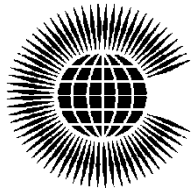


Commonwealth Secretariat



**Commonwealth
Finance Ministers Meeting**
Limassol, Cyprus, 30 September – 2 October 2009

Provisional Agenda Item 7

FMM(09)7

Commonwealth Finance Ministers Meeting: Proposals for Change

Paper by the Commonwealth Secretariat

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September 2009

Commonwealth Finance Ministers have met as a group annually since 1965. Over that period the format of the meetings has changed periodically as the role played by the group and global circumstances have altered. At their meeting in 2007 in Georgetown, Guyana, Ministers began to consider the need for further change in the light of the changing nature of the global economy and the conduct of international economic affairs. This discussion continued at the Commonwealth Finance Ministers Meeting in 2008 in St Lucia when Ministers concluded that a further reflection was required at their 2009 meeting prior to taking final decisions.

2. This paper provides background to this latest discussion reflecting previous Ministerial consideration; feedback from Ministers received through the year and the response to the Secretary-General's letter of 31 July 2009. To do this, the paper:

- Evaluates the role Commonwealth Finance Ministers Meetings can play in the current global economy;
- Assesses the conditions necessary for this role to be discharged; and
- Presents proposals for Ministers consideration which could enhance the ability of the Commonwealth Finance Ministers Meeting to achieve its objectives.

The Purpose of the Commonwealth Finance Ministers Meeting

3. The purpose and objectives of the Commonwealth Finance Ministers Meeting have changed since 1965 as the Commonwealth's role as an economic grouping has evolved. At the time of the first formal Finance Ministers meeting, the Commonwealth was seen as a single economic entity in its own right. Consequently, it was a grouping which took operational economic decisions primarily concerning trade policy, but – to a lesser extent – macroeconomic policy cooperation. In 2009, it does not fulfil these functions. For most members of the Commonwealth these operational roles are played by regional economic groupings and, for some, plurilateral groups. As a counterpart to this, there are a greater number of international meetings which finance ministers are expected to attend than there were in the 1960s.

4. It is unlikely that the Commonwealth will have an operational role in financial issues. However, the Commonwealth does have three distinctive features which define an important potential role in the international economic sphere:

- The **diversity** of the member economies in size, geographical location and income level;
- The emphasis on **consensus** in its deliberations which means that the views of each nation are given equal weight, but also ensures that no country can be coerced into agreement;
- A **commonality of economic background and interest** reflected in the fact that Commonwealth economies are more open to trade on average than other economies. In a world where meeting international economic challenges will require strengthened partnerships, Commonwealth ties offer a potential source of mutual support.

5. These three features shape the purpose that any Commonwealth Finance Ministers Meeting can fulfil. On the basis of this comparative advantage there are three broad purposes which the meeting can play:

- The **exchange of perspective** on international economic issues amongst members of groups which would not otherwise regularly interact. There is value in such an exchange in its own right when discussion which cuts across regional, size and income level lines is rare. In addition, where consensus exists there is the potential for the Commonwealth to provide a powerful voice on behalf of specific policy positions. Experience has shown that the Commonwealth contributes most value to the international community when dealing with issues which are more medium term than immediate. The championing of debt relief and the interests of small states in the global economy have been notable examples of this;
- **Exchange of practical experience** in tackling economic challenges across regions and across diverse income levels. This ought to lead to the **identification of opportunities for mutual support** amongst the membership;
- The **provision of guidance to the Commonwealth Secretary-General and the Commonwealth Secretariat** in supporting the membership in addressing challenges.

6. More succinctly, this can be summed up as using the diversity of the Commonwealth to formulate common messages for the rest of the international community; identify areas of practical mutual learning and support; and define the role of the Secretariat in supporting each of these objectives.

Achieving the Purposes

7. The necessary condition for Commonwealth Finance Ministers Meetings to achieve these purposes is that meetings be well attended. This has been a point consistently stressed by Ministers over the past two years. It is a requirement which has two dimensions. The first is that attendance needs to be at the highest possible level. For policy exchange to be effective and lead to practical action or for dialogue to have influence the participants in the discussions have to be political decision makers. The second element is that this senior representation has to come from all parts of the Commonwealth's membership. Only then can the potential offered by the diversity of the membership be realised in practice.

8. Attendance at recent Commonwealth Finance Ministers Meetings has been patchy. Most concern has been expressed over the representation of the largest economies at these meetings. In the past six years, the countries with the ten largest economies in the Commonwealth¹ have been represented at full Finance Minister on only six occasions². If Deputy Ministers are added, these countries have still been represented at Ministerial level less than half the time³. There are also important geographical effects with some regions represented strongly at senior Ministerial level, irrespective of the location of the meeting. For other regions, attendance tends to vary with the proximity of the meeting.

9. The reasons for this observed pattern of attendance is complex and widening and strengthening attendance will not be straightforward. However, steps can be taken in two areas to change the **content** and **organisation** of the meeting. The next sections set out a possible approach in both areas.

