

- Canada supports a case by case approach to deal with the debt situation, we are also of the view that greater
- attention should now be given to the prospects for medium and longer-term financial flows for developing countries, and to how our efforts can be directed to the stimulation of self-sustaining growth in all countries.

A priority task then is to look at the various sources of financing available, assess their potential role over the next few years and then consider ways in which we can enhance that role. Before I turn to external sources of finance, however, I would like to make two general points.

First, external financial flows must be kept in perspective when looking at the resources developing countries will need for economic development. This is simply to remind at the outset that in most instances by far the greater portion of financing must be met by domestic savings and investment generated within the developing countries themselves.

Second, if a number of developing countries are to regain the confidence of commercial lenders and foreign investors, they will need to implement effective macro-economic policies and undergo significant structural adjustments in their economies. The problem is that for many developing countries, adjustments can only take place over the longer term and, in many cases, only if adequate capital flows, both non-concessional and concessional, are forthcoming.

I would now like to turn my attention to four sources of external financing: commercial lending, direct investment, aid and trade.

Commercial Flows

While commercial flows have played a major role in the past in financing trade and development, the shocks over the past few years have made such lenders understandably more cautious. In response, the developed countries need to ensure that these flows are not unnecessarily constrained and developing countries will need to create, wherever possible, the environment which