



Commonwealth Finance Ministers Meeting

Limassol, Cyprus. 30 September – 2 October 2009

Provisional Agenda Item 2

FMM(09)2 Supplement

ANNOTATED DRAFT AGENDA

This annotated draft agenda provides context for Ministers on the issues and highlights the key issues they may wish to discuss.

2. The unifying theme of the 2009 Commonwealth Finance Ministers Meeting is the economic and financial crisis of the past year and the changes it has brought to the global economy. Ministers will wish to use this meeting to exchange experience on the range of issues raised by the crisis and to identify those areas and actions where the Commonwealth members can provide mutual support. In pursuing this objective, Ministers may consider three particular possible outcomes from the discussion of each agenda item:

- The shared common conclusions which they would like to see taken into other international fora as Commonwealth positions;
- The practical ways in which member countries can support each other in meeting the challenges posed by the global economy; and
- The role they expect the Secretariat, consistent with its mandate and resources, to play in support of these efforts.

3. This year's meeting also takes place immediately before the biennial meeting of Commonwealth Heads of Government which takes place in Port of Spain, Trinidad on 27 – 29 November 2009. The theme of that meeting is 'Partnering for an Equitable and Sustainable Future'. Many of the issues which will be discussed in the Finance Ministers Meeting are directly relevant to the topics to be considered by Heads of Government. Throughout the meeting it will be important to identify those issues which Finance Ministers wish to bring specifically to the attention of Heads.

Item 1: Election of Chairperson

4. It is customary for the host country to chair the Meeting.

Item 2: Adoption of Agenda

5. The Secretary-General's letter of 11 June 2009, proposed an agenda covering a range of issues grouped around the following themes:
 - The immediate and long term impact of the Global Economic Crisis, including on attainment of the Millennium Development Goals
 - Global Financial Sector Regulatory Issues following the crisis, including recent developments in the regulation of International Financial Centres and the Governance of Global Financial Regulation
 - Future Commonwealth Finance Ministers Meetings
 - Reform of the Bretton Woods Institutions and
 - Debt Sustainability issues

Item 3: Global Economic Crisis: Impact and Response (FMM(09)3 and FMM(09)4)

6. The economic and financial crisis of the past year has seen a global economic contraction for the first time since the end of the Second World War. The impact of this crisis is traced in the paper **Global Economic Crisis: Impact and Response – A Commonwealth Perspective (FMM(09)4)**. This provides an overview of the impact of the crisis since Ministers last met in St Lucia in 2008, tracing the crisis through its complex phases and describing the different impacts on Commonwealth countries. . A key conclusion is that Commonwealth countries have been affected in diverse ways and at different times. For example, even as some Commonwealth countries are emerging from recession, the negative economic and social impact of the crisis continues to be felt in the smallest and most vulnerable of the members. This points to the varied needs of members in tackling the consequences of the crisis.

7. The second paper - **Global Economic Crisis: Current Issues for Discussion (FMM(09)3)** - focuses especially on the fiscal and monetary choices that have been open to member countries in the immediate reaction to the crisis. The options open to countries vary depending on their income level and the economic conditions which countries faced before the impact of the crisis was felt. The paper poses a range of detailed questions which Ministers can comment on as appropriate.

8. To begin an interactive discussion, a number of Ministers have been invited to make opening presentations. In the subsequent discussion, in addition to considering the detailed questions posed in the papers, **Ministers should consider:**

- **What have been the main policy lessons learned from the crisis?**
- **What are the greatest immediate challenges facing countries as a consequence of the crisis?**
- **What further policy measures could be promoted in the international community to alleviate those challenges?**
- **What role can fellow Commonwealth members play in supporting the achievement of sustained growth in your country?**

