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Canadian Civil Society Groups Disappointed in G-7 Failure to Bridge Differences to Provide Debt Relief to the Poorest Countries.

Ottawa – Canadian civil society groups in the Halifax Initiative Coalition expressed disappointment with G-7 Finance Ministers for failing to show the political will to bridge differences and cancel the debts of the poorest countries, but highlight that 100% debt cancellation is now universally acknowledged to be necessary for the poorest countries.

"Even though it is a real disappointment, the momentum is building for full debt cancellation," says Derek MacCuish, Coordinator of the Social Justice Committee. "The G-7 has now recognized what civil society organizations in Canada and around the world have been saying for decades - that the debt of the poorest countries needs to be cancelled."

Financing the debt cancellation was the key stumbling block. Finance Minister Ralph Goodale indicated he was reluctant to entertain the sale of IMF gold reserves to help fund debt relief citing the possible impact on gold markets. However, the proposal was only for a revaluing of some of the IMF's 103 million ounces of gold reserves.

Civil society analysts highlight that when the IMF revalued 12.9 million ounces of its gold in 1999-2000 there were no negative effects on worldwide gold prices. At today's current prices the revaluation of a slightly larger amount, about 14 million ounces, would yield a net gain of about US\$5.3 billion, enough to cover the cost of writing off outstanding debts to the IMF owed by HIPC's. Thus a revaluation of just enough IMF gold to cover only the IMF's own debts need not upset world gold prices.

That would leave a lingering issue of the debts owed to the World Bank and other multilateral institutions. In an open letter to the Prime Minister last week, Canadian civil society organizations highlighted that World Bank resources including loan loss provisions and retained earnings could be used to cover these debts.

"Debt cancellation must be complete, cover as many countries as possible, be additional to existing development assistance and allow countries to set and follow their own national development strategies," says John Mihevc, Chair of the Halifax Initiative Coalition.

Many of the poorest countries are caught in a virtual debt treadmill. These countries have already paid more than the original amounts borrowed and the burden of their annual debt servicing payments seriously compromise their development efforts. Each year countries in Africa pay back almost \$13 billion to the IMF and World Bank, which is more than they receive in development assistance.

"This is yet another unnecessary delay for the cancellation of the debts of the poorest countries," says Mary Durran from Development and Peace. "The failure to reach an agreement is truly a failure of will, the G-7 leaders already know there is a way."

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About the Halifax Initiative Coalition

Halifax Initiative is a coalition of development, environment, labour, human rights and faith groups deeply concerned about the international financial system and its institutions. Since our beginnings in 1994, we have worked through research, education, advocacy and alliance-building to fundamentally transform the international financial system and its institutions to achieve poverty eradication, environmental sustainability and an equitable re-distribution of wealth. Our work has primarily focused on the World Bank, the IMF, debt and the Tobin Tax.

Our Goals

- Ensure that the international financial system contributes towards poverty eradication, environmental sustainability, an equitable distribution of wealth and the full realization of human rights.
- End the unsustainable policies and practices of the international financial institutions.
- Contribute to the realization of an alternative agenda for environmentally and socially sustainable development than the Washington Consensus.

Our Objectives

- stop lending for environmentally and socially destructive projects;
- pursue cancellation of the debt of the poorest countries;
- investigate and develop a mechanism(s) to control international currency speculation;
- halt structural adjustment programmes as currently constituted so as to prevent further social and ecological damage; and
- fundamentally transform the international financial system to ensure democratic governance, transparency, community involvement, full and open public participation and public accountability.