



Commonwealth Ministerial Debt Sustainability Forum

The World Bank, 1818H Street NW, Washington, DC 20433, USA
9 April 2008

DRAFT ANNOTATED AGENDA

Thursday, 12 April

- 08:30-09:00 Registration
- 09:00-09:10 Opening Remarks
Mr Ransford Smith, Commonwealth Deputy Secretary-General
- 09:10-09:20 Report by Outgoing Chairperson, *Hon. Kwadwo Baah-Wiredu*,
Minister of Finance and Economic Planning, Ghana
- 09:20-09:25 Address by the incoming Chairperson, *Hon Ashni Singh*, Minister of
Finance, Guyana
- 09:25-09:40 Address by *Hon Ali Mahaman Lamine Zeine*, Minister of Economy
and Finance, Niger
- SESSION I**
- 09:40-09:50 Progress Report on HIPC Initiative and MDRI Implementation by the
World Bank, *Mr Carlos A Primo Braga*, Director, Economic Policy
and Debt Department.
- 09:50-10:00 Progress Report on HIPC Initiative, MDRI and Exogenous Shock
Facility Implementation by the International Monetary Fund - *Mr
Mark Allen*, Director, Policy Development and Review Department
- 10:00-10:10 Progress Report on HIPC Initiative and MDRI Implementation by
African Development Bank (AfDB) - *Mr Philibert Afrika*, Director,
Operations Policies and Compliance Department
- 10:10-10:20 Progress Report on HIPC Initiative and MDRI Implementation by
Inter-American Development Bank (IADB) – *Mr Otaviano Canuto*,
Vice President for Countries

10:20-10:35

An Appraisal of Recent Developments on HIPC Initiative, MDRI and Other Debt-related Issues – *Mr Dinesh Dodhia*, Rappid Consultancy, Commonwealth Secretariat consultant

Issues for Consideration

Given the dynamic and ever-changing external debt situation of the HIPCs, a number of recent developments on debt and debt-related matters, particularly since the April 2007 CHMF Meeting in Washington, are highlighted and their policy implications evaluated in the paper.

On HIPC Initiative

Challenges of reaching the Decision and Completion Points:

Although all Commonwealth HIPCs have reached the completion point, Ministers may still wish to comment on the more proactive approach by the international institutions to assist Decision Point countries in addressing the challenges inhibiting their attainment of the Completion Point, including through strengthening of institution-building in such countries. They may also wish to comment on rendering assistance (e.g., through enhancing their capacities) to pre-Decision point HIPCs (most of which are either in, or just emerging from, conflict) to overcome the challenges preventing them from reaching the Decision Point.

Continued limited participation of non-Paris Club creditors and the issue of rogue commercial creditors' lawsuits against low-income countries (LICs)

Ministers may wish to consider re-iterating the call they have been making since March 2003, in Dar es Salaam, for collective diplomatic initiatives, comprising Bretton Woods institutions (BWIs), key donors and HIPCs themselves, to encourage non-Paris Club creditors' full participation in the HIPC initiative. They may also wish to repeat their earlier calls on the BWIs to be more pro-active in their support for HIPCs against commercial creditors' lawsuits and also for the national governments of countries of competent legal jurisdictions to adopt policies and legislations that are more supportive of HIPCs.

On MDRI

Ministers may wish to repeat some of their earlier calls (since April 2006, in Livingstone) that have yet to be heeded by the international community, particularly the institutions responsible for MDRI implementation, including:

- Sufficient funding by donors of MDRI-implementing IFIs (IDA, AfDF and IMF) as well as giving to them assurances to reimburse the cost of implementing MDRI over the next 4 to 5 decades in a predictable and convincing manner, including the possibility of revisiting the proposal under which donors will provide them up-front the capital sum equivalent to the present value of the debt servicing cancelled over the next 40 – 50 years.
- Meeting the cost of IADB Fund for Special Operations (FSO) debt cancellation through donor funding, as opposed to IADB's internal resources.
- Modifying the performance-based allocation (PBA) mechanism that is used by IDA and AfDF in allocating the MDRI-induced compensatory financing from donors by including the need to attain MDGs, and giving it no less weighting than the Country Performance Rating (CPR).