9. Concerted intra-Commonwealth collective action, focused on partnering for sustainable and equitable development, is more clearly needed than at any other time in the Commonwealths' history; and can help speed and make more resilient a recovery in these economies. **Ministers' views on how best partnerships can be established and taken forward would represent a valuable outcome of the meeting and a springboard for deliberation by Commonwealth leaders at the Heads of Government meeting in November 2009 in Port of Spain, Trinidad.**

Item 4: Global Economic Crisis: Facing the Future (FMM(09)5)

10. The first substantive session focuses on the short term impact of the crisis and the policies needed to navigate the world economy through the current recession. The second session looks at the future policy environment in the medium term to consider the broad policy options for securing future sustainable growth in Commonwealth countries. The paper **From Crisis Management to Long-term Prosperity: the Role of the Commonwealth (FMM(09)5)** provides a framework for considering these issues. Simon Maxwell, Senior Research Associate and formerly Director of the Overseas Development Institute in London, will present this framework and analysis to Ministers to begin the discussion.

11. The economic and financial crisis of the past year is one of a number of forces in the global economy which will shape the opportunities and risks facing Commonwealth members in the medium term. A number of other long term factors – many present before the crisis – including the food crisis; climate change and urbanisation - will combine to define the policy choices available to Finance Ministers.

12. The paper considers three possible generic policy approaches. These reflect the fact that the crisis has caused a sharp divide on the future approach to policy making and the objectives it should pursue. It is concluded that to reach a sustainable future which is beneficial for all members of the Commonwealth requires an approach described as 'Investing in Change'. In this policy scenario, the long and short term needs of societies are balanced through a commitment to globalisation, but taking more active steps to manage market risks. As the paper makes clear, this is not a straightforward path to pursue and many countries will require international support to pursue it. This is likely to be more successful than either trying to return to the dominant policy mix which preceded the crisis or a general move to isolation.

13. In discussion of the medium term policy choices, **Ministers should consider:**
- **What are the long-term implications for national policy of the events of 2008-9 – not just the financial crisis and the synchronised global recession, but also the food and fuel crises? What should be done to build greater resilience at national level?**
 - **Will the global economy emerge from the immediate crisis in a good position to withstand future challenges like climate change – and to exploit new opportunities?**
 - **What measures are needed internationally to build resilience and help all countries manage future challenges?**

14. Ministers should also identify specific areas where they would wish to see Commonwealth work:

- **Global advocacy – through which the Commonwealth builds on its past successes in global advocacy to facilitate north-south dialogue and consensus building in a number of policy areas.**
- **Commonwealth Partnerships – through which the Commonwealth can fulfil a network function, linking countries and regional organisations together to allow policy and other support amongst the membership on technical and financial issues.**
- **A work programme for the Commonwealth Secretariat in supporting meeting medium term challenges. Specific proposals include: policy support in reporting on major global trends and policy debates; identifying indicators of resilience for use globally and technical assistance in relevant policy areas, such as scenario planning and food security.**

Item 5: Presentation by Plutarchos Sakellaris, Vice President, European Investment Bank

15. The Secretariat and the Government of Cyprus have invited Mr Plutarchos Sakellaris, Vice President of the European Investment Bank to present to Ministers. Mr Sakellaris is the Vice President with responsibility – amongst other things – for the EIB’s work in the African Caribbean and Pacific countries, in which countries the Bank lent over €500m in 2008. He will talk about the EIB’s response to the crisis in the ACP countries and will be open to questions afterwards.

Item 6: International Financial Centres: Issues for the Commonwealth (FMM(09)6)

16. Many Commonwealth countries have sought to develop competitive financial services sectors over many years. The role played by International Financial Centres and their regulation has been a particular focus in the course of the current economic crisis. The importance of this issue for the Commonwealth is shown in the list of jurisdictions produced by the OECD following the April G20 summit in which twenty three Commonwealth countries are identified. Ten were judged to be ‘Jurisdictions that have substantially implemented the internationally agreed tax standards’ and a further thirteen as ‘jurisdictions that have committed to the internationally agreed tax standard, but have not substantially implemented’. Further discussion of this issue is expected at the G20 Summit in Pittsburgh on 23/4 September.

