



# Commonwealth Finance Ministers Meeting

Limassol, Cyprus, 30 September – 2 October 2009

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## COMMONWEALTH FINANCE MINISTERS COMMUNIQUÉ 2009

Commonwealth Finance Ministers met at Limassol, Cyprus on 30 September to 2 October, 2009 under the Chairmanship of Charilaos Stavarakis, Finance Minister of Cyprus.

### **Global Economy**

2. Ministers considered the unprecedented global economic and financial crisis over the past year and its impact on the economies of the Commonwealth. They noted that growth in the overwhelming majority of countries in the Commonwealth had been below its potential level and in many countries living standards had fallen. They welcomed policy measures undertaken to maintain global demand and stabilise capital markets, especially by member countries of the G20, and stressed the need for continued concerted international action to end the global recession. Ministers emphasised the importance of the interests of all countries being recognised within global multilateral processes. They urged consideration of the role the Commonwealth could play to achieve this.

3. In some Commonwealth countries growth was now returning to trend levels. However, Ministers found that the impact of the crisis had been felt very strongly and persistently in the poorest and smallest developing members as well as resource dependent and less diversified economies. These economies are especially vulnerable to lower trade levels and capital flows and restricted in their ability to use domestic policy to alleviate the impact of exogenous economic shocks. Ministers stressed the need for greater international support for these countries to build greater resilience in the face of these shocks.

4. Ministers discussed the policy choices which countries face in working towards high and sustainable growth in the context of continuing global challenges. They recognised the opportunities as well as the risks posed to Commonwealth countries by the effects of climate change and resource shortages. They noted that short term policy responses to individual challenges need to be consistent with each other and sustainable over time. They urged that these issues should be addressed coherently, comprehensively and consistently at the national, regional and international levels. They noted that the Commonwealth could provide a forum for discussing these global challenges and supporting members by providing analysis of emerging trends in the global economy.

5. Commonwealth countries called for:

- Continued global macroeconomic coordination including monetary and fiscal policy stimulus to avoid a return to global recession and to ensure that global growth is well established in all countries and regions before the stimulus is withdrawn;
- Greater future coordination in global economic policy making to support sustainable and balanced growth within and between countries;
- Continued global commitment to an open trading system and the rejection of protectionism. They reiterated their call for a rapid, fair and equitable conclusion to the Doha Round of trade negotiations;
- Greater international support for social protection and investment in infrastructure to support growth in developing countries. In this context they called for continuing regional integration;
- A stronger focus on boosting levels of trade finance.

6. To address the specific challenges facing small states they:

- Reaffirmed that small states face a number of new and enduring challenges as set out in the 2006 Review of 2000 Commonwealth Secretariat/ World Bank Joint Task Force Report on small states;
- Welcomed the Secretariat's continuing work to assist small states to cope with their inherent vulnerability, build economic resilience and integrate into the changing global economy; and
- Urged the Secretariat to collaborate with development partners to convene a biennial conference of small states representatives to promote discussion and sharing of experience amongst small states.

7. Ministers strongly reaffirmed their commitment to achieving the Millennium Development Goals and discussed the appalling human cost of the current economic crisis in many low income countries. Despite the greater resilience provided in these countries through strengthened policy frameworks, many millions of Commonwealth citizens have fallen into poverty as a result of the crisis. In many other developing countries, the crisis has worsened development indicators and increased future vulnerabilities. Ministers noted the substantial shortfall in financing facing developing countries as a result of the crisis. They urged donors to meet all their commitments to provide additional resources to developing countries. They repeated their call for early attention to be given to relieving the debt burden of poor countries excluded from the MDRI and HIPC processes and of other developing countries with unsustainable debts and urged the Secretariat to support this objective actively. They also agreed to give consideration to the needs of middle income countries with no or limited access to concessional finance.

8. Recognising that even after these measures financing would remain inadequate, Ministers emphasised the role the Commonwealth can play in promoting innovative international measures to meet the needs of developing countries in access to finance. They called for further development of measures to be considered by Commonwealth Heads of Government at their meeting in November 2009.

## **International Financial Centres**

9. Ministers reviewed the role of International Financial Centres (IFCs) in the global financial system. They noted concerns about the operation of some of these centres. They also noted the important role hosting IFCs can play in many Commonwealth countries economic development, especially in small states. In this context they discussed recent initiatives, such as the G20 supported OECD listing. They agreed on the need for enhanced transparency of IFCs and cooperation between countries in the sharing of tax information in accordance with the internationally agreed standard on the exchange of information. Ministers stressed the need for continuing adherence to the agreed principle of consistency of treatment amongst countries. The Ministers took note of the concerns of a number of countries in ensuring a level playing field and reciprocity of benefit in pursuing these initiatives. They also noted the outcomes of the latest Global Forum Meeting, especially the commitment to integrating further developing countries into the Forum's work, including within the newly established Global Forum peer review process.

