



Commonwealth Finance Ministers Meeting

Hilton Hotel, Barbados, 18-20 September 2005

Communiqué 2005

1. Commonwealth Finance Ministers met in Barbados on 18 – 20 September 2005. The meeting was chaired by the Rt Hon Owen Arthur, Prime Minister and Minister of Finance and Economic Affairs of Barbados.

2. Ministers reviewed the world economic situation; discussed a range of development and other issues that are on the agenda of the Annual Meetings of the World Bank and International Monetary Fund (IMF) in Washington; and the UN Millennium Project. They also discussed a range of policy issues including support to small states; promoting investment in Commonwealth developing countries; and Commonwealth development co-operation.

World Economic Situation

3. Global economic growth has remained steady, but Ministers noted it continues to be unbalanced regionally and to be accompanied by large and growing global current account and savings imbalances. Within the Commonwealth, growth in developed and major Asian countries has been robust. But growth in the Caribbean remains subdued, affected by the impact of last year's hurricanes; the Commonwealth Pacific continues to experience low growth; and growth in Sub-Saharan Africa, while stronger than in recent years, remains below rates needed to meet the Millennium Development Goals (MDGs).

4. Ministers also noted that short-term adverse risks have increased significantly as a result of rising and volatile oil prices; the risk - increasing over time - of a disorderly rather than orderly resolution of global imbalances and growing protectionist pressures. Ministers emphasized that avoiding these risks and sustaining and broadening growth will require actions by all countries. In particular, they called on:

- Industrial countries: to pursue vigilant but cautious monetary policy in the face of increased inflationary risks.
- The US: to take firmer action over time to right its fiscal and balance of payments deficits while sustaining growth.
- The Euro Area and Japan to implement the structural reforms needed to engender and sustain stronger growth.

- Developing countries: to sustain structural and financial reform and prudent macroeconomic and financial policies; and improve conditions for private sector led growth.
- Donor nations: to deliver on pledges to raise ODA to the poorest countries, and to meet financing gaps of tsunami affected countries.
- All countries to sustain and improve market access for trade in the short term, to avoid protectionist measures, and beyond that to achieve an ambitious, successful and comprehensive outcome to the Doha Development Agenda, in particular the removal of agricultural subsidies, recognising the urgency of taking action to secure sufficient agreement by the December 2005 Hong Kong ministerial conference; and recognising also the costs of adjustment, particularly for countries experiencing erosion of preferences.
- All countries to review and, where appropriate, strengthen disaster management through increased capacity for disaster preparedness, risk mitigation and post-disaster relief and reconstruction.

5. Ministers also called for measures to improve transparency in the oil market, reduce obstacles to investment throughout the supply chain, do more to promote research and development, technology transfer, energy efficiency and conservation; and to help the poor and most vulnerable oil importing countries handle the impact of rising oil prices.

Meeting the Millennium Development Goals

6. Ministers discussed progress on the Millennium Project, reviewed progress on the 2002 Commonwealth Action Plan on Delivering the Monterrey Consensus, and discussed experience to date in implementing and supporting country poverty reduction strategies. They reaffirmed their commitment to the global partnership for development in the Millennium Declaration, the Monterrey Consensus, the Johannesburg Plan of Implementation on Sustainable Development, and the Outcome Document of the 2005 World Summit. They called for support for developing countries to develop and implement national development strategies that are in line with and bold enough to achieve the MDGs by 2015. These plans should scale up public investments, build capacity, mobilise domestic resources and official development assistance, and provide a framework for strengthening governance, promoting human rights and gender equality, engaging civil society, and promoting the private sector.

7. Ministers welcomed the significant outcomes of the Gleneagles G8 Summit, championed by the UK, particularly on aid and debt, and expressed satisfaction that the pledges had been maintained at the recent UN Summit. They emphasised the importance of advancing the agenda at the forthcoming International Monetary and Financial Committee and Development Committee Meetings.

8. Ministers expressed serious concern at the lack of progress in the Doha Round and stressed the need for high level political impetus to achieve a major breakthrough at the Hong Kong WTO Trade Ministers Conference. The meeting would need to reach agreement on negotiating modalities for agricultural and manufactured products, and to make concrete progress on negotiations on services, rules, trade facilitation and on the development dimension of the Round. Ministers recognised the need for further efforts to strengthen the capacity to trade of developing countries to enable them to take advantage of the opportunities offered by a successful Round.

