

(d) Creditor banks to participate in debt and debt-service reduction;

(e) Strengthened policies to attract direct investment, avoid unsustainable levels of debt and foster the return of flight capital.

25. With regard to debt owed to official bilateral creditors, the recent measures taken by the Paris Club with regard to more generous terms of relief to the poorest most indebted countries are welcomed. Ongoing efforts to implement these "Trinidad terms" measures in a manner commensurate with the payments capacity of those countries and in a way that gives additional support to their economic reform efforts are welcomed. The substantial bilateral debt reduction undertaken by some creditor countries is also welcomed, and others which are in a position to do so are encouraged to take similar action.

26. The actions of low-income countries with substantial debt burdens which continue, at great cost, to service their debt and safeguard their credit-worthiness are commended. Particular attention should be paid to their resource needs. Other debt-distressed developing countries which are making great efforts to continue to service their debt and need their external financial obligations also deserve due attention.

27. In connection with multilateral debt, it is urged that serious attention should be given to continuing to work towards growth-oriented solutions to the problem of developing countries with serious debt-servicing problems, including those whose debt is mainly to official creditors or to multilateral financial institutions. Particularly in the case of low-income countries in the process of economic reform, the support of the multilateral financial institutions in the form of new disbursements and the use of their concessional funds is welcomed. The use of support groups should be continued in providing resources to clear arrears of countries embarking upon vigorous economic reform programmes supported by IMF and the World Bank. Measures by the multilateral financial institutions such as the refinancing of interest on non-concessional loans with IDA reflows - "fifth dimension" - are noted with appreciation.

Means of implementation

Financing and cost-evaluation

- D. Encourage economic policies conducive to sustainable development

Basis for action

28. The unfavourable external environment facing developing countries makes domestic resource mobilization, and efficient allocation and utilization of domestically mobilized resources all the more important for the promotion of sustainable development. In a number of countries, policies are necessary to correct misdirected public spending, large budget deficits and other