

- greater use of market-based tools to involve the private sector in forestalling and managing crises, including through stronger efforts to broaden the use of collective action clauses in sovereign debt contracts, as well as better communication and cooperation between emerging market countries and their creditors;
- agreement on a broad framework for involving the private sector in crisis resolution, which sets out in advance principles, considerations and a broad range of tools for actions as described in our Finance Ministers' report.

#### ***F. Promoting social policies to protect the poor and most vulnerable***

Social policies are the cornerstone of a viable international financial architecture. Economic development and reform must benefit all members of society.

- The poor and most vulnerable must be better protected from the burden of adjustment in times of crisis.
- The international community must work with governments and national authorities to foster investment in people through education, health and other basic social needs, which are the foundations for long-term development. The IFIs and other organizations must make these objectives an essential part of their policies.

8. We believe the full implementation of these initiatives and reforms will make a significant contribution to enhancing the stability of the world financial system. We ask our Finance Ministers to take them forward urgently in close cooperation with other countries, the IFIs and the private financial community.

### **III. Cologne Debt Initiative**

9. One of the most critical challenges confronting the international community as we approach the new millennium is to ensure that heavily indebted poor countries pursuing sound policies, and that demonstrate a commitment to reform and poverty alleviation, are not crippled by the burden of debt. The Heavily Indebted Poor Countries Initiative (HIPC Initiative) has made an important contribution towards this objective. The time has come to go further. We therefore call for an expanded initiative that will provide faster, broader and deeper debt relief. We strongly believe that this will promote the goals of poverty reduction, sustainable development and good governance. It should also reinforce the incentives for reform and growth, while enhancing the prospects for access to private credit in the future.

10. The Cologne Debt Initiative should be built on an enhanced framework for poverty reduction, developed by the IFIs in consultation with other institutions and with civil society. This is critical to ensure that more resources are invested in health, including AIDS prevention, education and other social needs, which are essential for sustainable development.

11. We welcome and endorse the Report of our Finance Ministers on the Cologne Debt Initiative. The proposals contained in this report will lead to a deeper debt reduction through more ambitious targets, faster debt relief through greater flexibility in the timing of delivery of agreed debt relief packages, and a stronger focus on early cash flow relief by the International Financial Institutions. We also ask the Paris Club and other bilateral creditors to forgive commercial debt up to 90% and more in individual cases if needed to achieve debt sustainability, in particular for the very poorest among these countries. In addition to these amounts, we call for full cancellation on a bilateral basis, through various options, of Official Development Assistance (ODA) debt. For poor