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UPDATE ON THE IMPLEMENTATION OF THE DEBT INITIATIVES AND THE WAY FORWARD FOR FUTURE COMMONWEALTH MINISTERIAL DEBT SUSTAINABILITY FORUM (CMDSF) MEETINGS

Paper for the Commonwealth Secretariat*

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UPDATE ON THE IMPLEMENTATION OF THE DEBT INITIATIVES AND THE WAY FORWARD FOR FUTURE CMDSF MEETINGS

EXECUTIVE SUMMARY

Update on HIPC Initiative, MDRI and DSF

Since the CMDSF April 2008 Meeting, the following should be noted:

- There has been no change in the number of countries reaching completion and decision points.
- An updated table of non-Paris Club participation in the HIPC Initiative has been prepared which shows very limited change in the situation.
- Available data on DSF debt distress risk ratings for African completion point countries suggests nine at low risk, seven at moderate risk, and three at high risk.
- Like IDA, African Development Fund (AfDF) has also now developed a Non-Concessional Borrowing Policy (NCBP).
- Following Ghana's venture into the international bond market, under its NCBP IDA has now reduced Ghana's maturity terms to those of blend countries.

Way Forward for CMDSFs

2. The graduation of all Commonwealth HIPCs from the HIPC process has brought to the fore the issues of the future role of CMDSF, its membership and the timing of its future meetings.

Subject Matter

3. There remain a large number of debt and debt related issues, which require further advocacy, monitoring or technical support, and with which CMDSF would need to remain engaged. These include outstanding HIPC and MDRI issues (including non-Paris Club participation and creditor litigation), long term debt sustainability (especially the application of DSF and NCBP), other debt related issues (including domestic and odious debts), and debt management capacity building.

4. This debt related focus has not prevented Ministers from discussing broader issues of achievement of Millennium Development Goals (MDGs), concessional finance and promotion of investment and growth in member countries. Indeed two overarching objectives of Ensuring Debt Sustainability and Achieving the MDGs have guided all Forum meetings. CMDSF discussions could give added focus on how this could be achieved (e.g. aligning Poverty Reduction Strategy Papers (PRSPs) with MDG goals, costings to meet MDGs, MDG attainment scenarios in preparing Debt Sustainability Analyses (DSAs). Given the vital role paid by concessional finance in debt sustainability and MDG attainment, CMDSF could be an important forum for urging traditional donors to meet their 2005 G8 Gleneagles aid pledges and harmonise aid flows with re-aligned PRSP strategies and calling on non-traditional donors to assure adequate concessionality in their lending

Membership

5. With debt ratios significantly reduced by HIPC/MDRI debt relief, Commonwealth HIPCs now are not much different from other Commonwealth IDA-only Low Income Countries (LICs). The international community has also sought to deal with all IDA-only countries - HIPCs and non-HIPCs- equitably (e.g. application of DSF debt distress ratings in grant/credit allocations, netting out of MDRI debt relief and reallocating donor compensatory finance to all IDA-only countries). There is therefore a strong case for including all IDA-only Commonwealth LICs as full members of the CMDSF. This would mean the addition of Kenya and Nigeria (which are already attending by special invitation) as well as Bangladesh, Lesotho and Solomon Islands. There may also be a case for either full membership of or for special invitation to Papua New Guinea (PNG) (which is notionally blend) and Sri Lanka (which though no longer a LIC, is IDA-only with hardened terms).

6. Small economies are among the most indebted middle-income economies in the world, which may suggest a prima-facie case for their CMDSF membership. But there is question whether CMDSF provides a correct forum to address their problems, which unlike HIPCs, have hardly received any international attention. Factors responsible for their greatly increased indebtedness in several respects are peculiar to them and there is a need for an international framework for addressing their problems. However, given World Bank recognition of Small Economy Exception to IDA eligibility criteria, there may be some justification in including IDA-only exceptions (Kiribati, Maldives Samoa, Tonga and Vanuatu) as CMDSF members or inviting them by special invitation.

7. As for the question of confining CMDSF membership to all Commonwealth highly indebted countries, use of the public debt to GDP ratio benchmark in excess of 60 per cent would include 15 countries, but none of the present membership. Use of a benchmark in excess of 40 per cent would also exclude most of them. While extension of membership to all such countries would allow sharing of experiences, having such a diverse group can serve to lose focus on the key concerns of the current members. Also, if this were to result in including most Commonwealth members, then the very purpose of the Forum would be lost as such issues could easily be discussed at the CFMMs. There may however be a case for extending occasional invitations to blend LICs (India and Pakistan), which both have high public indebtedness and share the same concerns as other LICs on debt sustainability and MDG attainment. Blend Small Economy Exceptions (Dominica, Grenada, St Lucia and St Vincent and the Grenadines) may also be similarly considered because of their debt sustainability concerns.

Co-operation with Non-Commonwealth HIPCs and Participation by Special Invitation

8. A number of non-Commonwealth HIPCs, especially from the Francophone African countries as well as to Organisation Intergovernmentale de la Francophonie (OIF), have attended the CMDSF meetings since 2005 by special invitation. Given that most Francophone Sub-Saharan African countries are HIPCs and share common concerns with the CMDSF members, continued co-operation between the two groups in sharing experiences and strengthened advocacy can be very useful.

9. Representatives of Commonwealth donors, international institutions, civil society, parliamentarians and capacity building institutions have also attended by special invitation and this should also continue

Timing and Duration of Future Meetings

10. There are various options going forward. Meeting once a year in a more substantive meeting prior to the CFMM, would avoid the financial cost of meeting twice and allow extension of membership or special invitation to other Commonwealth countries. However, Ministers need to carefully consider whether further extension of their stay outside their capitals is feasible. Also, it may be difficult to organise participation of non-Commonwealth LICs and other special invitees. An expanded substantive meeting (1½ to 2 days) in Washington DC just prior to the Spring Meetings would make high level participation feasible not only by current members, but also by an expanded group of Commonwealth countries and non-Commonwealth LICs. But, connection with the CFMM, which also plays an important advocacy role for CMDSF, would be lost. Continuation of the present format, with changes to minimise the disadvantages, especially an expanded substantive meeting would not only result in benefits outlined above, but a brief meeting prior to CFMM would continue to provide connection with that meeting.

Suggestions for the Spring 2009 Meeting

11. It is suggested that
- The theme of Ensuring Debt Sustainability and Achieving the MDGs is re-emphasised with a clear focus on how the twin objectives can be achieved
 - Prior to the meeting, all other IDA-only Commonwealth LICs (Bangladesh, Kenya, Lesotho, Nigeria and Solomon Islands) should be invited to become full members. Consideration should be given as to whether Sri Lanka, PNG and small IDA-only economies are invited as full members or by special invitation. Thought should also be given as to whether India and Pakistan are to be specially invited.
 - Co-operation could be sought with OIF for a joint Commonwealth-Francophone Meeting.
 - Special invitees could be from the wider donor community as well as the international organisations, civil society, parliamentarians, and capacity building institutions.
 - The Meeting duration could be 1½ -2 days.