10. Ministers recognised the need to make progress in these areas based on consensus and for all parties to strive to complete Tax Information and Exchange Agreements and/or Double Taxation Agreements. Recognising the different capacities of, and constraints on, countries with IFCs to achieve these agreements, Ministers called for consideration of less resource intensive means for negotiating and concluding these agreements to allow the targeted threshold of 12 information exchange agreements to be met quickly, including encouraging options for multilateral agreements. They urged the development of partnerships across the Commonwealth to support the exchange of experience in the negotiation of agreements to increase transparency in this area. They called on the Secretariat to take this forward and consider how to support members further with advocacy, technical assistance and research.

## **The Governance of Global Financial Sector Regulation**

11. Ministers noted the crisis highlighted the importance of effective and well designed systems of global financial sector regulation. They welcomed the reforms undertaken to strengthen the system of governance of global financial regulation through greater developing country participation. This should lead to better designed international rules more tailored to the needs of developing countries. Ministers recognised the need for continued reform to the system of international financial regulation. They stressed the need for future regulation to be comprehensive in scope and counter cyclical in effect. They also called for options to be drawn up within the relevant bodies for addressing continued developing country under-representation. They noted that greater accountability of the institutions and openness to stakeholders representative of all economic interests would strengthen these institutions. Ministers welcomed the contribution of the Commonwealth Business Council on this item.

12. To support developing countries in their efforts to engage fully with international financial regulation, Ministers supported the further development of the Commonwealth Secretariat's work on these issues. They noted developing member governments' needs for technical assistance to implement internationally agreed

standards and support in analysing the impacts of the international system on their financial sectors. They urged the Secretariat to give particular consideration to developing linkages between Commonwealth regulators for the benefit of all members.

### **The Commonwealth and the International Financial Institutions**

13. Ministers recognised the important role international institutions play in supporting effective multilateralism. They reviewed the reforms which have taken place in the Bretton Woods Institutions over the past year. They reaffirmed that the principles of legitimacy, fair representation, responsiveness, flexibility, transparency and accountability and effectiveness should guide reform. They welcomed the role played by the Bretton Woods Institutions in the response to the economic and financial crisis, especially the flexibility shown in the development of new instruments and facilities in both institutions. These instruments should provide support to all members. They stressed the importance of ensuring that the resources of both institutions as well as the Regional Development Banks are adequate to meet the needs of their members and emphasised that the steps needed to allow higher levels of concessional and non concessional lending should be implemented rapidly. They also emphasised that changes in policies needed to be consistently translated into greater flexibility for borrowing members.

14. Ministers called for further efforts to strengthen legitimacy and fair voice in both institutions. They noted the proposals to reform governance of the World Bank currently under discussion. They welcomed the prospect of significant governance reform in the IMF. To ensure legitimacy and fair representation in the Fund and the World Bank they stressed the importance of at least protecting the voting shares of both low income and developing country small states. They reiterated their call for Heads and for Senior Management positions in the Bretton Woods Institutions to be filled through an open, transparent and merit based process with no regard to nationality or gender. Ministers agreed that the Secretariat should examine ways in which the Commonwealth can be used to bring attention to the views of its members on reform issues in this area.

### **Debt Sustainability**

15. Ministers recognised the increased challenge of maintaining debt sustainability in the face of the pressures created by the economic and financial crisis. They received the report of the Chair of the Commonwealth Ministerial Debt Sustainability Forum (CMDSF) <http://www.thecommonwealth.org/cmdsfcyprus2009> and welcomed steps taken to strengthen the effectiveness of the Forum. They noted the call by the CMDSF for more explicit consideration of vulnerability to exogenous shocks in the determination of the thresholds of the joint IMF/World Bank Debt Sustainability Framework and the call for all IDA-only countries to receive a greater proportion of grant financing in their IDA allocation. They noted that the crisis had also put debt sustainability at risk in a number of non CMDSF Commonwealth countries.

### **Senior Officials Meeting**

16. Ministers received a report from Senior Officials. They endorsed the recommendations of Senior Officials on the future conduct of Secretariat work on Aid

and Aid Effectiveness; Gender Responsive Budgeting and Public Financial Management. In addition, they affirmed their commitment to the concerted effort required to meet the specific objectives of the Accra Agenda for Action on Aid Effectiveness. They also reiterated their continued commitment to the implementation of Gender Responsive Budgeting and looked forward to receiving a further report on progress in two years time. They also affirmed their commitment to conduct a further round of self assessments of public financial management in 2011.

### **Next meeting**

17. To further strengthen participation and the efficiency of future annual Commonwealth Finance Ministers Meetings, Ministers reflected on the timing, duration and venue of these meetings. They agreed, subject to confirmation through further consultation, to hold one-day annual meetings, in the period 2010 to 2012, at the location of, and immediately prior to, the IMF and World Bank Annual Meetings.

18. Ministers thanked the Government of Cyprus for the excellent arrangements made for the meeting.

**Limassol, Cyprus**  
2 October 2009