On Debt Sustainability and Non-concessional Borrowing

Issues Ministers may wish to discuss include the following:

- Need for donors to maintain the momentum to translate their Gleneagles aid targets into definite pledges and commitments to reduce the pressure on LICs to raise non-concessional foreign loans.
- Application by IDA of disincentives when it believes that a country has been less than transparent in its non-concessional borrowing or where such borrowing is unwarranted.
- Need for a more systematic approach by the existing international providers of technical assistance on debt management and also the need to institutionalise, as earlier recommended at April 2007 CHMF Meeting, the World Bank-suggested global partnership to strengthen debt and macroeconomic management in LICs.

On Other Debt-related issues

In the event that the IMF presentation is silent on the Exogenous Shock Facility (ESF), Ministers may wish to request from the presenter to provide an update on this.

Also, in the event that the World Bank presenter does not provide any update on their “Anti-free Rider” policy (proposed in mid-2006 for preventing unwanted international creditors from “poaching” the borrowing space in the finances of LICs that was created mainly through IDA grant and debt relief), Ministers may wish to request the presenter for an update.

10:35-11:05 Discussion

11:05-11:25 *Group Photograph for Heads of Delegation*
Tea/Coffee Break

SESSION II

11:25- 11:40 Ghana’s Preparation for Accessing the International Capital Market:
Perspective of the Issuer – ***Capital Market Committee, Ghana***

11:40-11:55 Ghana’s Preparation for Accessing International Capital Market:
Perspective of the Issuing House – ***Citibank Group***

11:55-12:10 Cross-country Experience in Accessing International Capital Market –
Mr Udaibir S Das, Division Chief, Sovereign Asset & Liability
Management Division (AL) Monetary and Capitals Markets
Department, International Monetary Fund (IMF)

12:10-13:00 Discussion by the Ministers of the three presentations by the Ghanaian
Capital Market Committee; Citibank Group; and IMF official

Issues for Consideration

The presentation by the Ghanaian Capital Market Committee gives Ghana's experience on its recent accession to the international bond capital market. The country is the first HIPC to accomplish this and the Citibank Group was the issuing house. So, while Ghana's presentation is from the perspective of the issuer, that of Citibank Group is from the perspective of the issuing house. The presentation by Mr Das, on the other hand, provides an international perspective.

Ministers may wish to draw lessons from the Ghanaian experience.

13:00-13:15 Policy Support Instrument of the IMF – **Professor Andreas Antoniou**, Commonwealth Secretariat Consultant

13:15-13:30 Brief Discussion of Professor Antoniou's presentation

The presenter will review the aims and features of the IMF's Policy Support Instrument (PSI) that was first introduced in 2005, starting with Nigeria. Pre-empting the outcome of internal review by the IMF that is slated for the latter part of this year, the background paper addresses the issue of whether PSI provides a new role for the IMF in low-income countries or it simply is like the existing IMF programmes in substance. It reviews the 6 PSI arrangements negotiated so far in shedding light on this issue that is further sub-divided into 3 clusters. The first of these clusters relate to whether PSI has ushered in any significant change in the way the IMF performs its signalling and surveillance role as well as its "gatekeeping" function. The second relates to whether PSI has led to either a loosening of structural conditionalities and/or a reinforcement of country ownership. The third cluster concerns whether countries with PSI have benefited from greater flexibility in the definition of their economic policy in general, resulting in more (fiscal) policy space and have been able to consider alternative macroeconomic scenarios than in the past. Conclusions from the review generally are not positive to the questions posed. Toward the end of the presentation, the extent to which PSI enhances international capital market access and paves the way to attainment of middle income country status are discussed. The presentation is concluded with some forward-looking recommendations.

Based on the presentation, you may wish to request Ministers of PSI-countries may wish to share their experiences with colleagues.

SESSION III

14:40-14:55 Maintaining Debt Sustainability in Low-income Countries: The Challenges and Safeguards for Managing Opportunities for External Private Financing – **Dr Matthew Odedokun**, Economic Affairs Division, Commonwealth Secretariat.

14:55-15:05 Responsible Borrowing and Lending – **Ms Gail Hurley**, Policy and Advocacy Officer (Debt), EURODAD.

15:05-15:50 Discussion

The two presentations address the need for sovereign borrowers to be prudent in raising foreign loans and for international creditors too to be responsible lenders.