UPDATE ON THE IMPLEMENTATION OF THE DEBT INITIATIVES AND THE WAY FORWARD FOR FUTURE CMDSF MEETINGS

I. UPDATE ON THE IMPLEMENTATION OF DEBT INITIATIVES

1. HIPC Initiative

Since the April 2008 CMDSF Meeting in Washington DC, there has been no change in the number of countries reaching the completion and decision points under the HIPC Initiative. The Gambia was the latest country to reach the Completion Point (CP) in December 2007 (making a total of 23 such countries). Liberia achieved Decision Point (DP) in March 2008, so that there are now 10 countries in the interim stage between DP and CP. All countries reaching CP have also automatically qualified for the MDRI relief (see Table 1 for the total committed relief under the HIPC initiative and the MDRI).

2. The timetable of reaching CP has been slipping in practically all interim cases, partly due to institutional weaknesses and insufficient political support to implement sustained reforms. The next two countries for reaching CP are likely to be Burundi and Haiti. Burundi has mostly successfully implemented its 2004-07 IMF Poverty Reduction and Growth Facility (PRGF) programme and has continued to consolidate the peace process between the government and all the belligerent parties. A new PRGF arrangement is being negotiated, which it is hoped will pave the way for it to reach CP by January 2009. Haitian authorities are hopeful that CP can be reached shortly after the one-year minimum period of Poverty Reduction Strategy Paper (PRSP) implementation (November 2008) although this will require implementation of several other CP triggers. On this basis CP is likely to be reached in the first half of 2009.

3. In the pre-decision point countries, the difficulties in formulating viable macroeconomic and poverty reduction programmes have been severely compounded by internal conflict, governance issues and in some cases, substantial arrears to the multilateral institutions. Following Liberia's successful clearance of arrears through exceptional measures and reaching of the DP, the next few countries in line to reach DP are likely to be Cote d'Ivoire, Togo and Comoros. Cote d'Ivoire has been successfully implementing a programme under the IMF's Emergency Post Conflict Assistance (EPCA). A PRGF arrangement covering the period 2009-11 is being negotiated, the finalisation of which could also lead to it reaching DP, sometimes before the end of the year. The establishment of fragile states facilities by IDA and the African Development Fund (AfDF) under their 15th and 11th replenishments respectively could greatly enhance support to all three countries' efforts at reaching the DP.

4. With respect to the non-Paris Club participation in the HIPC Initiative, the Bretton Woods institutions have prepared an updated data table (see Table 2). This shows that these creditors have only provided about a third of the expected relief to 23 CP Countries (including the latest addition, the Gambia).. Seven countries (including Hungary which was earlier omitted) have provided full HIPC Initiative debt relief, but they only account for about 1 percent of the total relief to be granted by non-Paris Club creditors to HIPCs. A further 22 countries (accounting for about 65 per cent of the total relief to be granted by non-Paris Club creditors to HIPCs), have provided partial relief (estimated to be around 50-58 per cent of the expected relief). Twenty-one other creditors have not provided any relief.

5. There has been no further update by the Bretton Woods institutions on the question of commercial creditors and litigation. The 2006 IMF/World Bank Staff Survey had noted that 11 out of the 24 respondents had lawsuits filed against them by a total of 44 creditors). Since then, six new legal cases were reported (five against Nicaragua and one against Ethiopia). Some countries have reported being threatened by additional litigation (including Sierra Leone and Cameroon).

2. MDRI and the related Inter-American Development Bank (IADB) Initiative

6. All 23 post-completion-point HIPC's have qualified for the MDRI and the related IADB initiative. Under both IDA-15 and AfDF-11 replenishments donors have made additional contributions to cover the MDRI costs incurred by these institutions over these replenishment cycles. Donors have given assurances that they would provide compensatory financing in the future, because these compensation schemes spread very far into the future (40-50 years). But there remains considerable uncertainty.

7. Unlike IDA and AfDF, the cost of the IADB Fund for Special Operations (FSO) debt cancellation is being met internally, without any additional donor funding, which will reduce eligible countries' (including Guyana's) total resource allocations by 25 per cent and make them less concessional. So far there are no moves for the replenishment of the SFO.

3. Debt Sustainability Framework (DSF) and Non-Concessional Borrowing

8. The joint Bank-Fund DSF launched in April 2005 has passed from its initial stage of development to a mature phase of implementation, with annual Debt Sustainability Analyses (DSAs) available for majority of IDA-only countries. There is also now a clear process established to translate DSF-risk ratings into IDA traffic lights for grant/credit allocation. Under the process, countries in low risk of debt distress (green) receive all their IDA allocations in credits, those in medium risk (yellow) receive 50:50 grant/credit allocation and those in high risk or currently in debt distress receive all their allocations in grants. AfDF also follows a similar policy of grant/credit allocation.

9. For 2008 for AfDF's 19 CP countries, debt distress risk assessments show that nine were at low risk (**Cameroon, Ghana**, Madagascar, Mali, Mozambique, Senegal, **Tanzania, Uganda** and **Zambia**), seven at moderate risk (Benin, Burkina Faso, Ethiopia, **Malawi**, Mauritania, Niger, and **Sierra Leone**), and three at high risk (the **Gambia**, Rwanda and Sao Tome and Principe). For the four Latin American and Caribbean CPs, two (Bolivia and Honduras) are no longer grant eligible because of their graduation to the blend status. Information on further two (**Guyana** and Nicaragua) is not publicly available. All interim stage and pre-decision point countries, currently in distress also receive a red light.

10. A key issue concerns the borrowing space created by the MDRI and the risk of non-concessional borrowing by post-MDRI countries, leading to a rapid re-accumulation of debt, undermining borrowers' debt sustainability. In order to counter excessive non-concessional borrowing by grant-eligible countries, in July 2006 IDA established a Non-Concessional Borrowing Policy (NCBP) and a similar policy is also currently being developed by the AfDF.

11. DSF is an important tool to assess whether non-concessional borrowing can be undertaken without undermining debt sustainability. In this respect, recent baseline DSAs of Uganda and Ghana, both strong performers, incorporate a significant amount of non-concessional borrowing for specific infrastructure development. Where however, IDA believes that a country has been less than transparent in its non-concessional borrowing or where such borrowing is unwarranted, it may apply disincentives.

12. IDA has currently used its NCBP in two cases. Under standardised tests Ghana was seen as borderline case between low and medium risk. However, its risk of debt distress increased significantly in the alternative scenarios, particularly if the growth dividend was less than assumed under the baseline scenario. Ghana accessed capital markets through a bond issuance this year. Under IDA's NCBP Ghana would now receive the same IDA terms as blend countries (i.e. 35 year maturity instead of 40 years).

13. IDA's NCBP was earlier applied to Angola, which has undertaken US\$15 billion of non-concessional borrowing since 2004, mainly from China, whose terms are less than transparent. IDA has significantly hardened the terms (20 year maturity with 4.2 per cent interest). The case of Angola illustrates severe limitations of the NCBP in resource rich countries where IDA financing is small relative to other sources.

