

## **Ministerial Statement**

### **ACTION POINTS**

#### **HIPC Implementation**

- Ministers pointed out that many countries yet to reach decision point were conflict-affected and required continuing flexibility in procedures.
- In countries yet to reach completion point, they emphasised the need for preparation of PRSPs without undue delay and for case by case flexibility when examining policy slippages so that countries reach their completion point on target.

#### **Non-participating creditors**

- Ministers called for the mounting of collective diplomatic initiatives, involving the HIPC's, the Bretton Woods Institutions and bilateral donors, to bring these creditors on board, including a convening of a conference of non-Paris Club creditors at the time of the Bank/Fund Annual Meetings.
- Ministers welcomed the proposal being considered by the Bank/Fund for the establishment of an intra-HIPC Trust Fund financed by donors.
- Ministers urged all multilateral creditors to join the initiative and called for expansion in the funding of the HIPC Trust Fund to help facilitate their full participation. They agreed that they would approach the donor community collectively to introduce greater flexibility into the HIPC Trust Fund to enable it to respond to this need.
- They called for a more proactive approach by the governments of countries where litigating commercial creditors resided, including the introduction of legal protection in these jurisdictions which ensured that HIPC's received, at a minimum, debt relief on terms that are the outcome of international agreements.
- HIPC governments were called upon, where appropriate, to use the IDA Debt Reduction Facility.
- Ministers emphasised the need for donors to provide prompt technical assistance to prevent or address potential litigation.
- They called for a facilitative mechanism that would assist HIPC's to enlist the support of governments of countries where commercial creditors are located.
- Ministers expressed their commitment to mobilising collective action among all HIPC's, both within the Commonwealth and outside, on issues related to non-participating creditors.

### **Exogenous shocks and HIPC Insurance Facility**

- Ministers called for a flexible approach to topping up which ensured a sustainable exit for HIPCs at completion point.
- Voluntary bilateral debt relief provided beyond HIPC relief should not be taken into account when considering topping up, as such relief provided a much needed cushion against future shocks.
- Ministers emphasised the need for developing alternative scenarios that reflected a country's vulnerabilities and the uncertainties of the external environment. This could facilitate development of contingency plans and a timely response to prevent countries falling back into unsustainable debt.
- They called on the international community to explore actively new mechanisms, such as a concessional contingency financing facility in the IMF, to insure HIPC graduates against reversion to unsustainable debt.

### **Long term Export Growth, Market Access and Investment for Diversification**

- Ministers urged that non-tariff barriers such as rules of origin and standards, which inhibit market access, should be addressed urgently.
- They reiterated their strong call for a reduction in trade distorting agricultural subsidies in industrial countries.
- Ministers welcomed preferential trade agreements such as AGOA and EBA but underscored the need for infrastructure development and private investment to take advantage of them.
- They welcomed the MIGA-Swiss targeted investment facilitation initiative and called for it to be extended to all HIPCs, with substantially expanded donor funding.

### **Terms of Donor Financing and Debt Management**

- Ministers underscored the importance for all major multilateral creditors to move, as a minimum, to 40 per cent grant financing for vulnerable HIPCs and for DAC bilateral donors, which have not done so, to provide 100 per cent grant financing to HIPCs, with substantially expanded aid budgets.
- Ministers called for further untying of aid and increased budgetary support, so that aid allocation was based on national priorities.
- Noting the good practice in Tanzania, they emphasised the value of co-ordination among HIPC governments and donors and expressed strong support for the Declaration on Harmonisation adopted in Rome.

### **Domestic Debt and Broader Fiscal Sustainability**

- Ministers recognised that addressing the domestic debt burden would require committed action by HIPC governments, including effective public expenditure management, and concerted support from donors.

### **Aligning PRSPs to meet the MDGs**

- Ministers underscored the importance of PRSPs as a national strategy to achieve MDGs.
- They highlighted the importance of broad consultations as a basis for national consensus and agreed to embed future consultations in the existing institutional framework of the country, including parliament, local and community governments and civil society organisations.
- They emphasised the need for costing PRSPs and ensuring their alignment with the budgetary cycle, the macroeconomic framework and the medium-term expenditure framework.
- They urged donors and creditors to ensure predictability in their support for PRSPs and alignment and harmonisation of their policies and practices to lower the associated costs of development assistance.
- Ministers recognised the challenges involved in prioritising expenditures and the need for developing realistic development scenarios.
- Ministers emphasised the need for an increase and a redirection of aid to poor countries and strongly supported a new International Financing Facility designed to double ODA to \$100 billion, proposed by the UK Chancellor of the Exchequer.
- Ministers agreed their statement should be forwarded to the Ministerial Meeting of the Africa Group I Constituency and to the Joint Implementation Committee of the IMF and the World Bank.