



Commonwealth Ministerial Debt Sustainability Forum

St Lucia, 6 October 2008

CHAIRPERSON'S STATEMENT

The Commonwealth Ministerial Debt Sustainability Forum (CMDSF) held its 14th meeting on 6 October 2008 in St Lucia, prior to the 2008 Commonwealth Finance Ministers Meeting. Finance Ministers from, Cameroon, the Gambia, Guyana, Ghana, Malawi, Mozambique, Sierra Leone, United Republic of Tanzania, Uganda, and Zambia attended. In addition, representatives from Kenya, Australia and United Kingdom attended the meeting by special invitation. This meeting was chaired by Dr the Honourable Ashni Singh, Minister of Finance, Guyana.

2. Ministers expressed their sorrow at the unexpected passing of the late Minister of Finance of Ghana the Honourable Kwadwo Baah-Wiredu, who was the immediate past Chair of the Forum, and noted his contribution to work of the Forum and wider developing country issues.

3. Ministers recalled their discussions at the substantive meeting in Washington DC in April 2008. They noted that the Washington Ministerial Statement had been forwarded by the Chair to the joint IMF/World Bank Development Committee and the IMF's International Monetary and Finance Committee.

4. The Chair and Secretariat's specific initiatives with respect to some of the action points arising out of the CMDSF meetings were also noted with appreciation, notably development of a joint action plan with the Paris Club, contacts with the AfDB on its debt litigation facility, and with the AfDB and IDA on the allocation criteria for MDRI grants.

Resource Mobilisation

5. Ministers reviewed other developments since their April meeting and noted the donor recommitment to aid increases at the Hokkaido Summit and through the EU. They reiterated the urgent need for delivery on these commitments.

6. Ministers also noted progress with the IMF ESF review, and repeated their call for greater flexibility in its design and application, especially in relation to expanded access and less onerous conditionality.

7. Ministers reiterated the need for timely commencement and conclusion of negotiations for the replenishment of the Fund for Special Operations within the Inter-American Development Bank.

HIPC Issues

8. They remained concerned that there had been no change in the number of countries reaching HIPC completion and decision points. They were also concerned that there had hardly been any progress on issues of non-Paris Club participation in the HIPC Initiative, or on creditor litigation, and that under the Debt Sustainability Framework (DSF), a significant number of Completion Point countries will continue to remain in a moderate or high risk of debt distress.

9. Minister agreed on several actions to be taken to enhance information exchange on debt relief negotiations under E-HIPC including the preparation of more detailed information for HIPCs on creditor participation, best possible relief terms and litigation experiences to be presented at the April 2009 CMDSF and noted that actions should be taken to ensure that information on debt relief is sufficiently timely so as to effectively assist countries in their negotiations.

Role and Membership

10. Ministers recalled that the two overarching objectives of ensuring Debt Sustainability and achieving the MDGs had guided all their past meetings, since Lilongwe, Malawi in March 2002. They agreed that CMDSF discussions should continue to recognise the key role of debt sustainability and the ability to utilise borrowing productively play in achieving the MDGs. They will continue to consider the full range of relevant issues. This will include aligning debt sustainability analysis with MDG attainment scenarios, continuing to advocate delivery of donor commitments on aid quantity and effectiveness, and maximum concessionality in other financing flows, so as to achieve the MDGs without compromising debt sustainability.

11. Ministers reviewed various options for extending CMDSF membership to other Commonwealth countries. They agreed that in the future the membership would be expanded to take into account both the income level and the debt sustainability status of Commonwealth states. They further agreed that the membership should consist of the existing 10 HIPC members of the CMDSF along with Kenya and Nigeria who have historically been invited to attend, to which would be added IDA-Only Countries with Unsustainable Debt (Lesotho, Solomon Islands, Tonga). Other countries (Blend, Lower Middle Income Countries and Upper Middle Income Countries) with unsustainable debt levels would be invited to participate if they express an interest in doing so.

