

on a US \$74.8 billion General Capital Increase for the Bank, which will permit increased levels of lending. Commercial banks and the Paris Club group of official creditors have supported debtor countries in their adjustment programs, through debt reschedulings and new financing where needed.

Despite these positive developments, however, the implementation of the debt strategy has been uneven. Although a few developing countries have succeeded in reducing their debt burdens, others continue to experience serious economic difficulties. Such difficulties have been exacerbated by an unfavourable international environment, particularly sluggish economic growth and low commodity prices. Under these circumstances, renewed efforts are underway to strengthen further the international debt strategy.

Most debtors and creditors including Canada continue to endorse the framework of the Baker Plan for managing the debt problem. If developing countries are to "grow out of their debt", however, attention must increasingly be focussed on improving the implementation of this strategy. Among the major challenges that lie ahead are: promoting greater action by creditor governments and international financial institutions in providing financial resources for growth and adjustment; further broadening the "menu of options" to engage commercial banks more effectively in providing financing to debtor countries which implement appropriate adjustment programs; reconciling the need for additional financing with the recent emergence of "options" which actually reduce the stock of debt, with banks absorbing the associated losses; and, finally, providing further incentives to debtor countries to reinforce economic adjustment programs. Summit leaders will review these issues in Toronto.