14. A number of multilateral development banks (AfDF, AsSF and International Fund for Agricultural Development (IFAD) have already incorporated or contemplating incorporating elements of DSF into their own financing terms. There is also an ongoing dialogue with the OECD Working Group on Export Credits and Guarantees (ECG), which have agreed to share this information with Bank/Fund, and promote sound and sustainable lending practices. The World Bank has also been active in promoting understandings with emerging market creditors.

II. WAY FORWARD FOR CMDSFs

1. Introduction

15. Commonwealth HIPC Ministerial Forum (CHMF), by which CMDSF was known prior to 2008, was established to provide a regular input into the shaping of the HIPC Initiative. Since 2002, Ministers from Commonwealth HIPCs have been meeting twice a year to critically review the workings of the HIPC Initiative and ensure that their recommendations are conveyed to the key international meetings, most notably the International Monetary and Finance Committee (IMFC) and the Development Committee (DC) meetings of the IMF and the World Bank.

16. From the outset, Ministers have not confined themselves to the concerns about the implementation of the HIPC Initiative. The theme of the March 2002 Lilongwe Meeting was Ensuring Debt Sustainability and Achieving the Millennium Development Goals (MDGs) and these two overarching objectives have guided all CHMF meetings. This has allowed Ministers to discuss and make recommendations on all relevant issues, such as the need for deeper and wider debt relief; ensuring long term debt sustainability through appropriate financing terms, including grants; facilities to mitigate exogenous shocks; addressing the domestic debt burden; improving the debt carrying capacity through improved exports and GNP growth; ensuring that resources released from debt relief, together with improved

domestic budgetary allocations, are targeted at poverty reduction; and lobbying donors to make adequate additional aid resources available to meet MDGs globally and in individual countries.

17. It is noteworthy that during the period 2002-2006, important decisions were taken by the international community on the establishment of the MDRI, DSF and the Exogenous Shocks Facility (ESF). There was also a consensus at the G8 Gleneagles Summit for a substantial expansion of aid to poor countries.

18. Between 2002 and 2006, CHMF's first substantive meeting was held at a HIPC location over 2-3 day period, but since 2007 it is being held in Washington DC prior to the Spring Meetings of IMFC and DC over a single day. Throughout the period the brief meeting has been held in the wings of the Commonwealth Finance Ministers Meetings (CFMM).

19. With all Commonwealth HIPCs having reached CP by December 2007 with the Gambia's addition in 2008 the name of the Forum was changed to Commonwealth Ministerial Debt Sustainability Forum (CMDSF) as the principal concern for these countries was longer HIPC/MDRI debt relief but that of ensuring long term debt sustainability.

20. The changed circumstances of the HIPCs has also brought to the fore the issue of the role of CMDSF be in the future, including the questions about the subject matter it should cover, its membership and the timing of its future meetings. The rest of the paper considers these issues.

2. Subject Matter for Future CMDSF Meetings

21. The first question to consider is the future focus of CMDSF meetings, particularly whether it should confine itself to debt and debt related issues or whether it should also venture into broader issues of concessional finance and achievement of the MDGs.

2.1. Debt and Debt Related Issues

22. There remain a large number of debt and debt related issues, which require further advocacy, monitoring or technical support. These are grouped below as outstanding HIPC and MDRI related issues, DSF, Other Debt related Issues and Debt Management Capacity Building.

Outstanding HIPC and MDRI related Issues

23. There are a number of outstanding issues in relation to both HIPC and MDRI implementation that are still relevant for CMDSF. They include:

- *Continued limited participation by Non-Paris Club Creditors.* The issue has been on the Forum's agenda for more than five years, but so far there has hardly been any progress. While some technical steps have been taken, Ministers have long recognized that granting debt relief is essentially a high level political decision in creditor countries and have repeated called for collective diplomatic initiatives, comprising Bretton Woods Institutions, key donors and HIPCs themselves as well as donor assistance to cancel HIPC to HIPC debt. CMDSF would therefore need to redouble its advocacy efforts in this issue.

- *Commercial Creditors' Litigation against HIPCs*: Again this issue has been on the Forum's agenda for more than five years and in response the Commonwealth Secretariat established a Debt Referral Facility. Ministers have repeatedly called for changes in the laws by governments of countries where commercial creditors reside to protect HIPCs from litigation. Ministers would need to continue this advocacy role, whilst at the same time ensuring that there is adequate technical assistance provided to countries facing litigation.
- *Future Financing of MDRI*: Although donors have given assurances that they would provide compensatory financing to IDA and AfDF in the future, Ministers have reiterated the need for donors to give predictable and convincing assurances of reimbursing the cost of implementing the MDRI over the next 4 to 5 decades. This issue would require regular monitoring by Ministers
- *Financing of IADB Debt Relief*: Given that the cost of FSO debt cancellation is being met internally, resulting in reduced and less concessional resources, Ministers have urged immediate negotiations for the replenishment of the FSO, an issue on which they would need to maintain pressure.

Ensuring Long Term External Debt Sustainability: IMF/World Bank DSF

24. In their deliberations, Ministers have always been concerned about ensuring long term debt sustainability and have been monitoring the workings of the DSF, since its launch, as a mechanism for determining debt distress and grant allocation. On the basis of their deliberations, they would also need to

- Review progress made by the institutions in raising awareness of DSF amongst LICs and in encouraging greater country-specific input in DSA preparations.
- Recognising the value of DSF as a tool to assess whether non-concessional borrowing can be undertaken for specific infrastructure development, without undermining debt sustainability, share experiences amongst each other of how this could be achieved.
- Critically appraise the application of IDA and AfDF's NCBP, under which countries which breach the IDA guidelines face disincentives, including hardening of terms.
- Review progress in promoting greater creditor out-reach of DSF, so that other creditors (especially export credit agencies and emerging creditors) also incorporate elements of DSF into their own financing terms.
- Appraise progress by the international capacity building institutions in reducing capacity constraints in LICs in undertaking their own DSAs and in debt management that ensures judicious borrowing by them without undermining debt sustainability.

Other Debt Related Issues

25. Over the past few years Ministers have also reviewed a number of other debt related issues. They include:

- *Exogenous Shocks Facility (ESF)*: One of the Forum's key concerns has been HIPCs' vulnerability to exogenous shocks, leading to exceptional non-

concessional borrowing to mitigate the effects, undermining debt sustainability. The idea of a concessional mechanism for dealing with exogenous shocks taken up in various forms in the Forum meetings finally saw result in establishment of the ESF in the IMF. Forum deliberations have identified a number of pitfalls with ESF and so far it has not been used at all. CMDSF has urged the forthcoming review of the ESF to examine how it could be made more flexible to encourage greater utilization. The issue therefore would require continuous appraisal. CHMF have also called for a permanent shocks facility located in IDA/AfDF to cover shocks not covered by the ESF.