¹ Australia, Bangladesh, Canada, India, Malaysia, New Zealand, Nigeria, Pakistan, South Africa and UK

² Out of a possible 60 attendances

³ 25 out of the possible 60 occasions

Strengthening Content

10. Ministers will only attend the meeting if they see value in doing so. It is the Secretariat's obligation and responsibility to ensure that the agendas of the meeting are well targeted with subject matter of importance to Finance Ministers and in areas where the Commonwealth has comparative advantage as a discussion forum. Commonwealth discussions are of greatest value where they bring a different perspective to existing policy discussions or provide a medium-term perspective on emerging issues. Both put a premium on innovation in thinking and the need for high quality inputs both in the form of papers and presentations. Equally, Ministers face practical and immediate challenges which they wish to discuss. They wish to draw on the Commonwealth's strength in supporting dialogue and exchange of experience and to identify practical cross-Commonwealth responses to the challenges they face.

11. The approach to the 2009 meeting has sought to reflect the need to balance these considerations. The agenda provides much greater scope than in the past for member Ministers to guide the agenda and determine the outcomes they wish to see from the meeting. In setting the agenda, there has been an attempt to find different perspectives on the current economic turmoil as well as identifying issues where the Commonwealth's quality as providing a 'safe space' for consensus based discussion can best be used. The Secretariat will be undertaking a full evaluation of the experience after the meeting. Looking forward, there is greater scope for involving members in agenda setting ahead of the meeting.

Organisation

12. The content of the meeting determines the **willingness** of Ministers to attend Commonwealth meetings. Organisational aspects such as the location, length, frequency and timing sets the **ability** of Ministers to attend. The current arrangement is clearly failing to deliver adequate Ministerial attendance. The proposal of this paper is to make changes to make it easier for Ministers to attend. The table below compares the existing organisational arrangements and the proposed new ones and the remainder of the section will provides a rationale for this approach.

	Current	Proposed
Frequency	Annually	Annually
Timing	Immediately before the Annual Meetings of the IMF and World Bank	<u>At</u> the time of the Annual Meetings
Location	A Commonwealth country	Where the Annual Meetings are
Length	1½ days	1 day

13. There is no fixed – or even usual – periodicity for the full range of Commonwealth Ministerial meetings. Depending on the Ministry involved, meetings currently take place as often as annually and as infrequently as every four years (and all periods in between). However, the rhythm of international finance discussions justifies a Commonwealth meeting every year. Less frequent meetings would risk moving the Commonwealth discussions too far from the immediate concerns of Ministers. Equally, giving up the existing position of the Commonwealth meeting in the annual cycle of international meetings would risk decreasing rather than increasing attendance. This was also the view of Ministers in St Lucia.

14. In considering the optimal time in an annual cycle, it is unlikely that holding a standalone Commonwealth Finance Minister Meeting would lead to an increase in attendance. Experience shows that Commonwealth meetings maximise attendance – especially when they take place annually - when Ministers are already travelling for other

reasons. This is the case, for example, for the Commonwealth Health Ministers Meeting amongst others. The occasion which the greatest number of Commonwealth Finance Ministers will attend is the Annual Meeting of the IMF and the World Bank. It follows that for practical, not policy, reasons the time of the Annual Meetings is the logical time to hold the meeting.

15. This leads on to consideration of the location and length of the meeting. These are, to some extent, linked issues. On location, the current practice of holding the meeting in a Commonwealth country is increasingly a barrier to attendance. The Annual Meetings of the IMF and World Bank are held on a three yearly cycle with two years in Washington and the third year held elsewhere. The tendency has been for meetings to be held in the Western Hemisphere when the Annual Meetings are in the US. Onward journey times from CFMM to the Annual Meetings have tended to be long. The result has been increased complaint, even from those Ministers who do attend, about the difficulty of travel. When the meeting is held outside Washington, experience varies, but the Commonwealth meeting rarely lies on the direct route from any country to where the Annual Meetings are taking place.

16. In the light of this, Ministers may judge that future Commonwealth Ministers Meetings might be better able to attract greater attendance if they are held directly in the margins of the Annual Meetings when they are in the US, that is that they take place in Washington DC on those occasions and in the country where the Annual Meetings are taking place in the third year. Although there might be more flexibility for holding meetings in a Commonwealth country on those occasions when the Annual Meetings of the World Bank and IMF were held outside Washington. Ministers in St Lucia did, however, note the risks of a Commonwealth meeting being 'lost' amongst the range of activities already taking place in the context of the Annual Meetings. This is not the experience of other Commonwealth meetings in the margins of other analogous international fora.

17. However, Ministers have also pointed to the essential need to increase and strengthen Ministerial attendance at the meeting. Changing the location of the meeting is likely to be the single change which has the potential to make the greatest difference to attendance. Experience with other Commonwealth Ministerials is that it is possible to hold distinctive Commonwealth meetings successfully in the margins of analogous large global meetings. It is possible that even if this change took place attendance would not be strengthened to the extent that Ministers might hope. However, it is also the case that the current arrangements are not achieving the desired result.

18. Wherever the meetings are held in future, it would not be possible to sustain the current format of meeting for a day and a half. Consequently, the proposal; is to reduce the meeting to a single day in future.

Conclusion

19. This paper has put forward a proposal for change to the Commonwealth Finance Ministers Meeting. The objective is to strengthen attendance at the meeting to allow the potential of the Commonwealth in the economic affairs to be fully released. Any changes would be take effect from the Commonwealth Finance Ministers Meeting in 2010. The experience with the new format would be evaluated after three meetings in 2013.