

**Commonwealth Finance Ministers Meeting  
Guyana, 15-17 October, 2007  
Communiqué 2007**

1. Commonwealth Finance Ministers met in Georgetown, Guyana on 15, 16 and 17 October. The meeting was chaired by Hon Dr Ashni Singh, Minister of Finance, Guyana. Ministers welcomed the opening address of His Excellency President Bharrat Jagdeo and expressed agreement with the principles outlined.

2. Ministers considered the special theme of Climate Change. They also reviewed the world economic situation; discussed a range of issues that are on the agenda of the annual meetings of the World Bank and IMF in Washington DC; and discussed policy issues relating to; debt and debt relief, filling the infrastructure gap, supporting development in small states, aid and aid architecture, promoting investment and Commonwealth development co-operation. They agreed to take forward their conclusions to the IMF/World Bank meetings in Washington DC.

**Climate Change**

3. Ministers recognised the critical role for finance and planning ministries in addressing challenges of climate change. They also expressed appreciation that the issue will be discussed at the Commonwealth Heads of Government Meeting, in Kampala, with a view to building global consensus in this area. They welcomed the contributions of civil society and the Commonwealth Business Council to their discussion, and emphasised that all sectors in society would need to play an active role in addressing climate change and its impact. They also welcomed a presentation by Ms Sunita Narain, which informed their deliberations.

4. Ministers recognised that the challenges presented by climate change are global in nature and require global responses in accordance with the principle of common but differentiated responsibilities of states.

5. Ministers affirmed their commitment to the UN Framework Convention on Climate Change (UNFCCC) and, taking account of growing international resolve, they stressed the importance of Commonwealth governments working together, and with other nations, towards the successful launch of negotiations on a global and comprehensive framework to address climate change, at the Conference of Parties to the UNFCCC, in Bali, in December 2007, and reaching a new global agreement, in Copenhagen, in 2009.

6. Ministers recognised that the cost of inaction on climate change mitigation greatly outweighs the cost of early action. They stressed that Commonwealth countries are already experiencing the effects of climate change. Ministers stressed that the magnitude and frequency of natural disasters and the effects of global warming and climate change have serious negative implications for growth and development of small states and other environmentally vulnerable developing economies. They called for global efforts to mobilise and commit financial resources to support these countries through common frameworks.

7. National economies face new opportunities and challenges as a result of climate change and international agreements reached to address the issues. Ministers called for concerted efforts to assure that the challenges of sustainable

development and climate change are integrated into all levels of planning and decision-making, using a gender sensitive approach. They noted that:

- Early analysis will help governments to consider the implications of climate change for key sectors and to evaluate proposals for action.
- Financing and policy frameworks are needed to support adaptation by households, communities and firms and to support innovation and application of low-carbon technologies and carbon markets.
- Small states and developing countries will be hardest hit economically, and will require financial support that is additional to existing resources committed for development assistance. This is especially true for small states and LDCs because of their very limited capacity to adapt. Enhancing existing funding mechanisms and innovative sources of financing such as carbon taxes, charges, carbon trading and blended finance, may all have a role to play. Ministers welcomed progress made with developing and implementing the World Bank's Clean Energy Investment Framework.
- Greater use of clean technology will be essential, and this remains a challenge. Technical, economic and policy barriers need to be overcome, and international co-operation stepped-up, to facilitate technology development and transfer to the developing countries. In this context, there is need for special funds which are easily accessible to support investment in renewable energy and adaptation measures and plans.
- Appropriate economic instruments and/or financial compensation are required to incentivise good practices especially the preservation of standing forests as well as measures for reforestation and afforestation.

8. In addition, Ministers called for a Commonwealth initiative on economics of climate change to help member states to develop and promote common positions and take practical action on the basis of a clear understanding of the implications of climate change for their economies. The aim should be to help Commonwealth member states to: share experiences; disseminate best practices; strengthen planning in the context of climate change; and build institutional capacity for assessing and adapting to the impacts of climate change with particular consideration of areas such as modelling sectoral impacts, managing carbon offsets, and analysing the costs and benefits of proposed actions.

9. Ministers acknowledged the work of the Iwokrama International Centre and called for international support to strengthen the Centre's financial position to carry out its programme for the fulfilment of its objectives, and to ensure that it continues to be a model for sustainable forest management involving local communities.

### **World Economic Situation**

10. Global growth has remained strong, supported by robust growth in some major emerging market economies. Recent turbulence and re-pricing of risk in the financial markets have so far had only a minor impact on developing countries, reflecting progress made in building economic resilience in many countries. Ministers noted that, while a moderate slowdown in the major economies and continued growth in developing countries remain the most likely outcomes, the risks of a sharper slowdown and larger negative impact on developing country access to financial markets have increased. Moreover, despite positive per capita income

growth in Sub-Saharan Africa over the past decade, most countries in the region are unlikely to meet the majority of MDGs. In addition, the persistence of major imbalances in the world economy, high and increasing oil prices, the prospect of high and rising food prices in the future and lack of progress in the Doha Round and ACP/EU Economic Partnership Agreement negotiations all pose further threats to continued non-inflationary growth in high income countries but even more so in developing countries.