- *Domestic Debt:* The Forum discussions have repeatedly raised the issue of the high domestic debt burden and overall fiscal sustainability of public debt, with actions required by both HIPC themselves and the international community. Ministers have called on the Commonwealth to play a lead advocacy role for a comprehensive approach to address this problem. The 2007 CMDSF Chair in particular urged international institutions to favourably consider part utilization of the resources released from HIPC debt relief to reduce the high burden of domestic debt. CMDSF would therefore need to continue to pursue this issue.
- *Odious Debt:* At the April 2007 CMDSF meeting, there was a civil society presentation on odious debt. Ministers commended the Government of Norway for unilaterally canceling such debts and called on other creditors to follow suit and for the refunding of payments made on all odious debt. Following the CMDSF call, the 2007 Chair has asked all HIPCs to audit their existing debts and those already repaid, with a view to identifying the odious component, The Commonwealth Secretariat has also been urged to collate such information and facilitate negotiations with creditors. The CMDSF will therefore need to continuously appraise progress on this question.
- *Responsible Lending:* At the April 2008 CMDSF meeting, Eurodad made a presentation on Responsible Lending, whose aim is to ensure that lending terms and conditions are fair, the loan contraction process is transparent, that human rights and environments of recipient nations are respected and that repayment difficulties and disputes are resolved fairly and efficiently. Ministers have recommended that these proposals are carefully considered in the international forums, an issue which would need further monitoring and appraisal
- *Accessing International Capital Markets:* Linked to the issue of non-concessional borrowing is the question of accessing international capital markets by LICs which are in low risk of debt distress. Following Ghana's example considered at the April 2008 CMDSF Meeting, Ministers may wish to continue to share experiences on the issue, as a number of other Commonwealth LICs are also seeking to access these markets.
- *IMF's Policy Support Instrument (PSI):* At the April 2008 CMDSF, Ministers recognized that PSIs (designed for well performing LICs, which no longer require IMF financial support but need the IMF imprimatur for their policies) had not lived up to their expectations in a number of respects. They saw the next scheduled PSI review as an opportunity to develop a more dynamic approach to the IMF's involvement in LICs that provides a clear perspective for well performing LICs to graduate to the next stage of development. CMDSF provides a

useful forum to share experiences and critically appraise progress in relation to the PSI.

Debt Management Capacity Building

26. CMDSFs have traditionally also provided a forum to review progress on debt recording and management capacity building programmes of the Commonwealth and other organizations such as MEFMI and WAIFEM and make recommendations on further work. This activity obviously would need to continue in the future.

2.2. Broader Issues of MDG Achievement, Concessional Finance and Promoting Growth

27. Although debt and debt related issues have been the main focus of the CMDSF discussions, this has not prevented Ministers from discussing broader issues of MDG achievement, concessional finance and promotion of investment and growth in member countries. The question arises how far CMDSF should dwell into these subjects.

MDG Achievement

28. As noted, the theme of the first ever meeting of the Forum in March 2002 in Lilongwe, Malawi, was Ensuring Debt Sustainability and Achieving the Millennium Development Goals and these two overarching objectives have guided all Forum meetings. The MDGs incorporate the goals of poverty reduction and improvement in a number of social indicators. As part of the HIPC Initiative, countries were required to prepare Poverty Reduction Strategy Papers (PRSPs), utilise resources released from HIPC debt reduction for poverty reduction purposes, and develop medium term government expenditure plans with a realignment of resources towards poverty reduction goals. Thus, consideration of HIPC debt relief and poverty reduction went hand in hand.

29. Those countries which have reached CP have been updating their PRSPs regularly. One major challenge is to ensure alignment of PRSPs with MDG goals, an issue on which the CMDSF would need to remain engaged. More specifically, each individual CMDSF member will need to revisit its PRSP with appropriate costings to meet the MDGs and approach donors to co-ordinate their support to meet the requirements. CMDSF meetings provide an opportunity to monitor developments, exchange experiences and lobby donors to meet their obligations.

30. A key consideration in any furtherance of the MDGs would be how this could be achieved without undermining debt sustainability. In this respect the Forum meetings have urged the building an MDG attainment scenario in preparing DSAs that would provide an indication of the resources required to achieve the objectives, indicate when debt sustainability is a constraint and suggest ways in which this constraint can be eased.

Concessional Finance

31. Concessional Finance is important for both debt sustainability and MDG achievement. HIPC and MDRI debt reduction has created borrowing space CP countries to move towards the attainment of MDGs. Given that more concessional the borrowing, less the

risk to debt sustainability, CMDSF meetings would need to advocate adequate concessionality in borrowings especially from non-traditional donors.

32. At the same time, donors would need to greatly expand their concessional lending for MDG achievement. In this respect important strides were made at the 2005 G8 Gleneagles Summit. It was estimated that the increased pledges made at the summit would have increased aid by around \$50 billion a year by 2010, compared to 2004. However, progress towards meeting these donor pledges has been slow. CMDSF can become an important advocacy forum, as it also has sought in the past participation by special invitation of Commonwealth donors and international institutions to listen to their concerns.

33. A related issue concerns harmonization of aid. If HIPC's are to realign their PRSPs towards MDG achievement, then donors also need to anchor their support to these PRSP determined country owned strategies. Donors have committed themselves to the Rome Declaration on Harmonization and CMDSF can provide a useful forum to monitor and appraise how far this support is harmonized.

Promotion of Exports, Investment and Growth

34. Promotion of exports, investment and growth is not only important for the achievement of MDGs, but also for improving HIPC's/LICs' debt carrying capacity and thus debt sustainability. That is why Forum meetings have also emphasized the importance of improved market access, trade facilitation, investment climate, targeted investment promotion and public-private partnerships in infrastructure development. Improved market access is part of the Doha Round WTO negotiations where there needs to be a substantial overall reduction in domestic agricultural support by developed countries. At the same time, many HIPC's/LICs face preference erosion and significant losses, which could affect their future exports and debt sustainability. This issue needs to be properly addressed if benefits of international trade are to be shared by all WTO members.

3. Membership of CMDSF

35. There are currently ten members of the CMDSF (Cameroon, the Gambia, Ghana, Guyana, Malawi, Mozambique, Sierra Leone, Tanzania, Uganda and Zambia). Full HIPC/MDRI relief achieved by them, the question arises whether membership of the Forum should not be extended to other groups of Commonwealth countries, which have similar concerns of debt sustainability and/or MDG attainment.

3.1. Confining Membership to Least Developed Countries (LDCs) is not an option

36. One suggestion could be to confine CMDSF membership to LDCs. LDC classification is used by the UN system based on three criteria: income, human resource weakness and economic vulnerability. There is also a population cap of 75 million. On the basis of these criteria, there are 50 LDCs, 15 in the Commonwealth¹. However, utilizing this classification would exclude three current members- Cameroon, Ghana and Guyana. Also, this classification has very little to do with debt issues, which has been the main focus of CMDSFs. Confining membership of CMDSF to LDCs. is therefore not an option.

