and 25%. (Totals do not add because respondents were permitted to specify more than one option. Details are available from Probe International, 225 Brunswick Ave., Toronto, Ont. M5S 2M6; tel. (416) 978-7014; Fax (416) 978-3824.)

Angola: A Long-Standing Canadian Commitment

It has been 15 years since Angola declared independence from Portugal after a protracted guerrilla war. A large, resource-rich nation, its long-term development is thwarted by the severe social and economic dislocations brought about by the war. There has been alarming deterioration. Transportation remains severely disrupted and close to 10% of the population has been uprooted and left dependent on government. An estimated 70% have no access to health services and the child mortality rate is among the highest in the world.

A Canadian mission of Non-Government Organizations (NGOs) recommended stronger ties, including bilateral aid. Although Canada has maintained good relations with Angola, our presence is confined largely to missionaries, business, two Canadian International Development Agency (CIDA) co-operants and a Canadian NGO coordinator. Channelled initially through NGOs, government assistance from Canada has been handled through international relief organizations since independence. Direct bilateral assistance was started in 1980 but Ottawa is not currently considering expanded bilateral aid, preferring to rely on the \$6.8-million Partnership Africa Canada fund administered by an NGO consortium. Current activities include ongoing and emergency food aid (budgeted respectively at \$4 million and \$2.83 million in 1989-90), the Canada Fund for Local Initiatives (budgeted at \$50,000 annually) and distribution of approximately three million pamphlets on Acquired Immune Deficiency Syndrome (budgeted at \$75,000).

Within the Southern African Development Co-ordination Conference (SADCC), CIDA is contributing a \$4.9 million Energy Technical Services Programme. It involved technical assistance to the Luanda-based Energy Sector Technical and Administration Unit, responsible for co-ordinating and developing regional efforts. As well, consultants are conducting feasibility and design studies in six sub-sectors: power generation, energy conservation, biomass, fossil fuel, energy policy, and new and renewable energy. Pilot wind and solar power projects are

being assessed.

A total of \$4.7 million is going for the Industrial Energy Conservation Pilot Project through which auditors are evaluating energy use in selected SADCC firms. They also will propose and demonstrate ways in which companies can conserve energy and improve economic efficiency. CIDA underwrites *SADCC Energy Magazine* and there are international projects aimed at improving agroforestry, sorghum, millet and bean production.

Through the Partnership Canada-Africa (PAC) fund, CIDA's Africa 2000 programme is contributing \$563,000 to an Inter Pares community development programme designed to assist displaced persons in the Luanda shantytowns. PAC has approved a \$6.8 million contribution to a consortium of some 20 Canadian NGOs under the umbrella of the Canadian Council for International Co-operation. Rounded out by \$2.2 million from the NGOs themselves, this provides a \$9 million fund for integrated rural development and health projects, the main focus being in Luanda and Uiga provinces.

The activities of NGOs in Angola are supported directly by CIDA's Special Programmes Branch. These activities comprise a range of small-scale initiatives, including a Canadian Red Cross Society programme of primary health care, Hope International Development Agency's water resource development for displaced persons, and Inter Pares projects involving rural technology, sanitation and training of local NGOs. Oxfam Canada is working on an agricultural training centre and total CIDA support for these sundry ventures amounts to roughly \$300,000. In addition, CIDA supports Canadian NGOs' initiatives in providing food aid through the Canadian Food Grains Bank.

Angola suffered not only from drought but also from continued civil conflict and destabilization within its borders and in Namibia and it is believed to have the largest refugee population in Southern Africa. International organizations such as the UN's International Children's Emergency Fund (UNICEF) and High Commission for Refugees (UNHCR) as well as the International

Red Cross have worked in Angola since independence to provide emergency relief and reconstruction assistance. Canadian NGOs such as Oxfam, Inter Pares and the Canadian Council of Churches also have provided relief.

Snapshot

The population is estimated at 8.8 million. Seaport capital of Luanda is home to 1.4 million with smaller concentrations in Huambo, Lobito, Benguela, Lubango and Malanje. Some 53% of population is aged 15-65 with 44% under and 3% over. Literacy is 20%. Male and female life expectancy in 41 and 44 years, respectively, while infant mortality rate is 143 per 1,000 with one physician for every 21,500 Angolans. A Marxist republic headed by President Jose Eduardo dos Santos since 1979, it retains Portuguese as the official language. The Ovimbunda at 38% of the population are the largest ethnic group followed by Kimbundu at 23%, Bakongo at 13%, Mestizo at 2% and Europeans and others at 24%. Some 68% of the country is Catholic, 20% are Protestant and the rest have indigenous beliefs. Gross National Product has stagnated at \$5.4 billion (U.S.) for several years with 37% accounted for by agriculture, 12% by industry and 51% by services. The main natural resources are crude oil, diamonds, iron ore, phosphates, copper, feldspar, gold, bauxite and uranium. The main agricultural products are cassava, maize, plantains, sweet potatoes, milk, millet, citrus fruits, beans, potatoes, sugar, beef, palm oil and coffee. Petroleum products, mining, food processing, brewing, automotive tires, textiles and construction are the main industries. Exports include petroleum, natural gas, coffee and diamonds; imports include foodstuffs, textiles, machinery, tools, medical supplies and chemicals.