11. Ministers expressed serious concern regarding the severe impact of high oil prices on the development prospects of non-oil producing developing countries. They agreed to highlight their concerns in this regard at the upcoming IMF/World Bank Annual Meetings. In this connection, they stressed the importance of producer/consumer dialogue and recalled the special arrangements implemented during the previous oil price shocks in the 1970s. Ministers requested the Secretariat, as a matter of priority, to undertake analytical work and propose options for consideration.

12. Ministers noted that tackling the above-mentioned issues will require actions by individual countries and enhanced international policy coordination. They:

- urged monetary authorities in major countries to continue actions needed to maintain market liquidity and prevent a disruptive credit crunch while remaining vigilant against inflation;
- welcomed action by the IMF to promote multilateral policy discussions between the world's major economies, and urged participating countries to implement agreed and mutually consistent policy plans, called on donors to scale up international development assistance to meet their commitments, in order to realise internationally agreed targets in the context of the MDGs
- urged key stakeholders to renew efforts to reach an early conclusion to the Doha Round trade negotiations and to resist protectionism. Ministers also recognised the importance of aid for trade to enable developing countries to exploit fully new trade opportunities and called on donors to deliver on their commitments to increase aid for trade; and
- urged a concerted effort aimed at identifying the causes of the relatively poor growth performance of small states as well as designing and delivering appropriate assistance for them,

## **Debt Relief**

13. Ministers welcomed the progress made in implementing the Multilateral Debt Relief Initiative (MDRI). They expressed serious concerns, however, that post-MDRI countries were being confronted with declining and negative net transfers.

14. Ministers also welcomed the conclusions of the Commonwealth HIPC Ministerial Forum, recognising the important contribution the Forum has made to progress in this area and the influential role that well organised meetings of the Forum can continue to play in future. Ministers called for:

- Prompt agreement by international institutions on the arrears clearance programmes needed to facilitate HIPC eligibility for a number of ring-fenced countries.
- Donors to honour in full their commitments under MDRI in IDA15, with further consideration given to the option of donors providing IDA and AfDF in advance with sums equivalent to the present value of cancelled MDRI debt.
- \* Commencement and early conclusion of negotiations on the replenishment of the Fund for Special Operations of the IADB.
- Further consideration of the need for the MDGs to be given the same weight in the formula for allocating MDRI-induced additional donor contributions, as that accorded to the country performance ratings, in the IDA allocation formula;
- Diplomatic initiatives to encourage participation by non-Paris Club bilateral creditors and commercial creditors, as well as further donor assistance to deal with HIPC to HIPC debt.
- Further progress in the development and implementation of a range of initiatives by the IMF, World Bank and African Development Bank to support countries facing creditor litigation.
- Attention to be given to relieving the debt burden of poor countries excluded from the MDRI and HIPC process that have continued to service their debts, as well as small and vulnerable countries facing growing debt burdens.
- Attention to be given to the significant burden of domestic as well as external debt in a number of poor countries.

## **Aid and Aid Architecture**

15. Ministers noted the increasing number of countries in Africa and elsewhere that have capacity to absorb significantly increased aid flows productively. In this context, they greatly regretted the decline in aid flows in 2006 and the lack of progress to date by many donors in implementing past aid commitments, including a doubling of aid to Sub-Saharan Africa by 2010, and called on all donor countries to renew efforts to meet their pledges.

16. Ministers noted the positive aspects of assistance from non-traditional donors, including speedy disbursement and less intrusive conditionality. They urged all donors to learn from each other to enhance aid effectiveness.

17. Ministers pointed out that criteria used to determine graduation from concessional resources, as a result of moving from low-income to middle-income status need to be broadened to include other socio-economic indicators in addition to per capita income. They further urged development of concessional financial packages to assist many middle-income member countries to sustain their debt while also pursuing their development agenda.

18. They also reaffirmed the need to accelerate moves to improve the modalities of aid delivery, in line with the 2005 Paris Declaration on Aid Effectiveness, Ownership, Harmonisation, Alignment, Results and Mutual Accountability.