¹ Bangladesh, the Gambia, Kiribati, Lesotho, Malawi, Maldives, Mozambique, Samoa, Sierra Leone, Solomon Islands, Uganda, Tanzania, Vanuatu and Zambia

3.2. Extension of Membership to Commonwealth Low- Income Countries (LICs)

37. All CMDSF members are LICs, defined here as those countries below 2006 GNI per capita of US\$1095, which is the IDA's operational eligibility criterion for FY2008-2009. In considering whether CMDSF membership should be extended to all Commonwealth LICs, it is essential to distinguish between IDA-only LICs (i.e. eligible to borrow only from IDA, the concessional window of the World Bank) and blend LICs (which while eligible for IDA are also eligible to borrow from the Bank's non-concessional IBRD window).

*IDA-only LICs and Relevance to HIPC*s

38. There were two criteria for being classified as a HIPC. Countries had to be IDA-only and their NPV external debt ratios had to be above the HIPC threshold² after receiving traditional debt relief by the Paris Club. All IDA-only countries were assessed for HIPC eligibility. What distinguishes HIPCs from other IDA-only countries is that in the case of the latter debt ratios were below the HIPC thresholds. With debt ratios significantly reduced by HIPC/MDRI debt relief, Commonwealth HIPCs are now not much different from other Commonwealth IDA-only LICs.

39. Admittedly, as noted above, there remain some outstanding issues in relation to both the HIPC Initiative and the MDRI. But the issues of ensuring long term debt sustainability, mitigating exogenous shocks, addressing domestic debt and meeting MDGs are a concern for all IDA-only countries which rely predominantly on official concessional sources of finance.

40. The international community has also sought to deal with all IDA-only countries - HIPCs and non-HIPCs- equitably. For example, the DSF is applicable to all IDA-only countries in terms of determining degree of debt distress and IDA grant/credit allocation. Similarly, the MDRI debt relief is netted out from the Performance Based Allocation (PBA) of MDRI recipients and the donor compensatory financing is allocated to all IDA-only countries using the PBA system. All IDA-only countries are required to prepare PRSPs. They are also eligible for the IMF's PRGF and ESF.

41. There is therefore a strong case for including all IDA-only Commonwealth LICs as full members of the CMDSF. This would mean the addition of Kenya, Lesotho and Nigeria in Africa, Bangladesh in Asia and Solomon Islands in the Pacific. Available DSF debt distress ratings indicate low risk in Nigeria, moderate risk in Lesotho and high risk in Solomon Islands. Like Ghana, Uganda, Tanzania and Mozambique, Nigeria has also utilized the PSI. Following Ghana's venture, Kenya has also been contemplating access to the international bond markets. All Commonwealth IDA-only LICs also have concerns about extending domestic debt maturities, expanding debt management capacities and attaining the MDGs. Kenya and Nigeria have always been invited to attend the CMDSF by special invitation and including them, together with the other three, as full members would formalize the position.

² NPV debt to export ratio above 150 per cent or NPV debt to government revenue ratio above 250 per cent in a relatively open economy

Blend LICs

42. Blend countries cannot qualify for HIPC or MDRI relief. For them, resource allocations from IDA and other concessional windows of the regional development banks are also capped. DSAs for them are conducted by the IMF only as part of the Article IV consultations and the DSF framework for grant eligibility does not apply to them. On the other hand, IDA eligibility assures for them eligibility to IMF's PRGF and ESF. Their relatively low per capita incomes and MDG indicators also assures significant bilateral donor concessional assistance.

43. Blend LICs fall into two categories:

- *Those which remain de facto IDA-only:* (countries with past IBRD lending, but projected lending in current cycle, is only on IDA terms). In the Commonwealth, Papua New Guinea (PNG) fits this classification. The IMF has used the DSF methodology for assessing its debt sustainability, which shows it to be in a moderate risk of debt distress. Given PNG's situation, there may be a case for extending CMDSF membership to it or at least including it by special invitation.
- *Those which are operationally blend, which borrow both on concessional and non-concessional terms.* Two Commonwealth countries, India and Pakistan, fall into this category. These economies bear many similarities to middle income countries (MICs) in terms of capital market access and domestic capital market development. Given their emerging market status, their DSAs are conducted by the IMF utilizing the Market Access Country Templates. Although these countries have relatively low external indebtedness, overall public indebtedness ratios remain high. Also, they have majority of the world's poor in their midst. As with IDA-only LICs, achievement of MDGs, whilst ensuring debt sustainability, remains a vital issue for them. While extension of CMDSF membership to these economies is debatable, there is a case for specially inviting them to the CMDSF meetings to learn from their experiences.

3.3. Consideration of Gap Economies

44. Although some countries are no longer LICs (GNI per capita above IDA's operational ceiling), they remain marginally/partially creditworthy for IBRD loans. IDA eligibility has therefore been continued for such countries but under hardened terms. The two categories are:

- *Those which are still IDA-only:* (usually those below the IDA's historical ceiling-2006 GNI per capita of US\$1785). Sri Lanka falls in this category, which has public debt to GDP ratio of 95 per cent. Sri Lanka's external debt is mostly on concessional terms, which going forward is likely to face restricted availability. DSAs indicates a moderate risk of debt distress for external debt but a moderate to high risk if dollar denominated domestic debt is included. Sri Lanka's current status as an IDA-only country but facing hardened terms, while being highly indebted, suggests that it should either be included as a potential member of the CMDSF or invited regularly by special invitation

- *Those which are blend countries:* These are gap countries which receive hardened IDA as well as IBRD lending. Currently no Commonwealth economy is involved

3.4. Special Case of Small Middle Income Economies

45. According to a study commissioned by the Commonwealth Secretariat, small economies are among the most indebted middle-income economies in the world.³ The ten most indebted economies (with public debt ratios of over 90 per cent of GDP) include the Caribbean-6 (St Kitts and Nevis, Jamaica, Grenada, Antigua and Barbuda, Dominica and Belize) as well as Seychelles. The top twenty (public debt ratios above 60 per cent of GDP) also include the Caribbean-3 (Barbados, St Lucia, St Vincent and Grenadines) and Mauritius. Finally, the top 30 (those with public debt ratios above 40 per cent) include Samoa, Tonga, and the Maldives. DSAs suggest continuing debt high levels in many of these economies.

46. The high indebtedness of these small middle income Commonwealth economies may suggest a prima-facie case for their CMDSF membership as achieving debt sustainability is crucial for them. But there is question whether CMDSF provides a correct forum to address their problems, which unlike HIPC, have hardly received any international attention. Factors responsible for their greatly increased indebtedness in several respects are peculiar to them. According to the aforementioned study, there is a need for an international framework for addressing their problems that includes fiscal discipline, debt management and restructuring as appropriate, mechanisms for responding to natural disasters and other shocks, concessional financing without its sudden withdrawal, compensating for preference erosion and promoting private investment by mitigating small economy endowed handicaps. There is therefore a strong case for a separate forum to play a major advocacy role for addressing their indebtedness problems.

