

Commercial Bank Debt

Canada has actively supported the Brady Plan proposals by which commercial banks, including Canadian institutions, have participated in debt-reduction operations to help debt-distressed countries cope better with their debt obligations. Up to US\$25 billion of multilateral funds from the International Monetary Fund (IMF) and the World Bank are being made available to support these efforts. Canada agreed this fall to support a proposal at the Inter-American Development Bank (IDB) to provide financing for such schemes in conjunction with the IMF and the World Bank.

The Government will make ODA funds available for debt-buyback schemes linked to the creation of counterpart funds which can then be used for developmental programs such as anti-poverty projects, child development, and environmental purposes.

International Financial Institutions

The Government believes that the international financial institutions should promote sound economic development which is socially responsible and respectful of democratic principles and human rights. These criteria are reflected in our approach to the issues of structural adjustment and conditionality for debt-distressed countries. Canadian leadership in promoting these objectives in the World Bank and regional development institutions is well recognized.

The multilateral institutions must make available adequate resources to implement sound policies. For this they will require highly concessional as well as normal financial resources. Canada has just agreed to contribute C\$829 million to the World Bank's concessional resources and will continue to contribute to low interest loan funds in other institutions as replenishment is needed.

Conclusion

Canada's concern for the problems of the developing countries burdened with debts is not only for humanitarian reasons. Economically healthy and vibrant developing countries will be stonger partners in our interdependent world. Their economic growth will create new opportunities for Canadian exports and investment which will create jobs in Canada. Development will help reduce regional tensions and promote peace and stability.

This response to the SCEAIT Report, which will be distributed widely, is intended to describe the debt problem and the principles guiding Canada's response.