19. Ministers noted the conclusions drawn from the four Commonwealth studies of IFI and donor support for countries' poverty reduction strategy processes. They expressed concern that important issues related to alignment and ownership still remained unresolved. They also welcomed and broadly endorsed the proposals of the Commonwealth Working Group for priority Commonwealth actions on the reform of the international aid architecture to enhance its role as an advocate, service provider and network, including:

- An annual report to CFMM, which complements the work of DAC, on progress in implementing the Paris Declaration, and a range of activities by Commonwealth countries at the country and global levels to assist and encourage such implementation.
- Collective pressure by Commonwealth countries to encourage relevant actions and reforms at the multilateral institutions.
- Action by the Secretariat to raise awareness and promote exchange of experiences and peer learning on implementation of the Paris Declaration.
- Actions to promote a more effective UN Development Co-operation Forum, including through constructive engagement with other stakeholders, particularly OECD DAC.

20. Ministers also called for the 2008 High Level Review of the Paris Declaration to incorporate a specific focus on gender equality and women's empowerment in the aid effectiveness agenda.

### **Other World Bank and IMF Issues**

21. In their discussions, Ministers focused, in particular, on issues relating to the governance of the World Bank and IMF.

22. They noted the continuing discussions of voice and representation in the IMF. They urged that the fundamental reform of voice and quotas agreed a year ago, in Singapore, be delivered in a way that provides a meaningful increase in the voice and representation of developing and poor countries. They also called for parallel progress at the World Bank, and urged a speedy conclusion to all stages of the process to secure a lasting increase that truly reflects the role of these countries in the institutions and in the global economy, thereby protecting the institutions' credibility and legitimacy.

23. Ministers welcomed the newly selected leaders of both institutions. At the same time, they called for significant reform of the process for selecting the Managing Director of the IMF and President of the World Bank, with the objective of ensuring that the best candidate is chosen regardless of nationality.

24. On other current Fund and Bank policy issues, Ministers:

- Encouraged rapid further progress in the joint efforts of the Bank and Fund to identify opportunities for significantly scaling up assistance and reforms to help countries meet the MDGs. They called for an ambitious IDA 15

replenishment to enable IDA to play its critical role in the global aid architecture.

- Welcomed actions being taken to enhance effective Bank-Fund collaboration following publication of the report of the external review committee.
- Stressed the importance of sustaining the Fund's financial resources so as not to compromise its role, including its role in low-income countries.
- Called for early progress and agreement on creation of a new reliable and affordable Fund liquidity instrument available to countries facing capital account crises.
- Recognised the importance of good governance for development and encouraged the Bank and Fund to continue to support moves by countries to strengthen their initiatives to improve governance. In this context, Ministers noted the mutual responsibilities of industrial countries to ensure responsible behaviour in this context by their citizens and companies and welcomed the initiative by the World Bank and United Nations Office of Drugs and Crime (UNODC) to help developing countries recover assets stolen by corrupt leaders.
- Urged the World Bank to accelerate progress in implementing its plans to become more responsive to the needs of its middle-income country clients
- Called for the accelerated implementation of more favourable terms and conditions for middle-income countries to provide them with access to affordable funding for priority needs, including HIV/AIDS.
- Welcomed the proposed guidelines for the Bank's role in supporting the provision of global public goods, including its role in mobilising finance where needed.
- Stressed the cooperative nature of the Bretton Woods institutions, and looked forward to a continuing dialogue between Bank management and shareholders about the institution's medium and long term strategic direction.

25. Ministers also took note of the discussion by their senior officials of ways to generate fiscal space needed for infrastructure investment, growth and development, following earlier reviews by the Bank and IMF of the links between growth and fiscal policy. They noted that while the menu of options for generating extra fiscal space is country specific there are often opportunities to increase efficiency and that an appropriate composition of expenditures, strong fiscal institutions and good governance are also critical for achieving positive effects of public spending on growth. Ministers also pointed out that a longer term view of fiscal space was necessary. In this context, it was suggested that, on a country specific basis, developing countries may operate a fiscal deficit in the short term aimed at meeting their growth and development objectives and not compromise macro economic stability in the longer term.

26. Ministers also stressed that exogenous factors, such as commodity prices and trade liberalisation, have significant impacts on fiscal space. They recognised that poor countries and countries with undiversified economies and a narrow tax base are particularly vulnerable and faced challenges in adjusting to such exogenous shocks. They also recognised that policies which create fiscal space were fundamentally political and involved managing choices and trade-offs which were determined by the dynamics of the political economy of a country. In addition, Ministers emphasised the need for a combination of domestic measures and international support to create the fiscal space for infrastructure development which

was crucial for growth and poverty reduction.

27. Ministers recognised the need to identify and raise additional funding for the implementation of key physical infrastructure development programmes.