47. For nearly two decades, the World Bank has given partial recognition to small economy problems by establishing a Small Economy Exception to IDA eligibility, giving IDA access to countries above the IDA historical ceiling. The two categories are:

- *IDA only:* At present, five countries in the Commonwealth: Kiribati, Samoa, Tonga and Vanuatu in the Pacific and the Maldives in the Indian Ocean are IDA-only. As noted three of them have public debt ratios in excess of 40 per cent. Moreover, it is only the receipt of substantial amount of grants/concessional finance that has prevented these countries, mainly in the Pacific, from being even more indebted. As IDA-only, they were assessed for HIPC eligibility, but none qualified. Their risk of debt distress and grant/credit allocation is also assessed using the DSF tool. Given their IDA-only status, there may be some justification in including them as CMDSF members or at least inviting them by special invitation.
- *Blend:* Four countries fall in this group: .Dominica, Grenada, St Lucia and St Vincent and the Grenadines, all in the Caribbean. These highly indebted countries are relying increasingly on non-concessional sources of finance and debt sustainability is a major issue for all of them. If all blend Commonwealth countries are to be treated equitably, these countries could also be invited by special invitation.

³ For a further discussion of the debt issues facing these economies, see Dodhia, Dinesh, 'Emerging Debt Problems of Small States' Economic Paper 78, Commonwealth Secretariat, 2008, ISBN:978-0-85092-868-6

48. Inclusion of small IDA-only and blend economies would still leave many highly indebted small economies (Antigua and Barbuda, Barbados, Belize, Jamaica and St Kitts and Nevis in the Caribbean as well as Seychelles and Mauritius in the Indian Ocean) outside CMDSF membership. If membership were to be extended to all these countries on the basis of their current high indebtedness, then a further question arises as to why membership should not be extended to all highly indebted Commonwealth countries.

3.5. CMDSF membership confined to Commonwealth highly indebted countries?

49. A number of questions arise in considering this option. The first relates to defining highly indebted countries. The most common measure is the public debt to GNP ratio. If a ratio of above 60 per cent is used as a definition, then the Caribbean-6, the Caribbean-3, Seychelles, Mauritius as well as Cyprus, Malta, India and Sri Lanka would qualify as members, disqualifying all current members. If a benchmark of above 40 per cent is used, some additional countries such as Bangladesh, Pakistan, Lesotho, Maldives as well as Cameroon, Guyana, and Tanzania may also be added to the list, again disqualifying most of the current members. Moreover, given that most current members have bulk of their external debt on concessional terms, their NPV debt ratio is much lower than the nominal ratio, so that on an NPV based measure none of the current members may qualify.

50. It would be inappropriate to compare such a diverse group of Commonwealth countries, using a single measure. Debt sustainability is an issue which is common to many Commonwealth countries. Extension of membership would have the obvious benefit that all such countries would be able to share their experiences and call for international action to alleviate their difficulties. However, all these countries are at different stages of development and consequently the composition of their debt profiles differ markedly in terms of their external or domestic origin, creditors, maturity and interest rate structures. Having a diverse group can serve lose focus on the key concerns of the current members (i.e. how to move towards the attainment of MDGs whilst maintaining debt sustainability). Finally, if the addition of membership were to result in including most Commonwealth members, then the very purpose of the Forum would be lost as such issues could easily be discussed at the CFMMs.

3.6. A Cautious Approach to Extending Membership?

51. On the basis of above considerations, there may be benefits in extending membership cautiously. There are strong arguments for continuing to involve all poor countries which have debt sustainability concerns and rely on primarily on official concessional sources of finance and which still have to make a great headway towards meeting the MDGs. Initially, this could involve confining membership to the core group of IDA-only LICs and depending on the Commonwealth Secretariat's financial constraints, inviting other IDA-only and blend countries by special invitation.

4. Co-operation with Non-Commonwealth HIPCs and Participation by Special Invitation

52. CMDSF meetings have not been confined to members only and a number of other non-Commonwealth countries as well as representatives of Commonwealth donors, international institutions, civil society, parliamentarians and capacity building institutions

have also attended by special invitation. The key question is how far such co-operation be continued or enhanced.

4.1. Co-operation with Non-Commonwealth HIPC's

53. A number of non-Commonwealth HIPC's, especially from the Francophone African countries as well as to Organisation Internationale de la Francophonie (OIF), attended the Forum's meeting in Maputo, Mozambique in spring 2005 by special invitation. The Forum welcomed increased co-operation between the Commonwealth Secretariat and OIF and were particularly pleased at the contribution of Ministers from these other countries who issued a simultaneous Ministerial Statement. Since then a number of Francophone Ministers have continued to attend the CMDSF meetings by special invitation. Given that practically all Francophone Sub-Saharan African countries are HIPC's and share common concerns with the CMDSF members, continued co-operation between the two groups can be very useful. Apart from sharing experiences, in the international arena such co-operation would also provide strengthened advocacy for their recommendations to deal with their common concerns. In fact proposals for a joint meeting between the two groups have been floated in the past.

4.2. Other Special Invitees

54. Representatives of four Commonwealth donors⁴ as well as the IMF, the World Bank, the AfDB and IADB have participated in the substantive Spring CMDSF meetings by special invitation. The rationale has been clear from the onset. For these special invitees, the meetings provide an occasion for learning about the concerns and recommendations of CMDSF's and carrying them forward into other international decision making forums. Such participation should remain an integral part of future meetings, particularly as concern shifts to promoting enhanced concessional resources to attain MDGs while maintaining debt sustainability.

55. Civil society participation has also become a norm in the substantive meetings since Freetown, Sierra Leone in March 2004. Civil society representatives now regularly consult on CMDSF agenda prior to the meeting. Recently they have raised the issues of odious debt and responsible lending. Civil society participation serves three purposes. First, it allows the civil society to appreciate the government's debt sustainability constraints in carrying forward the development agenda. Secondly, it allows the civil society to reinforce the concerns of governments, especially with regard to debt relief and aid, to creditor and donor governments. Finally, it allows the civil society to critically review their own governments' performance and thus influence government and donor thinking on reaching and delivering of the MDGs.

56. Since Freetown parliamentarians and more recently a representative of the Commonwealth Parliamentary Association have attended CMDSF meetings by special invitation. Such participants get deeper insights on key issues regarding debt, aid and MDGs, which can assist them in parliamentary scrutiny of governments' proposals and performance.

57. Commonwealth Secretariat's debt management capacity building team and representatives of two regional organisations, MEFMI and WAIFEM, attend the CMDSF

⁴ Representatives of the four Commonwealth donors are also invited to the brief meeting prior to the Commonwealth Finance Ministers Meeting.

meeting as a matter of course. Their participation serves to inform Ministers about their latest initiatives and resource needs, while Ministers can raise their capacity building needs. As in Maputo, occasional participation by other capacity building institutions such as CEMLA, BEAC/Pole-Dette and Debt Relief International can also provide an opportunity for discussing enhanced co-operation between different institutions.

5. Timing and Duration of Future Meetings

58. Since 2002, the Forum has met twice a year: first at a substantive meeting in spring prior to the IMF/World Bank IMFC and Development Committee meetings, and secondly at a brief meeting (about 1- 2 hours) in autumn in the wings of the CFMM.

