Finance Ministers of Francophone Low-Income Countries met on 20 April 2012 under the presidency of Mr. Alamine Ousmane MEY, Finance Minister of Cameroon, and Mr. Tayi NGY, Secretary of State for Finance of Cambodia.

Ministers discussed a range of development financing issues. However, their main concern was that their representation in the G20 remains unclear. Without a clear implementation of past G20 summit decisions, they will have no voice to express their concerns to the international community.

1) LOW-INCOME COUNTRIES AND THE G20
At the G20 Summit in Seoul, it was agreed (para. 74) that two African countries (the President of the African Union and the President of the NEPAD Implementation Committee) and an Asian country would be invited to future G20 Summits and all preparatory ministerial, sherpa and working group meetings. However, during 2012 the invitations to Benin and African institutions have started only recently, and Ethiopia and NEPAD have not yet participated in any G20 meeting. Ministers reiterate their demand that 4 low-income countries (2 African, 1 Asian and 1 Latin American) should participate in the G20 summit, and all its preparatory meetings.

Ministers reiterate that their presence is also essential in the Financial Stability Board (FSB), given that it plays a key role in regulating financial flows and reducing the negative impact of speculative practices (eg in commodity markets) on low income economies. They welcome the creation by the Financial Stability Board of regional consultative groups through which low-income countries can transmit their views on financial regulation. They undertake to nominate their representatives expeditiously. However, they urge that the developing country co-chairs of these groups should participate on an equal basis in the FSB plenary, as well as in relevant FSB committees and working groups. They also welcome the intention of the FSB to establish its own independent legal identity, and request that this be followed rapidly by the establishment of a system to represent all countries in the G20 and FSB through constituency groups with rotating chairs (as in the IMF and World Bank).

2) MOBILISING DEVELOPMENT FINANCE
2.1. Aid Volumes
Ministers express strong concern that the international financial crisis has already reduced OECD aid flows by 3% in 2011. However, they strongly appreciate that flows from non-DAC OECD countries, and especially South-South cooperation, are continuing to rise. They encourage all developed and developing countries to maintain their solidarity with the world’s poorest citizens, and urge la Francophonie and regional organizations to facilitate analysis and exchange of information on best practice in cooperation provided by these new providers.

Ministers welcome the Busan Partnership agreement on Development Effectiveness, intended to increase the development results of aid. However, they underline the necessity for a strong, credible and regular global process of monitoring progress on the implementation of the
agreement, comparable to that of the Paris Declaration, and for rapid progress in the establishment of national-level mutual accountability systems between their governments, citizens and donors, including participation by South-south cooperation providers.

In this context, ministers urge that aid should be focused on multilateral institutions which have limited resources of their own. Accordingly, they urge the IMF to replenish its concessional lending windows using its excess profits from gold sales, and donors to focus their multilateral aid in 2012 on a US$13 billion Asian Development Fund replenishment.

Ministers note that given aid shortages, global pledges are becoming increasingly fragmented into sectoral or sub-sectoral vertical funds (for food security, family planning, social protection). They urge that these funds should be designed in a way which ensures leadership by recipient countries, through national sector plans, maximum use of national financial and procurement procedures, and capacity development support for fragile states.

Ministers underline the vital importance of infrastructure (especially clean energy) for their economic development. They urge the international community to pool sufficient grant resources into a single rapid response facility for preparing infrastructure projects, reinforcing collaboration by the African Development Bank, World Bank and other donors; and to maximise concessional resources for infrastructure to avoid a new debt burden. They suggest that the OIF and other agencies concerned with low-income countries should analyse in detail the advantages and disadvantages of different potential infrastructure financing sources.

2.2. Innovative Financing

Given declining aid, Ministers reiterate their strong support for mobilizing additional innovative financing. They strongly welcome the adoption of a financial transaction tax by the French government, and the plans for similar laws in 10 European countries and South Africa. They urge their rapid ratification before the next G20 summit in June, and their allocation to finance development. They also urge governments to ensure that such resources are additional to ODA pledges, and are allocated according to developing country needs and structural vulnerability. Ministers also reiterate their support for urgent adoption of bunker (airline and shipping) fuel levies which could mobilize US$10 billion a year to fight climate change.

Ministers also insist that a major source of financing for development should be their own “innovative financing” through budget revenue, financial sector development and inclusion, and mobilization of diaspora and Islamic savings for investment purposes. They urged OIF and regional institutions to analyse these issues more closely and to facilitate exchanges on best practices in mobilizing financing for development from domestic and diaspora sources, especially drawing on South-South lessons. They welcomed the organization by the Government of Guinea of a conference in September on African innovative financing.

3) DEBT RELIEF, SUSTAINABILITY AND ARCHITECTURE

3.1. HIPC Initiative and Actions Against Lawsuits

On debt relief, Ministers regret the virtual absence of progress on HIPC and MDRI debt relief, reflecting continuing complex procedures for eligible countries. They reiterated their desire to see the remaining countries complete the process as fast as possible with minimum conditionalities and a track record between decision and completion points of a maximum of six months. Specifically they call on the international community to ensure that Chad reaches completion point by June 2013, Comoros well before the end of 2012, Cote d’Ivoire by June 2012, and Guinea by September 2012.
In the fight against legal actions by vulture funds and other creditors, Ministers welcome the decision by the UK to extend its legislation to all UK offshore jurisdictions, and continue to urge other countries like France and the United States to follow suit rapidly with similar laws.

3.2. Reforms of the Debt Relief Architecture
Ministers welcome the continuing efforts by German and Norwegian governments to promote a faster, more comprehensive, transparent and impartial debt relief process. Such a system should prevent delays, conditionalities and non-participation of creditors. Ministers encourage the German government to bring forward concrete proposals at the next G20 meeting.

Ministers regret the decision to close the HIPC Initiative to new countries. Given the benefits of HIPC procedures (automaticity, inclusion of multilateral debt, and relief based on country needs for debt sustainability) they urge the BWIs to apply HIPC procedures to any new country or ex-HIPC which is hit by exogenous shocks and breaches HIPC sustainability thresholds.

3.3. Debt Sustainability Framework for LICs
Ministers welcome the review of the LIC-Debt Sustainability Framework, and the increased emphasis it will place on contingent liabilities, domestic debt, and private sector debt. They encourage the IMF and World Bank to clarify rapidly the benchmarks, methodologies and policy actions through which these decisions will be implemented, and to work with other institutions to provide capacity-building support to countries to apply these for themselves.

3.4. Debt Management Capacity-Building
Ministers benefitted from an information session by the IMF on its proposal for a Topical Trust Fund for sustainable debt strategies. They welcome the principle that the IMF should devote more of its staff resources to providing assistance on these issues, and the fact that the TTF will go beyond medium-term debt strategies to provide assistance related to the LIC-DSF.

However, they question the need to use donor grants for this purpose when the IMF has its own resources available from gold sales. They also ask for more information on the cost and planned activities of the initiative, and the methods through which it will build their capacity rather than providing traditional technical assistance. They also urge it to follow the precedent established by the World Bank Debt Management Facility, by working in formal partnership with other international and regional organizations, and encouraging low-income country representation on its governing and advisory structures. Before providing any formal support to such a Fund, they would prefer to be consulted more comprehensively on their needs.

4) CONCLUSION
Finally, Ministers welcome the enhanced collaboration between the OIF network, the C-10 and BWI African Caucus. They urge OIF to further reinforce this collaboration, and to deepen and broaden its joint work with the Commonwealth on G20 issues.