17. The regulation of International Financial Centres has been discussed at previous Commonwealth Finance Ministers Meetings and the Secretariat has been tasked by Ministers with providing support for members in dealing with these issues. The background paper **International Financial Centres: Status of the Current Debate, Challenges and the Way Forward (FMM(09)6)** sets out the context and history of international discussion of regulation of International Financial Centres highlighting the principal concerns of all the parties involved. On the one hand, countries are concerned about the loss of tax revenue and the potential for International Financial centres to provide means of circumventing internationally agreed rules. On the other, there are concerns amongst International Financial Centres about inconsistency of treatment and inadequacy of support.

18. The paper goes on to describe the most recent developments. It notes that the much of the content of current policy is not new, but that the pace of implementation of measures to increase transparency and information exchange between countries has accelerated significantly. This brings challenges to all parties, but especially the smaller countries which host International Financial Institutions. The paper also notes that the haste to conclude agreements may undermine the application of the principles agreed in previous negotiations on this issue, notably those of ensuring a 'level playing field' between all jurisdictions and ensuring that the agreements provide mutual benefits.

19. The paper suggests that the Commonwealth Secretariat can support the process of financial information exchange being taken forward in a consensual way through technical assistance, research and more advocacy.

20. In technical assistance it suggests:

- Training in negotiating Tax Information Exchange Agreements and Double Taxation Agreements and the inclusion of associated compensating benefits for small developing countries;
- Helping Commonwealth members meet AML/CFT recommendations by co-ordinating with FATF-Style Regional Bodies and other agencies;
- Assisting IFCs in the process of joining the Egmont Group and IOSCO;
- Identifying methods of reducing the resource costs of negotiating agreements.

21. It suggests that the Commonwealth should work through the Level Playing Field Sub-Group which it supports to identify areas of research. Topics might include:

- Increasing the low level of co-ordination between agencies responsible for fighting corruption, money laundering and tax evasion;
- Improving the efficiency and effectiveness of current and future tax information exchange agreements; more precisely assessing the benefits of hosting an IFC;
- Assessing the role of IFCs in hosting the proceeds of corruption and capital flight relative to OECD financial centres;
- Assessing the benefits, if any, that IFCs create for other developed and developing countries;
- The extent to which members of the Commonwealth are disproportionately affected by new actions and the degree of support needed.

22. Finally the paper suggests there is a role for the Secretariat in highlighting:

- The negotiating capacity constraints for many small jurisdictions with a view to increasing flexibility in the overall approach
- Promoting the implementation of the already agreed principles for international agreements, notably those of level playing field and reciprocity of benefits to create durable and effective agreements.

23. **Ministers should:**

- **Comment on recent developments with respect to regulation and implementation in International Financial centres and the role they see for International Financial Centres in the global economy;**
- **Identify the key challenges in ensuring that the benefits of International Financial centres are realised**

- **Identify the role which the Commonwealth Secretariat should play in helping meet these challenges.**

Item 7: Future Commonwealth Finance Ministers Meetings (FMM(09)7)

24. Ministers discussed ways of maximising the relevance and effectiveness of Commonwealth Finance Ministers Meetings at their meeting in 2008. They decided to hold a further discussion with a view to reaching decisions about the way in which future meetings would be organised at the 2009 meeting. The Secretary-General wrote to Finance Ministers on 31 July 2009 setting out some preliminary considerations. The paper **Commonwealth Finance Ministers Meetings: Proposals for Change (FMM(09)7)** provides proposals for consideration.