59. The substantive meeting gives Ministers the opportunity to discuss pertinent issues in depth, and prepare a well considered Ministerial Statement for wider dissemination. Up to 2006, the meeting was held in a HIPC location for 2-3 days, which provided a first hand opportunity for all other participants to learn about the situation on the ground in that particular HIPC. However, busy ministerial schedules and clashes with budgetary cycles resulted in poor attendance by Finance Ministers themselves. The financial cost to the Commonwealth Secretariat for facilitating participation at a HIPC location was also high. In 2007 the substantive meeting was switched to Washington DC just prior to the IMFC/DC meetings for the duration of a single day. However, with a crowded agenda, it appears not to have sufficient time for discussion.

60. The brief meeting prior to the CFMM has allowed CMDSF Chairperson to directly feed the CMDSF conclusions to the CFMM, further strengthening the advocacy in international forums. Presence at the CFMM means that all CMDSF Ministers are able to attend the meeting, causing minimal disruptions to their busy schedules. But a 1-2 hour meeting does not allow sufficient time for discussion and makes unfeasible participation by non-Commonwealth HIPCs and international/regional organisations

5.1. Options

61. There are various options going forward, which Ministers would need to consider, if the issues to be considered and CMDSF membership are to be expanded. The first question to consider is whether Ministers should meet once or twice a year, and if once whether in the autumn prior to the CFMM or prior to Bank/Fund spring meetings in Washington DC.

Option 1: Meet Once a Year in a more Substantive Meeting in the Wings of CFMM

62. Such an idea would involve a 1½-2 day meeting prior to the CFMM. The time and financial cost of meeting twice would be avoided, while there would be adequate time to discuss all relevant issues. Such a meeting would allow extension of membership or special invitation to other Commonwealth LICs or, if deemed appropriate, other highly indebted Commonwealth countries - small or otherwise. A well considered Ministerial Declaration could be fed straight into the CFMM. However, after the CFMM, Ministers move to variety of other Bank/Fund-related meetings, which require them to be out of their capitals for a long period of time. Ministers need to carefully consider whether further extension of their stay outside their capitals is feasible. At the same time, it may be difficult to organise participation of non-Commonwealth LICs as they may face a gap in the timetables while CFMM deliberations are in progress. The cost considerations of travelling to different

Commonwealth venues for these participants may also preclude their participation. Similar considerations may apply to participation by the civil society, parliamentarians and capacity building institutions, unless their participation is also co-ordinated with that of the CFMM.

Option 2: Meet Once a Year in Spring in Washington

63. This option would involve expanded substantive meeting (1½ to 2 days) in Washington DC⁵, just prior to the Spring Meetings. This would make high level participation feasible not only by current members, but also by an expanded group of Commonwealth countries and non-Commonwealth LICs as well. But, unlike the autumn meetings, not all countries attend the Spring Meetings. Holding a single meeting in spring would also loose connection with the CFMM, which also plays an important advocacy role for CMDSF.

Option 3: Continue the present format, with changes to minimise the disadvantages:

64. This option is essentially a combination of Option 2 and continuation of the present brief meeting prior to the CFFM. This would have the benefit of an expanded time to discuss all relevant issues in Washington and allow adequate non-Commonwealth participation, including co-operation with OIF. A brief meeting prior to CFMM would also provide connection with that meeting.

5.2. Suggestions for the Spring 2009 Washington Meeting

65. It is suggested that for the Spring 2009 CMDSF:

- The theme of Ensuring Debt Sustainability and Achieving the MDGs is re-emphasised with a clear focus on how the twin objectives can be achieved.
- Prior to the meeting, all other IDA-only Commonwealth LICs (Bangladesh, Kenya, Lesotho, Nigeria and Solomon Islands) should be invited to become full members of the CMDSF. Consideration should be given as to whether Sri Lanka and small IDA-only economies are invited as full members or by special invitation. Special invitation could be extended to selected blend LICs (in particular PNG).
- Co-operation could be sought with OIF for a joint Commonwealth-Francophone Meeting.
- Special invitees could be from the wider donor community as well as the international organisations, civil society, parliamentarians, and capacity building institutions.
- The Meeting duration should be 1½ -2 days.

66. Ministers should also support the proposal for a separate forum for international advocacy for dealing with the debt problems of small middle income economies.

⁵ A variant of this proposal could be to hold the meeting at a location that suits all.

Table 1: HIPC Initiative & MDRI: Committed Debt relief and Outlook (1)
(millions of US\$)

	Decision Point Date	Completion Point Date	Assistance Under HIPC Initiative		MDRI Assistance	Total HIPC+ MDRI
			in NPV terms	in nominal terms	nominal terms(2)	Nominal terms
			at DP (3)(4)			
23 Completion Point Countries				45394	42123	87516
Benin	Jul-00	Mar-03	262	460	1098	1558
Bolivia (5)	Feb-00	Jun-01	1330	2060	2801	4861
Burkina Faso (5) (6)	Jul-00	Apr-02	553	930	1161	2091
Cameroon	Oct-00	Apr-06	1267	4917	1266	6183
Ethiopia (6)	Nov-01	Apr-03	1935	3275	3208	6483
Gambia	Dec-00	Dec-07	67	140	374	514
Ghana	Feb-02	Jul-04	2187	3500	3801	7301
Guyana (5)	Nov-00	Dec-03	591	1354	705	2059
Honduras	Jun-00	Apr-05	556	1000	2703	3703
Madagascar	Dec-00	Oct-04	836	1900	2339	4239
Malawi (6)	Dec-00	Aug-06	939	1600	1526	3126
Mali (5)	Sep-00	Mar-03	539	895	1914	2809
Mauritania	Feb-00	Jun-02	622	1100	855	1955
Mozambique (5)	Apr-00	Sep-01	2143	4300	1990	6290
Nicaragua	Dec-00	Jan-04	3308	4500	1895	6395
Niger (6)	Dec-00	Apr-04	644	1190	1026	2216
Rwanda (6)	Dec-00	Apr-05	651	1316	486	1801
SaoTome Principe (6)	Dec-00	Mar-07	117	263	59	322
Senegal	Jun-00	Apr-04	488	850	2408	3258
Sierra Leone	Mar-02	Dec-06	675	994	644	1638
Tanzania	Apr-00	Nov-01	2026	3000	3743	6743
Uganda (5)	Feb-00	May-00	1027	1950	3422	5372
Zambia	Dec-00	Apr-05	2499	3900	2699	6599
10 Interim Countries				22810		22810
Afghanistan	Jul-07		571	1272		1272
Burundi	Aug-05		826	1465		1465
Central African Rep	Sep-07		583	740		740
Chad	May-01		170	260		260
Congo Dem Rep	Jul-03		6311	10389		10389
Congo Rep	Mar-06		1679	2881		2881
Guinea	Dec-00		545	800		800
Guinea Bissau	Dec-00		416	790		790
Haiti	Nov-06		140	213		213
Liberia	Mar-08		2800	4000		4000
Total Debt Relief Committed (7)				68204	42305	106508

Source: IDA/IMF HIPC Initiative & MDRI Status of Implementation Sep 2007, IMF press releases on Gambia, Central African Rep and Liberia.

