



Commonwealth Ministerial Debt Sustainability Forum

Washington D.C., 22 April 2009

1. The Commonwealth Ministerial Debt Sustainability Forum (CMDSF) held its 15th meeting in Washington DC on 22nd April 2009. Finance Ministers or their representatives from Cameroon, The Gambia, Ghana, Guyana, Lesotho, Malawi, Mozambique, Nigeria, Sierra Leone, United Republic of Tanzania, Uganda, and Zambia participated.
2. Ministers thanked the Hon Ashni Singh Finance Minister of Guyana for his work over the past year as the Chair of the Forum and congratulated the Hon Pierre Titti, Minister Delegate of the Ministry of Finance of Cameroon on his appointment as chair for the coming year.
3. Ministers discussed the implications of the economic and financial crisis for low income and debt vulnerable countries; progress in improving creditor participation in providing HIPC debt relief, reducing creditor litigation and in enhancing information exchange to improve debtor negotiation capacities; country needs for and efforts to build debt management capacity; and assistance with debt management being provided by the Commonwealth Secretariat.

Implications of the economic and financial crisis

4. Ministers noted the serious implications of the crisis for low income and debt vulnerable countries. The sharp contraction in world output and trade combined with lower inflows of remittances and investment has increased the financing gap such countries face at a time when fiscal positions in many countries had been weakened by high food and fuel prices. In parallel, deteriorating financing conditions make access to external finance even more difficult. Without sharply increased concessional assistance and action to protect critical expenditures including on social safety nets, human development and key infrastructure projects, progress in poverty reduction will be seriously set back.
5. They exchanged views on the impact of the crisis on their respective economies and the policies they had put in place. In considering the reaction of the international community, they welcomed increases in concessional assistance that have already taken place, and noting the current pressures on donor country budgets Ministers called for a further increase in concessional financing flows: with increasing needs and progress

towards the MDGs under great threat donors should make a concerted effort to meet and if possible go beyond their Gleneagles commitments to increase the quantity and quality of their development assistance.

6. In this context Ministers welcomed the commitments made by G20 leaders in London and the options to mobilise significant additional International Financial Institutions (IFI) resources to meet countries' financing needs. They welcomed in particular the commitments to substantial additional concessional finance from the IFIs over the next two or three years, including extra resources for social protection in the poorest countries and further support for the World Bank's Vulnerability Framework and the commitment to accelerate work on reform of the IFIs and securing a stronger voice for developing countries. However, they noted that IFI estimates of financing needs in low income countries were much greater than the commitments by donors. They stressed the importance of donors delivering fully on these new commitments as a first step and being willing to enhance them if additional finance is required.

7. They noted the long standing concern of the forum regarding the need for greater flexibility in the application by the IFIs of the non concessional borrowing policy and the Debt Sustainability Framework. Consequently, they welcomed the commitment to review the flexibility of the Debt Sustainability Framework and the commitment to increase the use of non concessional lending for countries with sound policies, to be completed by the Annual meetings. They emphasised the importance of ensuring that the views of borrowing members are fully integrated into any revised policy and urged the Commonwealth Secretariat to work with the new Chair of the Forum to influence the development of the policy.

8. They noted the steps being taken by the World Bank to meet pressing needs of low income countries by accelerated IDA disbursements, and by the IMF to discontinue structural performance requirements, but urged both institutions to make further progress in reducing the number of conditions in their programmes.

Creditor Participation and Litigation

9. Ministers expressed their continuing concern at the failure of many non-Paris Club and commercial creditors to participate in debt relief under the Enhanced HIPC Initiative on an equal burden sharing basis, and the continuing action by some non-Paris Club bilateral creditors and many commercial creditors to seek full repayment through litigation.

10. Ministers urged indebted countries to make full use of the IDA Debt Reduction Facility and technical assistance provided by the Commonwealth Legal Clinic, and called for rapid activation of the African Legal Support Facility. The Clinic has been in consultation with the African Legal Support Facility for the signing of a MOU in order to enable relevant Commonwealth members to obtain funding facility to meet with the costs of defending any litigation from vulture funds. They also encouraged HIPCs with significant remaining commercial debt to explore the prospects for a repeat IDA debt reduction facility, and asked the Commonwealth secretariat to commission a feasibility study of how remaining debts to small multilateral creditors could be extinguished.