9. Ministers emphasised the following issues for particular attention in the period ahead:
- Ministers welcomed pledges given in recent months for increased volumes of aid which need to be translated into sustained and predictable commitments and disbursements. They welcomed the decision by some countries to launch the International Finance Facility for Immunisation (IFFIm) and plans to implement new voluntary mechanisms to generate additional and predictable aid resources. They also urged developed countries to continue to take concrete steps towards reaching the internationally agreed goal of 0.7 per cent of GNI in official development assistance.
 - In particular, it is essential for all countries to implement quickly the pledges in the G8 Africa Action Plan, including a doubling of aid to Africa.
 - Along with increases in volumes, aid needs to be made more effective. Ministers called for determined action by all countries to implement the commitments made in the 2005 Paris Declaration on Aid Effectiveness, Ownership, Harmonisation, Alignment, Results and Mutual Accountability.
 - It is also vital that the G8's commitment to provide anti-retroviral drugs to virtually everyone in Africa who needs them within five years is implemented. This can save more than six million lives. Continued measures to prevent HIV/AIDS will remain critical for saving both lives and treatment costs.
 - At the same time, recipient countries must act to intensify reforms and domestic policies to strengthen growth and achieve the MDGs. In particular, Ministers stressed the central importance of good public financial management (PFM) and wider public sector reform; and commended for endorsement by the Commonwealth Heads of Government Meeting the proposed Commonwealth PFM guidelines, including strengthening arrangements for public accountability. They noted the importance of creating an appropriate enabling environment for PFM reform and took account of the elements of the fiscal framework that underpinned strengthened PFM. They emphasised the need for capacity building to improve oversight at all levels: central government, sub-national and civil society.
 - Ministers also welcomed the Secretariat's continued programme to support implementation of the Monterrey Consensus, including its work on trade-related capacity building; public financial management; debt management; public service reform; and gender responsive budgets. They also stressed the need for all to respect national processes in setting and implementing poverty reduction strategies, and for donors to align their support with national priorities, noting in this respect the advantages of budget or sector support as aid modalities, where appropriate.
10. In discussing progress on this agenda Ministers also:
- Commended the Commonwealth Business Council (CBC) for its work to develop innovative private sector initiatives to help achieve the MDGs in partnership with governments. Ministers asked the CBC to carry forward its work on a Public-Private Delivery Service, Tax Credit Initiative and facilitating South-South investment. They also welcomed the dialogue with the private sector on CBC's proposals to encourage investment flows and financial market development, and to extend banking and financial services to those who do not have access, particularly in developing countries.

- Welcomed the calls by civil society in their statement to the CFMM for increased investment in long-term country-led development strategies to build the capacity of countries to compete effectively in global markets; and as part of the overall strategy for attaining the MDGs, for reform of International Financial Institutions (IFIs) and their decision-making processes.

Debt Relief

11. Ministers welcomed the conclusions of the 8th HIPC Ministerial Forum and stressed the need for the Commonwealth to exercise maximum leverage to achieve closure, at the Washington Meetings, on implementing the G8 proposals for cancellation of IMF, IDA and African Development Fund (AfDF) debt. Ministers called for full and immediate action to implement these proposals while protecting the financial integrity of the multilateral institutions, including IDA, and without diverting aid flows from elsewhere. Once approved, consideration could be given to extension of the initiative to debt owed to other multilateral institutions.

12. Ministers expressed their shared concern about the effectiveness of the use of resources released through debt cancellation. They stressed that current programmes were able to ensure this without the need for phasing out debt cancellation or for additional conditionality.

13. Ministers called on the Bretton Woods Institutions to ensure that the debt sustainability framework is aligned to the achievement of the MDGs.

14. Ministers also called on the international community to give urgent attention to relieving the debt burden of other poor countries excluded from the HIPC process, that have continued to service their debts, as well as small and vulnerable countries facing growing debt burdens. In this context, Ministers noted that domestic debt is imposing a significant fiscal burden on some poor countries.

Other World Bank and IMF Issues

15. Ministers considered other current Fund and Bank policy issues:

- Ministers welcomed the World Bank's proposed Africa action plan, and called for its early and effective implementation.
- They welcomed the current reflection on the IMF's medium-term strategy. In particular, they called for renewed attention to the Fund's surveillance activities, including surveillance of advanced countries, focusing on its core responsibilities. They also emphasised the need for the Fund to remain engaged with low-income countries; the importance of continued close co-operation with the World Bank in this area and on financial sector issues; their support for the proposed non-lending policy assistance instrument, and for development of a fast responding concessional financing facility to help low-income countries handle unexpected shocks; and the need for Fund programmes to leave sufficient fiscal space for achieving MDGs and key infrastructure investment. On the issue of debt crisis resolution, they called for the examination of proposals that would open up the middle ground between legally binding insolvency procedures and a voluntary code of conduct.
- They welcomed the World Bank's renewed emphasis on infrastructure investment and on the varied needs of middle-income country clients, a highly diverse group which is home to 70 per cent of the world's poor. They called for greater use of blended lending to address the specific MDG-related needs of some of these countries.