Notes

(1) Committed debt relief under the assumption of full participation of creditors

(2) Nominal MDRI costs include principal and interest forgone for all multilateral participants except IMF which only includes principal

(3) Topping Up and assistance provided under the original HIPC Initiative are expressed in NPV terms at the time of the DP

(4) No totals are shown as the amounts are in different NPV terms (according to the date of the DP)

(5) Also reached completion point under the original HIPC Initiative. Amounts include original debt relief

(6) Assistance includes topping up at completion point

(7) the total also includes IMF MDRI relief of US\$182 million to two non-HIPCS :Cambodia and Tajikistan

Delivery of HIPC Initiative Debt Relief by Non-Paris Club Official Bilateral Creditors 1/

(as of March 31, 2008)

(in millions of U.S. dollars, 2006 NPV terms unless otherwise indicates)

Creditor Country	Number of Completion Point Debtors		HIPC Initiative Assistance Costs		HIPC Initiative Assistance Delivered	
	Total	Relief Provided	NPV Terms	Percent of Total Cost	NPV Terms	Percent of Total Assistance
			(1)	(2)	(3)	(4) = (3)/(1)
I. Full delivery of HIPC Relief (7 creditors):						
Hungary	4	4	18.8	0.5	18.8	100.0
Jamaica	1	1	0.2	0	0.2	100.0
Morocco	1	1	2.8	0.1	2.8	100.0
Republic of Korea	2	2	7.0	0.2	7.0	100.0
Rwanda	1	1	0.7	0	0.7	100.0
South Africa 2/	2	2	6.0	0.2	6.0	100.0
Trinidad and Tobago 2/	1	1	0.6	0	0.6	100.0
Total			36.1	1.0	36.1	100.0
II. Partial delivery of HIPC Relief (22 creditors):						
Algeria	11	1	240.3	6.9	12.5	5.2
Argentina	2	1	4.9	0.1	3.0	59.9
Brazil 2/	2	1	8.5	0.2	6.5	76.8
Bulgaria	6	3	107.7	3.1	83.3 - 93.2	77.3 - 86.5
Burundi 3/	1	1	0.2	0
China 4/	21	17	283.8	8.1	95.3 - 140.8	33.6 - 49.6
Cuba	2	1	2.0	0.1	0.2	8.4
Former Czechoslovakia 5/	5	3	48.9	1.4	38.9	79.7
Former Yugoslavia 5/	6	1	86.6	2.5	0.0-36.8	0.0-42.4
Guatemala 6/	2	1	470.8	13.4	464.4	98.6
India 7/	7	5	37.7	1.1	12.1 - 33.5	32.0 - 88.9
Kuwait 8/	19	14	303.4	8.6	206.1	67.9
Libya	14	3	277.7	7.9	26.2 - 46.3	9.4 - 16.7
Mexico	2	1	66.5	1.9	54.2	81.5
People's Democratic Republic of Korea	7	1	29.6	0.8	2.1	7.2
Poland	4	2	20.8	0.6	13.8	66.3
Romania	3	1	38.0	1.1	33.5	88.1
Saudi Arabia	14	10	162.3	4.6	76.3 - 125.9	47.0 - 77.6
Tanzania 3/	1	1	4.2	0.1
United Arab Emirates	9	1	28.2	0.8	0.0 - 2.6	0.0 - 9.3
Venezuela	4	2	72.0	2.0	31.3	43.5
Total			2,294.2	65.3	1,159.8 - 1,350.0	50.6 - 58.8
III. No delivery of HIPC Relief (21 creditors):						
Angola	4	0	25.2	0.7	0	0
Cape Verde	1	0	0.3	0	0	0
Colombia	1	0	4.8	0.1	0	0
Costa Rica	2	0	495.5	14.2	0	0
Cote d'Ivoire	2	0	13.2	0.4	0	0
Democratic Republic of the Congo	1	0	0.4	0	0	0
Ecuador	1	0	0.5	0	0	0
Egypt	1	0	0.5	0	0	0
Honduras	1	0	127.4	3.6	0	0
Iran	2	0	70.9	2.0	0	0
Iraq	9	0	110.8	3.2	0	0
Niger	1	0	0.4	0	0	0
Nigeria	1	0	2.1	0.1	0	0
Oman	1	0	1.6	0	0	0
Pakistan	1	0	1.3	0	0	0
Peru	1	0	9.9	0.3	0	0
Portugal 2/	1	0	7.5	0.2	0	0
Taiwan Province of China	8	0	311.5	8.9	0	0
Uruguay	1	0	0.7	0	0	0
Zambia	1	0	0.2	0	0	0
Zimbabwe	1	0	0.1	0	0	0
Total			1,184.5	33.7	0	0
Grand Total (I+II+III)			3,514.8	100.0	1,195.9-1,386.1	34.0-39.4

Sources: HIPC documents; country authorities; and Fund and Bank staff estimates.

1/ Estimates are based on information received as of March 2008 and are for creditors who have claims on post-completion-point countries only.

2/ While not a member of the Paris Club, Brazil has agreed to participate in the Paris Club rescheduling meeting for most HIPCs and provided substantive debt relief in the context of the Paris Club. South Africa has been classified as a non-Paris Club for Mozambique and Malawi. However, South Africa did not participate in the Paris Club exit meetings for Benin and Malawi. Similarly, Trinidad and Tobago has been classified as a non-Paris Club for Nicaragua. However, it has provided debt relief to Nicaragua outside of the Paris Club. Brazil has been classified as non-Paris Club only for Bolivia and Guyana, although it actually participated in Paris Club meeting for Bolivia. Brazil did not participate in the Paris Club meeting for Nicaragua. Taking into consideration all relief provided outside the Paris Club would increase the HIPC debt relief provided by Brazil to US\$50.1 million and its share of HIPC debt relief provided as a non-Paris Club creditor to 96.2 percent. Portugal has also provided debt relief under the Paris Club.

3/ In these cases, there is only one debtor. Debtors have indicated that some relief has been provided but the information received is insufficient to quantify it.

4/ The debt relief estimates for China are based on debt cancellations data provided by debtors.

5/ Partition of HIPC loans outstanding at decision point and the associated debt relief between the Czech Republic and the Slovak Republic, as well as among members of the Former Yugoslavia is being determined with the help of the authorities. The table will be updated once the information is available.

6/ Guatemala's claims on Nicaragua were taken over by Spain in a debt swap. Spain has agreed to provide HIPC debt relief to Nicaragua on those claims.

7/ In June 2003, India announced its intention to write off all non-export credit claims on HIPCs. However, several agreements remain unsigned. India has not yet agreed to provide full relief on export-credit claims.

8/ Debt relief estimates for Kuwait are based on detailed loan by loan information provided by the Kuwait Fund for Arab Economic Development (KFAED).