The first presentation starts by reviewing past borrowing by developing countries from international capital markets over about two centuries, showing that each episode of entry by the countries to the capital markets was often followed by debt repayment problems and consequential rescheduling. From these past experiences, the presentation identifies a number of lessons to be learnt so that the current access to international capital markets does not lead to subsequent repayment difficulties. Then, various supply- and demand-related factors responsible for the current international commercial borrowing by LICs are reviewed. This is followed by a discussion of possible benefits to the LICs arising from such international borrowing and the potential problems and dangers in doing so. The presentation is concluded with a number of policy recommendations to the borrowing LICs, international lenders and the larger international community for promoting prudent borrowing and responsible lending.

The second presentation (i.e. by Eurodad) too echoes most of the issues covered in the first presentation, though from a somewhat different perspective. How to promote responsible lending is particularly given much emphasis.

Some issues Ministers may wish to discuss include:

- Actions points for the borrowing LICs aimed at guarding against unsustainable debt through excessive borrowing. These should include the suggested need to raise loans under most favourable terms and utilise the proceeds judiciously; strengthening of debt management capacity in all its ramifications; and strengthening the legal framework for debt management and broader government finances (including suitable fiscal responsibility laws). Also included are action points to address exchange rate and monetary management challenges posed by inflow of foreign resources (including foreign loans) and also to increase export earnings and diversify the export base, as enhanced export earning would reduce the need for foreign loans.
- Action points for international lenders to make them lend responsibly and adhere to sound lending ethics.
- Action points for international development partners, including assistance in strengthening LICs' debt management capacity; boosting financial transfers to LICs to minimise their (i.e., LICs') need for non-concessional external borrowing; and lending more active support to LICs' efforts to increase export earnings (e.g. supporting their case for more favourable international trade negotiation terms at appropriate trade policy fora).

SESSION IV

15:50-16:05	Legal Referral Service (HIPC Clinic) and the Way Forward <i>Mrs Devi Sookun</i> , Resident Legal Adviser, Law Development Section, Legal and Constitutional Affairs Division, Commonwealth Secretariat
16:05-16:20	Effective Debt Management: The Way Forward - <i>Mr Arindam Roy</i> and <i>Mr Walton Gilpin</i> , Advisers, Debt Management Section, Special Advisory Services Division, Commonwealth Secretariat.
16:20-16:50	Discussion

Presentation on Legal Referral Service and the Way Forward

This presentation reviews the activities of the Commonwealth Secretariat's HIPC Clinic, which was created in 2005 to provide legal referral services. After having assisted the member states in some litigation matters and conducted training seminars, the Clinic is now proposing, as a way forward, at embarking on activities aimed at ensuring that members states do not revert to unsustainable debt situation again, after receiving the debt relief. Specifically, the Clinic now proposes to embark on promotion of a proper legal framework regarding fiscal policies through enactment of suitable Fiscal Responsibility Laws (FRL). The presentation identifies a number of countries that have put in place such laws and it advocates the same for other countries. Assisting these countries to have their own FRL adapted to their own circumstances is now being proposed as the next line of action of the HIPC Clinic.

Presentation on Effective Public Debt Management: the Way Forward

This presentation provides a guided tour of main issues involved in debt management. It first addresses debt management in emerging market economies (EMEs), suggesting how this can be improved. The suggestions cover how to bring about improvement in debt structure; debt dollarisation; debt on-shoring; off-shoring of local currency debts; and increasing diversification to institutional investors. It then addresses debt management and policy in LICs, particularly HIPCs. Issues specifically discussed for the HIPCs include the growing volume of domestic debt. Next, the presentation discusses debt issues and challenges facing small states, including high level of public debt; excessive reliance on non-concessional external debt; and risky debt structures. Policy suggestions for addressing these challenges are also given. The presentation is concluded with a discussion of how to enhance debt management capacity in LICs as well as the need for greater dissemination of public debt data.

In view of the above two presentations, Ministers may wish to, among others:

- Comment on the proposed way of moving forward the activities and mandate of the HIPC Clinic whereby focus would now be on promotion of suitable Fiscal Responsibility Laws in member states.
- Identify debt management challenges in their respective countries and how the Commonwealth Secretariat can assist in addressing these.

17:10-17:40 Ministerial Statement

18:00-20:00 Cocktail reception hosted by the Commonwealth Deputy Secretary-General, *Mr Ransford Smith*