### **Small States**

28. Ministers took note of follow up to the Review of the Small States Agenda originally set out in the Report of the 2000 World Bank/Commonwealth Secretariat Joint Task Force, and:

- Welcomed work by the Secretariat on debt problems in small states and the proposed framework for addressing factors that give rise to such problems.
- Noted the surveys carried out of labour markets in small states, and the measures identified with which small states can address labour market, human resource development and migration issues.
- Welcomed the review of aid architecture for small states and the main development assistance programmes, and endorsed its findings and recommendations.
- Welcomed the work carried out by the Secretariat with the Islands and Small States Institute of the University of Malta to develop a Resilience Framework and Resilience Index.
- Noted the study on ways in which small states could promote knowledge-based and service industries, and commended its recommendations.
- Emphasised that small states faced adjustment challenges in the context of globalisation that need to be placed within a long term framework.

### **Promoting Investment**

29. In the context of the Secretariat's continuing work programme to promote private flows into emerging markets, Ministers welcomed the contribution of the Commonwealth Private Investment Initiative (CPII) in the various regions of the Commonwealth and progress being made to advance a second phase of CPII which focuses on the SME sector and covers a wider range of developing member countries. They urged an intensification of efforts by the Secretariat to find innovative and market-friendly interventions that mobilise official development assistance to share investment risks.

### **Commonwealth Public Financial Management Self Assessment Toolkit**

30. Ministers welcomed the work on the Commonwealth Public Financial Management Self-Assessment Toolkit (CPFM-SAT) and noted the contribution it could make in achieving an effective public financial management system which strengthened economic governance. They urged developing member countries to intensify efforts to strengthen transparency and accountability through conducting

self assessments. They also commended the CPFM-SAT for endorsement by the Commonwealth Heads of Government Meeting, and welcomed the proposal for exchange programmes as a medium for knowledge and skills transfer between member countries. They supported using the CPFM-SAT to carry out biennial surveys so as to highlight progress in PFM within the Commonwealth. Ministers emphasised the need for capacity building to improve oversight at all levels: central government, sub-national and civil society.

## **Gender**

31. Ministers recognised that financing priorities for the achievement of gender equality and women's empowerment are critical for the achievement of economic growth, development, peace and democracy. In this context, they noted the call of the Eighth Commonwealth Women's Affairs Ministers Meeting, in Kampala, in June 2007 for provision and allocation of adequate resources to implement agreed international, regional and national commitments on gender equality. They reaffirmed commitment to Gender Responsive Budgets (GRBs) and agreed to biennial reporting on GRBs to FMM, with the next report scheduled for CFMM 2009. They recognised the importance and need for institutionalisation of GRBs through incorporation in budget documents and development of reporting systems that would track the money that is being allocated for gender equality. They noted that this would also lead to enhanced aid effectiveness.

## **Commonwealth Business Council**

32. Ministers welcomed the dialogue with the private sector and noted the CBC's proposals to help address climate change, including consideration of a Commonwealth Carbon Trust to provide information and assistance on investment priorities to enhance sustainable development, reduce emissions and maximise commercial opportunities through partnership between developed and developing countries. They requested CBC to continue its work in this area and present a report at next year's meeting.

33. Ministers commended CBC's work to mobilise the private sector to help increase financial inclusion. They recognised that there is a need to create capacity in the microfinance industry and create an enabling environment for microfinance to grow sustainably. They also welcomed CBC's focus on new approaches to disaster risk management including development of private-public partnerships to address risk management through innovative instruments and solutions, including wider disaster insurance coverage. They indicated a willingness on the part of governments to collaborate with the CBC to take this work further.

34. Ministers commended the CBC's work along with the World Bank to help countries reduce the cost of borrowing, as presented at the workshop on sovereign debt and shadow ratings, and encouraged them to continue the work in this area.



## **Development Co-operation**

35. Finance Ministers noted that capacity development is a fundamental component of sustainable development and aid effectiveness, and a key element in achieving the Millennium Development Goals (MDGs). They commended the CFTC for according priority to country ownership and leadership in its programmes of co-operation. They expressed appreciation for capacity development programmes designed to enhance debt management, trade and trade-related development, investment and enterprise development, governance, and public sector, social and human development.

36. Ministers recalled that Heads of Government, at their meeting in November 2005, had endorsed the support expressed at the Commonwealth Finance Ministers Meeting in Barbados in September 2005, for the Secretary-General's call for all member Governments to increase their CFTC contributions by 6 per cent per annum in real terms for each of the next five years. They noted that more than half of the member countries had responded to this call to date and urged those member countries which had not done so to respond to this collective initiative.

## **Conclusion and Appreciation**

37. Ministers looked forward to further discussion on some of the key issues at the Commonwealth Heads of Government Meeting in Kampala, (23-25 November 2007)

38. Ministers expressed their appreciation to the government and people of Guyana for their warm hospitality and the excellent arrangements for the meeting.

## **Venue of Next Meeting**

39. To be notified.

Georgetown, Guyana