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NEWS

Canada cancels debt of poorest countries with moratorium on repayments

STEPHEN THORNE

OTTAWA (CP) - Canada is placing a moratorium on repayments of about \$700 million in loans to some of the world's poorest countries. The move, announced Tuesday by Finance Minister Paul Martin, puts Canada on the leading edge of an international initiative to forgive all debt owed by severely impoverished nations. The moratorium lets most of Canada's poorest debtors off the hook for principal and interest payments.

The debts will be forgiven when the countries fulfil promised democratic and human-rights reforms.

Canada has pressed the International Monetary Fund, World Bank and other creditor countries to devise a comprehensive plan to forgive bilateral debts of the poorest nations.

"Crippling debt burdens represent a formidable obstacle to the poorest countries of the world," Martin said.

"These nations must be given a sustainable path to enable them to provide basic services such as health care and education for their populations."

About 17 countries are on Canada's list of poor debtors. Eleven of them will benefit from the moratorium: Benin, Bolivia, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Senegal, Tanzania and Zambia.

Countries such as the Democratic Republic of Congo, Liberia, Sudan and Ivory Coast still have too many human-rights problems to be admitted to the club. Their combined debt to Canada is about \$370 million.

"The countries that will be receiving the benefits of this moratorium are countries that have indicated unequivocally that they are prepared to put the



Crippling debt burdens represent a formidable obstacle to the poorest countries of the world," Paul Martin said. (CP/Tom Hanson)

money into (health and education)," said Martin, adding he's satisfied they will.

He said the aid would be extended to the excluded countries as Canada becomes satisfied that they are prepared to provide good government and spend the money on health and education.

Britain said earlier this month it would scrap the debts of 20 of its poorest creditors to the tune of about \$2 billion Cdn. Another 21 countries will be encouraged to qualify for similar relief.

The other 21 have so far failed to qualify because they are still involved in violent conflict or are not committed enough to reducing poverty, improving health and education and bringing in democratic reforms.

Canada's plan, which comes into effect Jan. 1, 2001, won't cost Ottawa much.

Since many of the world's poorest countries aren't servicing their bilateral debts anyway, Canada hasn't been collecting much - about \$20 million in principal and interest in 1999, or about 68 per cent of what it was owed for that year.

Canadian international development agencies welcomed the move, but urged more.

"The Canadian Council for International Co-operation commends the minister," the agency said in a release Tuesday.

"But total and immediate debt cancellation remains the main objective. The fight continues."

Even the conservative Canadian Taxpayers Federation supports Tuesday's announcement, saying the impact will be negligible.

"As an affluent country, we have a role to play in the community of nations," said president Walter Robinson. The challenge lies in ensuring the money is not invested in arms or "corporate welfare."

Ensuring recipients foster free-market reforms, property rights and democratic governance are the best ways of offering a hand up and "breaking the cycle of welfare dependency," Robinson said.

Martin also promised to work with other G-20 members to include poorer countries in the global economy.

The G-7 last year agreed to overhaul the widely criticized Heavily Indebted Poor Countries initiative and promised to get 20 of the worst affected countries into it by the end of this year.

The international pressure group Jubilee 2000 says 52 countries need cancellation of a total \$564 billion in debt.

Creditors have so far promised to write off \$165 billion, but by the end of this year only about \$18 billion will have been cancelled.

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