- Ministers noted the unfavourable borrowing circumstances faced by some middle-income countries including the negative impact of HIV/AIDS, narrow economic base, vulnerability to recurring natural disasters, high unemployment and prevailing poverty. They called upon the World Bank to develop innovative financing instruments to cater for the specific MDG-related needs of these countries.
- Ministers also called for further efforts to simplify procedures and reduce the costs of doing business with the Bank.
- Ministers welcomed the World Bank’s review of conditionality, and in particular, the emphasis on country ownership and on building Bank support for policies, actions and outcomes set by countries themselves - and the acceptance that conditions cannot and should not be imposed from outside.
- Ministers called for the International Finance Corporation to develop a strategic initiative for private sector development in Africa, which, could include the recently launched Private Enterprise Partnership for Africa.
- Ministers called for urgent action to protect the legitimacy of the IMF and World Bank for all their members. In the context of the thirteenth review of IMF quotas, they urged that quotas reflect more fully the weight in the global economy as well as more voice in decision-making to the countries that account for such a large share of the work of the two institutions.

Promoting Investment

16. Ministers reviewed the Secretariat’s continuing work programme to help promote private investment in member countries. They recognised the developmental need for investment in smaller businesses and for governments to create the enabling environment to attract long-term capital to this sector. They noted the continuing contribution of the Commonwealth Private Investment Initiative (CPII) in attracting investment into difficult markets. They welcomed the proposal to launch a second phase of CPII to concentrate on the SME sector and to cover a wider range of developing economies. They also welcomed the launch of Kula 2, under Aureos management, and the successful performance of the Caribbean Investment Fund under the management of Caribbean Basin Investors Ltd. They endorsed the further extension of CPII 2 to other regions of the Commonwealth.

17. Ministers reviewed the Secretariat’s project to promote investment into countries with “endowed” handicaps. They noted the progress made in mobilising the support of IFIs, regional development banks and other partners in promoting investment in these countries and in facilitating access to long-term debt finance by SMEs. In this regard, they also welcomed the launch of the SME-dedicated portal by the Secretariat.

Small States

18. Ministers discussed the 2005 Review of the Small States Agenda originally set out in the Report of the 2000 World Bank/Commonwealth Secretariat Joint Task Force. They noted, in particular, the following.

- The dimensions of vulnerability of small states identified in the 2000 Report still persist, but new factors have emerged since then which have increased vulnerability – including the faster than anticipated loss of trade preferences, a rapidly growing debt burden in many small states, increased environmental risks, rising concerns with youth unemployment and crime, and the impact of the HIV/AIDS pandemic.
- To tackle these challenges small states will need to take action to stabilize and diversify their economies; and the international community will need to take stronger

and more effective action to help small states address their special problems, including the adjustment costs associated with the loss of trade preferences.

19. Ministers requested the Secretariat to undertake further work and consultation to ensure wide ownership of the conclusions of the Review.

20. They also encouraged attendance at the Global Forum on Taxation in Melbourne, Australia on 15-16 November 2005

Commonwealth Development Co-operation

21. Ministers expressed their appreciation for the Commonwealth Fund for Technical Co-operation's (CFTC) programme of assistance in the areas of debt management, trade development and investment promotion, as well as in governance, public sector development, gender equality human development, and in addressing anti-money laundering issues.

22. They expressed their concern at the progressive decline in the real resources of the CFTC over the years and noted that this was affecting its ability to assist member countries, especially small states and Least Developed Countries, to attain the MDGs by supporting pro-poor policies for economic growth and sustainable development. There was wide support for the Secretary-General's call on all member Governments to increase contributions to the CFTC by 6 per cent per annum in real terms for each of the next five years.

23. Ministers noted ongoing efforts to strengthen strategic planning, administration, budgeting, and evaluation activities and encouraged further work by the Secretariat in these areas.

Gender Responsive Budgets

24. Ministers noted the progress report on "Gender-Responsive Budgets (GRBs) in the Commonwealth: Progress and Challenges" and recognised that progress since their last meeting had been uneven across Commonwealth member countries.

25. Ministers were keen to ensure progress and sustainability of GRBs in the Commonwealth:

- They urged members that have not already done so, to establish an institutional mechanism within their countries to monitor progress on implementing GRBs; and
- To report on progress biennially at CFMM, with the next review to be held in 2007.

Appreciation

26. Ministers thanked the Government and people of Barbados for their generous hospitality and the excellent arrangements for the meeting.

Barbados Hilton
Barbados
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