25. The proposals have been developed in the light of feedback from Ministers. The aim is to make the content of the meetings attractive and relevant to members through an agenda focussed on the concerns where the Commonwealth has a distinctive contribution to make. The agenda for the 2009 meeting already illustrates this new approach. In addition, a number of suggestions are made for the format of the meetings to make attendance for Ministers more straightforward. It is proposed that Commonwealth Finance Ministers Meetings would continue to be held annually, but they would be shorter – lasting a day - and take place in the same location as the Annual Meetings of the World Bank and the IMF. Experience with other Commonwealth meetings has shown that this can be effective in supporting stronger attendance. Taken together, these proposals should increase the effectiveness of these meetings.

26. **Ministers views are sought on the proposals to strengthen the content and change the location and duration of Commonwealth Finance Ministers Meetings**

Item 8: Global Regulatory Governance: Issues for Commonwealth Countries

27. The limits of national regulation in dealing with cross border issues have been exposed over the past year. In response, there have been important changes in both the governance and substance of global regulation. The paper **Evaluating Governance Reforms of International Financial Regulation, Proposals for deepening Reforms and role for the Commonwealth (FMM(09)8)** provides an assessment of the reforms to governance that have been undertaken in the past year. Professor Stephany Griffiths-Jones from Columbia University will present the findings of the paper.

28. The paper notes that the welcome expansion of the membership of the Financial Stability Board and the Basel Committee on Banking Supervision have started to remedy long standing concerns about the coverage and representativeness of the global regulatory system. The paper turns to what further improvements might be made to ensure that the international system is strengthened, especially to incorporate developing countries fully. The paper makes three specific proposals for the consideration of Ministers concerning the accountability of the existing system of regulation, building on the improvements which have taken place over the past year:

- **Small and medium countries should have representation in international regulatory bodies** to strengthen the voice of this group in global regulatory debates and bring a wider perspective to the consideration of these issues.

- **Inclusion of representatives from non-financial stakeholders, such as unions, and non-financial corporations in international, as well as national, financial regulatory bodies.**
- **Financial regulatory bodies should be made accountable to established forms of political representation.**

29. There are additional proposals about the role that the Commonwealth Secretariat could play, subject to resource constraints, to support developing countries in engaging with the new system of financial regulation. Possible means of support the Secretariat could provide include:

- Providing analysis on technical issues such as the role of the carry trade in the international system;
- Using the Commonwealth's convening power and 'trusted partner status' to facilitate dialogue on financial sector issues amongst members to create a forum for mutual support;
- Examining the role that could be played by the Commonwealth on a regional basis;
- Considering how the Commonwealth Secretariat can work with other groupings to support developing countries in working within the system of international financial regulation.

30. The final section of the paper considers the case for a global financial regulator. It argues that global finance requires global regulation and sets out the considerations which should guide the creation of a global regulator.

31. These issues will also be discussed by the meeting of Central Bank Governors which will be held on 30 September. The Finance Ministers Meeting will receive a report of that meeting. There will also be a presentation from representatives of the Commonwealth Business Council. The concerns of the private sector are set out in the background paper **Managing the Impact of the Global Economic Crisis: Private Sector Perspectives on Regulation (FMM(09)9)**.

32. **In discussion, Ministers are asked to:**

- **Comment on the developments in the international financial system over the past year and their effectiveness;**
- **Consider the proposals for improvement of the system to benefit developing countries further**
- **Comment on the roles proposed for the Commonwealth Secretariat.**

Item 9: The Commonwealth and Reform of the Bretton Woods Institutions (FMM(09)10)

33. The past year has seen wide ranging change within the institutions, largely in response to the economic and financial crisis. Commonwealth Heads of Government identified reform of international institutions, including the IMF and the World Bank, at their last meeting in November 2007 as a key issue. A small group of leaders produced the Marlborough House Statement on Reform of International Institutions in June 2008. The issue was further discussed initially at a Special Meeting of Heads of Government in New York in September 2008 and subsequently at the Commonwealth Finance Ministers Meeting in St Lucia in

October 2008 when Ministers endorsed the principles set out in the Marlborough House statement.

