



Commonwealth Ministerial Debt Sustainability Forum

Grand Resort, Limassol, Cyprus, 30 September 2009

CHAIRPERSON'S STATEMENT

The Commonwealth Ministerial Debt Sustainability Forum (CMDSF) held its 16th meeting on 30 September 2009 in Cyprus. Due to the unavoidable absence of Honourable Pierre Titti, Minister of Finance, Cameroon, the meeting was chaired by the Commonwealth Deputy Secretary General, Mr Ransford Smith.

Low Income Countries and the Crisis

2. Ministers recalled the conclusion of their April Meeting that additional resources pledged for supporting Low Income Countries in the face of the economic crisis falls far short of the estimates of their financing needs. They stressed the need for these resources to be additional to previous commitments of support for low income countries and should finance enhanced social protection measures and infrastructure investment. They urged G20 countries, in particular, to meet their existing pledges in response to the crisis, and move beyond them, to avoid the reversal of progress in poverty reduction.

Completing the delivery of the HIPC initiative

3. Ministers noted the need for action by the international community to complete the implementation of the HIPC initiative. They called on fellow Commonwealth Ministers to:

- Support strengthened diplomatic efforts to secure the full participation of non Paris Club Creditors in the HIPC initiative;
- Finance the removal of all debt owed by Commonwealth HIPCs to Commonwealth Low Income Countries; and
- Honour bilateral commitments with respect to promised cancellation of debt and aid levels.

4. Ministers agreed that these issues will be pursued by members and the Chair of the Forum at the forthcoming Commonwealth Heads of Government Meeting (CHOGM).

The Debt Sustainability Framework and Concessional External Finance

5. Ministers welcomed the review of the Joint World Bank/IMF Debt Sustainability Framework and Non Concessional Borrowing Policy. However, they regretted the lack of

consultation with borrowing members in the review process and noted three areas of continued concern with the current Debt Sustainability Framework. Ministers believed that addressing the following areas would strengthen the resilience of Low Income Countries in the face of shocks. Ministers look for:

- The debt distress thresholds to take into account vulnerability to exogenous shocks which is a key determinant of debt carrying capacity;
- Lower thresholds of debt distress supported by greater availability of grant finance;
- A more concessional mix in financing including through the provision of some percentage of grant finance to all IDA-only countries.

6. Ministers also noted their concerns surrounding the objectivity and transparency of the Country Policy and Institutional Assessment Index which is currently the key guiding criterion for debt sustainability.

7. Ministers stressed that a significant increase in concessional resources from donors, including higher levels of grant finance, is needed to support a better designed debt sustainability framework and the recently revised non concessional borrowing policy. This will support countries in meeting their development objectives. They reiterated their commitment to ensuring long term debt sustainability and stressed the importance of ensuring that the revised flexibility in the framework does not sow the seeds of a future debt crisis.

8. Ministers called on the Secretariat to support CMDSF advocacy of the needed higher aid levels and further improvements of the joint World Bank / IMF Debt Sustainability Framework with analysis and proposals for reform. Ministers recognized the importance of ensuring that growth in member countries was enhanced to both improve national living standards and increase debt carrying capacity; and stressed the need for the framework to facilitate this.

9. They also stressed the need for new or modified lending instruments to help vulnerable countries cope with large unforeseen exogenous shocks. Ministers urged the Commonwealth Secretariat to undertake further work in these areas to develop practical proposals for discussion with International Financial Institutions and donors.

Debt sustainability in other Commonwealth countries

10. Members of the CMDSF noted that other Commonwealth members also faced challenges in maintaining debt sustainability, especially in the face of the challenges posed by the current economic and financial crisis. They reiterated their invitation to countries with high levels of debt to join the forum if those countries expressed a wish to do so. They urged the international community to examine ways of supporting these countries.

Vulture Funds

11. Ministers welcomed the current UK Government consultation on introducing legislation to combat the activities of Vulture Funds. Ministers discussed the extent of the problem with the UK Treasury and agreed to provide further information on their experience to shape the forthcoming UK legislation.

12. Ministers called on Commonwealth, G8 and other major official creditors to follow the example of the UK Government and consider how to amend creditor legislation to prevent litigation being launched in their jurisdictions.

Evaluation and Proposal for Future Format of the CMDSF

13. Ministers considered the ongoing work and organisation of the Forum to ensure that the CMDSF meets the needs of its membership. Following an evaluation of the Forum, Ministers agreed the following:

- The CMDSF should meet once a year at the time of the Commonwealth Finance Ministers Meeting.
- The length of the meeting would be determined by the Chair of the Forum and the Secretariat in the light of the issues on the agenda.
- The agenda of the CMDSF should allow Ministers to provide strategic guidance on both the issues where they wish to undertake advocacy and to discuss issues where the input of Ministers adds greatest value.
- The effectiveness of the CMDSF should be evaluated in 2011.

Conclusion and Appreciation

14. Ministers expressed their appreciation to the Government and people of Cyprus for their warm hospitality and for the excellent arrangements for the Meeting.

15. Ministers agreed that the Chairperson should present this Statement to the Commonwealth Finance Ministers' Meeting on 2nd October 2009.

Limassol, Cyprus
30 September 2009