

Bretton Woods and Related Agreements Act

peasants, etc.) could apply to the fund for seed money to undertake their own self-managed projects.

The fund would also provide money for revolving credit schemes to make modest loans directly to farmers and other small-scale rural entrepreneurs (with priority here given to the landless and to women.)

Each payment made by a government into its own national development fund would trigger a corresponding reduction . . . of its external debt in hard currency by the IMF, the multilateral development banks and the official bilateral creditors.

Rigid, IMF-type conditionality would give way to a more flexible system. Whereas adjustment has always meant increasing agricultural exports, no matter how grim the internal food situation, and drastic curtailment of basic services in health, education, staple-food subsidies, creative conditionality would take the form of contracts.

These negotiated contracts would concern equitable, democratic management of national development funds and the terms for matching, in hard currency, each step towards improved performance.

She was suggesting that instead of nations like Canada and others that control the IMF just dribbling out bits of money to these nations to enable them to keep from defaulting, and at the same time imposing a kind of conditionality on them which put them on the rack, we should be developing a new approach. Rather than these countries paying money back to the First World, they should be paying money into their own development funds, which should be tied to genuine democracy and a genuine approach to development.

I urge the Government to consider this kind of radical policy. I urge it to recommend this policy to the IMF and the World Bank. It is a better policy than we practised last fall when there was a lot of criticism of the Government for its forgiveness of debts to Anglophone and Francophone nations in Africa that often had very bad human rights records.

Some of us felt some queasy about that. On the one hand, we did not want to criticize the Government for a generous gesture to the nations of Africa, but on the other hand we looked at some of the nations which did not have good human rights records and we wondered what was the real value of forgiving those debts. Instead, if we worked to establish this kind of internal development fund and insisted that local elites paid into the development fund to help their own people, perhaps we would have been doing a whole lot more for genuine development in our world.

The ESAF is a small step forward. One of my concerns, which is shared by other members of our Party, is that it is under the direction of the International Monetary Fund. We know that the one nation which cracks the whip for the IMF is the United States of America. Yet the United States is not putting any money into ESAF. We are contributing to a fund that will be controlled by the United States, which is not making any contribution to it.

ESAF is a small step forward, and I think we should be taking the much larger step recommended by Susan George. I regret that Bill C-126 does not have the kind of checks and balances that I think parliamentarians should have insisted upon. I would urge the Government to consider a radically new approach to the whole question of Third World debt.

Hon. Herb Gray (Windsor West): Mr. Speaker, I am pleased to speak in this debate on third reading of Bill C-126. I do so because our very distinguished critic, the Hon. Member for Trinity (Miss Nicholson), is not able to be here this evening. She has done an excellent job in taking part in the study of this Bill and putting forward our points of view.

This Bill will authorize the Minister of Finance (Mr. Wilson) to contribute to the new initiative of the International Monetary Fund known as the Enhanced Structural Adjustment Facility, or ESAF. This fund will assist the poorest developing countries with the provision of balance of payments support. Most of these countries are in sub-Saharan Africa and include: Zambia, Zaire, Uganda, Tanzania, Somalia, Sierra Leone, Senegal, Rwanda, Niger, Mozambique, Malawi, Madagascar, Liberia, Lesotho, Kenya, and Ethiopia. The average per capita income of these countries is 300 Canadian dollars per year. The ESAF is a trust fund that will make resources available to these countries at concessional interest rates so as to minimize the impact on their debt servicing burdens.

• (2030)

The two main features of the program are long-term lending and concessional interest rates. This program is designed to allow these countries to make the economic adjustments required to reach a stage of development which will eventually lead to healthy economic growth, rising living standards, and a sustainable balance of payments position. I will talk more about this key provision in a moment.

This initiative arose at the annual summit of industrialized countries in Venice, Italy, last year. I understand the plan was endorsed at the meeting of the group of 24 developing countries that met in April of this year. The ESAF will operate on the basis of two accounts, a loan account and a subsidy account. This Bill authorizes Canada to lend approximately \$550 million to the IMF fund. It also authorizes Canada to provide grants of approximately \$250 million to subsidize the interest on these loans. This grant will bring the interest rate on Canada's contribution down to 0.5 per cent and will come out of Canada's aid envelope over a period of 12 years.

In a speech given on May 20, 1988, the Hon. Member for Trinity emphasized that the key component in facilitating conditional aid was effectively to implement change co-operatively and to monitor it closely. I must re-emphasize this evening the need for co-operation and acceptance by the recipient country. Imposing harsh and unwanted conditions on the recipient country will only yield resentment and a lack of co-operation. The Hon. Member for Trinity asked the Minister in committee what assurances we had that Canada would assist in monitoring such things as how the money was spent, the performance requirements, and the timetables for implementation. The Minister responded that the initiative was an experiment.