



Joint Ministerial Forum on Debt Sustainability



The World Bank, 1818H Street NW, Washington, DC 20433, USA
23 April 2009

ANNOTATED AGENDA

SESSION I Progress report on implementation of the HIPC initiative and MDRI

There are no background papers¹ for this session rather it will be structured around presentations from representatives of a number of International Financial Institutions. Ministers will have the opportunity to discuss with the representatives of the institutions issues related to the implementation of the HIPC and Multilateral Debt Relief Initiatives and other topics of concern to low income countries. In the light of the current global economic and financial crisis, it is important that LICs secure fully and in a timely manner, the debt relief due under the HIPC and MDRI initiatives. Further, countries need to ensure that debt sustainability is not jeopardised by lawsuits and that future financing is secure through the replenishment of resources and full utilisation of available and new lending instruments.

Ministers may wish to:

- **lend their support to pre-decision point HIPCs and eligible non-HIPCs by urging for the timely delivery of debt relief to these countries.**

In discussions on the specific institutions as well as reviewing progress on the initiatives, Ministers may wish to focus on:

- **The opportunities and progress towards the establishment of African Legal Support Facility in the African Development Bank**
- **The prospects for including greater emphasis on attainment of the MDGs and country need rather than country performance in the distribution of resources from the International Development Association, World Bank including in the use of the additional resources provided by donors to IDA as a result of the MDRI.**

¹ The most recent view of implementation of the initiatives is available at www.imf.org/external/np/pp/eng/2008/091208.pdf

The prospects for early replenishment of the Fund of Special Operations in the Inter American Development Bank following the institutions participation in MDRI

- **Reviewing recent developments and providing inputs to the International Monetary Fund's review of the its instruments for low income countries.**

SESSION II PROTECTION FOR LOW INCOME COUNTRIES AGAINST EXOGENOUS SHOCKS AND GLOBAL CRISIS

A background paper *World Crisis and Protecting Low-income Countries against Exogenous Shocks* has been provided to Ministers. Prof Patrick Guillaumont from Fondation pour les Études et Recherches sur le Développement International (FERDI) at the University of Auvergne, will present the analysis and conclusions of the paper. The financial and economic crisis sheds new light on the issue of how the international system provides protection to the low income countries which are particularly vulnerable to economic shocks. Whilst there has been a long running debate on the volume of financial resources which should be provided by the international system there has been less concern with the design of the system. This session will give an opportunity to discuss the needs of low income countries and how they might be met in the international system.

In doing this, **Ministers may wish to consider:**

- **How exceptional resources designed to compensate countries for exogenous and transient shocks should best be distributed to ensure timely disbursement, effective use, country ownership and appropriate conditionality.**
- **The role of counter cyclical instruments – for example in the IMF or within debt restructurings - to protect low income countries from both positive and negative shocks.**
- **How additional resources should be allocated and used to promote more sustainable and preventive protection for low income countries in the face of exogenous shocks.**

SESSION III DIVERSIFYING CONCESSIONAL AND NON-CONCESSIONAL FINANCING SOURCES

Ministers have been provided with a paper entitled *Diversifying Sources of Financing for Development*. The analysis and recommendations of this paper will be presented by the Debt Relief International. The motivation for the paper is the growing complexity of the financing landscape for low income countries. It presents a catalogue of different types and sources of finance, highlighting their strengths and weaknesses to assist governments in considering options for diversifying finance. The stress is on the need for choices between forms of finance to be managed actively and within a well designed framework for assessing the value of different options.

The paper makes a series of recommendations for maintaining – and ideally increasing – aid volumes from donors, both in the north and the south. It also highlights ways in which the quality of aid could be strengthened. In the case of traditional donors, this could mean a greater emphasis on achieving the goals of the Accra Agenda for Action; less aid devoted to

technical assistance and greater consideration of the effect of the current suboptimal distribution of aid volumes which sees donors concentrated in particular countries. In accessing resources through the International Financial Institutions, the paper calls for both greater consistency in the application of policies across institutions – notably the IMF’s non concessional borrowing policy – and greater flexibility to a number of issues including graduation from concessional borrowing. For aid from countries in the south, the paper recommends complementing the strengths southern donors display in speed of disbursement and absence of conditionality with a greater proportion of aid being provided through budgetary support. It also highlights the role which can be paid by non concessional borrowing, including PPPs.

Ministers may wish to:

- **Consider how far the financial and economic crisis has changed the financing landscape.**
- **Make recommendations for increasing the volume and strengthening the effectiveness of finance from bilateral donors, in both the north and south, and International Financial Institutions.**

SESSION IV BEST PRACTICE IN FISCAL SUSTAINABILITY

Ministers have been provided with a paper entitled *Diversifying Sources of Financing for Development*. The analysis and recommendations of this paper will be presented by the Debt Relief International. The paper recognises that as progress is made under the international processes for tackling the sustainability of external debt, the focus has increasingly turned to the challenges of managing the fiscal sustainability of total public debt, including domestic debt, contingent liabilities and decentralised debt. This may become more of an issue as the financial and economic crisis puts greater pressure on fiscal positions and external market access.

The paper highlights the need for the international community to assist the assessment of fiscal sustainability by establishing operational norms which can guide countries’ borrowing policies – especially on domestic debt - and inform future policy in the International Financial Institutions. It also points to the actions national governments should take in managing the fiscal sustainability of debt and makes a number of specific recommendations on the management of contingent liabilities and publicly guaranteed debt. These recommendations include greater investment in collecting and analysing data and a more thorough analysis of the underlying financial position of governments.

Ministers may wish to:

- **consider the steps the international community should take to develop the tools to assist countries in ensuring the fiscal sustainability of debt;**
- **exchange experience in the effective management of domestic debt liabilities;**
- **assess the role of fiscal responsibility laws in the management of overall debt levels; and**
- **how their national capacity to manage overall debt levels should be strengthened**

SESSION V DEBT-FOR-CLIMATE ADAPTATION INITIATIVE

Ministers have been provided with a paper entitled *Debt Relief to Combat Climate Change*. The analysis and recommendations of this paper will be presented by the Debt Relief International. The need for developing countries to address issues of adapting to and mitigating climate change is both urgent and evident, as the impact of climate change grows daily. However, countries have competing development and poverty reduction expenditure demands, and many have recently been faced with food, fuel and financial crises. To ensure adequate priority to funding the combat against climate change, they need additional financing from all possible sources.

The study considers the role which debt relief has already played in assisting countries to gain finance for meeting environmental needs and assesses the feasibility of a new initiative to mobilize financing for climate adaptation for indebted countries, including potentially those participating in the Commonwealth/OIF Debt Sustainability Forum meeting, through debt relief and conversion. It provides some pointers for how such a scheme could be structured, stressing that debt relief would have to be additional to efforts already undertaken by the international community and should not undermine the ability of countries to access market capital. The report concludes that there is scope for using debt conversion to meet climate change needs although the scale of resources released by such a means would have to be supplemented considerably from other sources.

Ministers may wish to:

- **discuss their vulnerability to climate change in light of the presentation and may further wish to endorse the principles for debt relief highlighted in the paper; and**
- **identify how this initiative can best be pursued.**

SESSION VI: CONCLUSION

The meeting will conclude with discussion of a Ministerial Statement to be presented at a Press Conference on 24th April 2009.