11. They also called on Commonwealth, G8 and other major official creditors and donors:

- to raise the issue of debt relief forcefully with non-Paris Club creditors;
- to urge non-Paris Club and commercial creditors to agree not to sell debts to potential litigants; and
- to consider how to amend creditor legislation to prevent litigation being launched in their jurisdictions.

In addition they asked Commonwealth donors to provide funding to help cancel debts between low income countries, and wealthier Commonwealth developing country creditors to provide debt relief.

Improving Information Exchange

12. To improve information exchange Ministers recognised the importance of pooling information amongst low income countries to assist their efforts to secure debt relief and future access to finance. They urged international and regional organizations to work together to compile by October 2009 more detailed information for HIPC countries on creditor participation, best possible relief terms and litigation experiences, in a format designed to assist negotiations. They asked for donor support for this effort, including help with translation to make information available in relevant languages and electronic form. They recognised the responsibility countries themselves had to provide information on these issues to make it a success and committed themselves to provide all information needed for this joint effort in a timely way. They called on the new Chair of the Forum to work with the Secretariat to find ways to take this initiative forward.

Capacity Building

13. Ministers agreed on the need for a major effort to strengthen country capacity for debt strategy formulation and execution which must be complemented by efforts to strengthen legal, institutional and organisational frameworks for debt management. They committed their governments to act as needed to improve legal and institutional frameworks, and to use national capacity rather than external technical assistance. In particular they committed to:

- Ensuring legal frameworks are in place to give debt management staff a clear mandate.
- Recruiting and training professional debt management staff, and reducing dependency on external technical assistance.
- Providing comprehensive and objective assessments of country capacity building needs for discussion with potential donors. Such needs are likely to include capacity for domestic debt market development as well as external financing strategies, for budget forecasting, and for portfolio and risk management.

14. Ministers called on donors and the IFIs to provide stronger financial and training support in these capacity building efforts for all members of the Forum, noting that all such support should be based on countries' own plans and designed to strengthen country capacity, avoiding the use of external technical expertise wherever possible. They welcomed all efforts by the international community to strengthen public debt management work including the work of HIPC Capacity Building Programme, the regional institutions and the work programme of the World Bank and International Monetary Fund and urged all institutions to work closely together to meet the needs of these countries. Ministers stressed the importance of the active participation of countries in the use and development of these tools to ensure full ownership of the policy outcomes of using these tools and building capacity to implement agreed policy.

Commonwealth Assistance

15. Ministers recognised the valuable role of the Commonwealth Secretariat in capacity building at the national level and more recently at the sub-national level. They welcomed the refocusing of the Secretariat's work to build capacity on comprehensive debt analysis recognising that such holistic analysis can inform the choice of new financing instruments and markets, especially in the current uncertain times. Ministers commended efforts by the Secretariat to build debt management capacity through e learning, targeted secondments and in this context urged that the second phase of the Regional Adviser project be initiated. They also welcomed and supported the timely efforts by the Secretariat to complete work to create integrated debt databases in member countries and to strengthen data recording of both domestic debt and the increasingly important issue of private external debt liabilities. The Ministers specifically urged the Secretariat to join the Debt Management Facility initiative of the World Bank.

16. Ministers strongly commended the work of the Commonwealth Legal Clinic in assisting Commonwealth, and other, HIPCs handle creditor lawsuits, improve national systems to remove the possibility of such litigation in respect of future loans, and in advocacy, for example on the need for legislation in creditor countries to prevent litigation by vulture funds. Looking forward, they welcomed the commitment of the Commonwealth Secretariat to build on the experience of the Legal Clinic as part of an effort to strengthen the capacity of the Secretariat to support countries in their efforts to access finance. They called on donors to provide the funding needed for this work.

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