34. The background paper **FMM(09)10 Reform in the Bretton Woods Institutions: A Commonwealth Perspective** assesses how far the reforms undertaken over the past year have met the stated aims of Commonwealth Ministers. It also highlights areas where continuing reform is needed and where the Commonwealth may be able to make a positive contribution. Within the Fund, these issues concern continuing governance reform and wider issues of the effectiveness of the IMF in promoting sustainable global growth. In the World Bank, there remain concerns about the speed of disbursement of financial resources and the suitability of the Bank as a provider of global public goods. Overall, the crisis has also exposed an important weakness in the provision of multilateral finance – especially concessional finance – for countries to be able to address vulnerabilities in advance of crisis.

35. Ministers are asked to comment on whether they would wish to see any of the following issues pursued within the Commonwealth :

- **Using the good offices and convening power of the Commonwealth to examine the issues of IMF governance and feed into the ongoing process of consideration in the Fund.**
- **How multilateral economic cooperation might best be promoted through the auspices of the Fund.**
- **Monitoring experience of Commonwealth members with the recently reformed instruments of the International Financial Institutions to collate experience and identify the scope for future improvements to these facilities;**
- **Greater flexibility in the eligibility criteria for multilateral resources through the use of measures of vulnerability to supplement existing criteria;**
- **A practical scheme of reallocation of SDRs from developed to developing countries.**
- **Innovative approaches to addressing the increasing demand for global goods and for managing the issues raised by the financing of sustainable development for the international institutional system.**

Item 10: Global Economic Crisis: Impact on the Millennium Development Goals (FMM(09)11)

36. The global economic crisis is estimated to have set back progress towards the reduction of absolute poverty by at least three years. As a result, 90 million people, many of them in the Commonwealth, will be left in extreme poverty after 2010. Incomes in developing countries will be 7 per cent lower as a result of the crisis. The paper **Impact of the Economic Crisis on Progress to the MDGs in the Commonwealth (FMM(09)11)** explores these issues in greater depth. Mr Carlos Braga, Head of the Economic Policy and Debt Department in the World Bank will present these results.

37. In discussion, **Ministers will wish to comment on the analysis and identify any areas for cooperation to meet the MDGs which have not been previously discussed.**

Item 11: Report of Commonwealth Ministerial Debt Sustainability Forum

38. The meeting will receive an oral report from the Chair of the Forum on the meeting of the Commonwealth Ministerial Debt Sustainability Forum, which will take place on the

afternoon of 30 September. The meeting will be considering the future of the forum on the basis of an evaluation conducted by the Chair and the Secretariat. Ministers will be discussing a number of substantive issues including how CHOGM can best be used to resolve outstanding issues concerning the implementation of the HIPC initiative. The meeting will also discuss advocacy on behalf of the members with respect to the Debt Sustainability Framework. There will be a discussion of the future work programme of the Forum. Ministers may wish to consider which issues, if any, are amenable to wider Commonwealth advocacy.

Item 12: Report of Senior Finance Officials Meeting

39. The Senior Finance Officials Meeting on 30 September will discuss three substantive items.

- The Annual Review of Commonwealth Members compliance with the Paris Declaration and future work in the Secretariat on aid issues. Officials will consider proposals for continuing the objectives of the Ministerial Action Plan agreed in 2005;
- Gender Responsive Budgeting in the Commonwealth: Officials will discuss the biennial review of the implementation of gender responsive budgeting in the Commonwealth and the steps which need to be taken to ensure that best practice is pursued across the Commonwealth.
- The 2009 self assessment of Public Financial Management.

40. Ministers will receive a report from the Chair of the meeting of any Conclusions on which further Ministerial discussion is required.

Item 13: Adoption of Communiqué

41. The Draft Communiqué prepared by the Committee of the Whole will be considered and the final statement adopted by the meeting.

Item 14: Any Other Business

Commonwealth Secretariat
Marlborough House
London SW1Y 5HX

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