Future Work Programme

12. Ministers noted that CMDSF needed to remain engaged on a large number of debt related issues, which require further advocacy, monitoring or technical support. They agreed the following work programme, which would produce action papers to be discussed at the April 2009 meeting:

- i. debt strategy capacity building needs and how to fulfill them sustainably;
 - ii. enhanced actions and information exchange on creditor participation or litigation;
 - iii. diversifying concessional and non-concessional financing sources;
 - iv. how the international community can better assist in mitigating shocks, notably those from climate change, historically high oil and food prices, as well as the current global financial crisis; and
 - v. best practices in ensuring fiscal sustainability of total (including domestic) public debt.
13. They also identified three priority issues to take forward over the next six months:
- a) Ensuring that debt relief provides additional concessional resources to finance the MDGs, and does not come at the expense of new concessional flows. This would involve advocating that:
 - concessional resources are allocated on the basis of MDG-related needs, as well as performance, in particular by adjusting the PBA formulas of IDA and the Regional Development Banks; and
 - negotiations are started immediately and concluded urgently on a replenishment of the IADB FSO.
 - b) Holding donors to their promises to meet their 0.7% GNI commitment, by advocating that those donors with clear timetable for 0.7% stick to them, and those without clear commitments to make them.
 - c) Lobbying for increased creditor participation in debt relief, to include:
 - consideration of changes in laws in creditor countries to restrict prospects for litigation by vulture funds and other creditors;
 - G8 members launching top level diplomatic initiatives to convince non-Paris Club bilateral creditors to participate;
 - donors to provide assistance to clear HIPC to HIPC debt; and
 - all Commonwealth creditors to provide full HIPC relief and commit not to sell on their claims to other creditors.
14. They also noted that, subject to developments in discussions on debt converse/on for climate change, and on redesigning IDA and Regional Development Bank (RDB) performance-based allocation formulas, more detailed proposals on these might be discussed in April 2009.
15. They recognized the valuable role of the Commonwealth Secretariat in capacity building at the national level particularly in terms of equipping countries with the skills and tools to conduct independent debt sustainability analysis. They urged that greater resources be devoted to this area and that greater attention be placed on ensuring that capacity building was both effective and sustainable. They noted with appreciation the Commonwealth Secretariat undertaking to work with partners to increase the level of available resources to support this type of activity.

Co-operation with Non-Commonwealth HIPCs

16. Ministers agreed that there should be continuing collaboration with the Organisation Internationale de la Francophonie (OIF), including participation and contribution of Ministers from non-Commonwealth HIPCs in the substantive CMDSF meetings in Spring each year. They noted that both groups shared common concerns and therefore could share experiences and, by combining forces, strengthen advocacy in the international forums. They requested the Chairperson to explore the possibility of holding a joint Commonwealth/Francophonie Meeting in Spring 2009.

17. Ministers supported continuing participation by special invitation of the representatives of Commonwealth donors (which they felt needed to be extended to a wider group of donors), international and regional institutions, civil society, parliamentarians and capacity building institutions.

Timing and Duration of Future Meetings

18. Ministers reviewed several options for the timing and duration of future meetings and decided to continue the present format, with a slightly longer duration (1½ day) substantive meeting in Spring each year, prior to the IMFC/Development Committee meetings. This would provide adequate time for discussion by the increased membership of the Forum. They continued to see value in the brief meeting prior to CFMM, which serves to strengthen the advocacy of their recommendations in the international community.

Conclusion and Appreciation

19. Ministers requested the current Chairperson to implement their recommendations in time for the Spring 2009 Meeting.

20. The Commonwealth Secretariat will undertake consultations amongst the membership to identify the next Chair of the Forum.

21. Ministers expressed their appreciation to the Government and People of St. Lucia for their warm hospitality and for the excellent arrangements for the Meeting. They also expressed their appreciation to the Commonwealth Secretariat for its continued strong support for the work of the Forum. In particular, they thanked Dr Coomaraswamy for his many years of service to the Forum and expressed their appreciation for his excellent work and support as the Forum's Secretary.

22. Ministers agreed that the Chairperson should report and present this Statement to the Plenary of the CFMM on 7 October 2008.

St Lucia
6 October 2008