



# COMMONWEALTH

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18 September 2003

### Commonwealth Finance Ministers Meeting Bandar Seri Begawan, Brunei Darussalam, 16-18 September

### Communiqué 2003

1. Commonwealth Finance Ministers met in Bandar Seri Begawan, Brunei Darussalam, from 16 to 18 September 2003. The meeting was chaired by Hon Pehin Dato Abdul Aziz Umar, Minister of Education, Minister representing the Minister of Finance, Brunei Darussalam. His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam, graciously officiated over the Opening Ceremony and shared his wisdom on some of the issues to be discussed at the meeting and tasked it to come up with realistic solutions to the practical needs of the ordinary people.

2. In reviewing the world economic situation, Ministers expressed disappointment at the outcome of the Cancun WTO Trade Ministerial Meeting and committed themselves to a positive outcome to the Doha Development Round. They also discussed a range of issues that will be considered at the Annual Meetings of the World Bank and IMF in Dubai, exchanged views on key policy issues related to the delivery of basic services to the poor and reviewed Commonwealth development co-operation activities. They agreed that they would take forward relevant outcomes of their meeting, particularly those related to meeting the Millennium Development Goals (MDGs), delivering basic services to the poor, HIPC and other Bank/Fund issues to the Annual Meetings.

### World Economic Situation

3. Global economic recovery continues to be steady, fuelled in particular by increased activity in the US and some Asian economies. But it has yet to reach all regions and the outlook remains subject to many risks. Ministers welcomed the relatively strong performance of Asian and Commonwealth industrial countries. But they noted that Caribbean economies remain adversely affected by depressed tourism earnings and adjustment to the loss of trade preferences, and that short and medium-term growth prospects in Sub-Saharan Africa are unlikely to be sufficient for these countries to meet the MDGs.

1/8

ISSUED BY THE COMMUNICATIONS & PUBLIC AFFAIRS DIVISION

**Commonwealth Secretariat Marlborough House Pall Mall London SW1Y 5HX United Kingdom**

Tel: +44 (0)20 7747 6385/6 Fax: +44 (0)20 7839 9081 Out of Office hours Mobile: +44 (0)7957324346

E-mail: [info@commonwealth.int](mailto:info@commonwealth.int) Web Site: <http://www.thecommonwealth.org>

\* These countries  
are currently suspended  
from the councils  
of the Commonwealth

4. Sustaining and broadening growth requires actions by all countries. Ministers called for action by:

- the US to address its current fiscal and balance of payments imbalances over the cycle;
- Japan to combine monetary stimulus with urgent structural reform, particularly in the financial sector;
- Euro zone countries and the European Central Bank to foster growth, and continue with needed structural reforms;
- developing countries to implement the policies needed to promote faster growth and poverty reduction and to improve the environment for domestic and foreign investment;
- development partners to fulfil the aid commitments made at Monterrey and to, where possible, increase these commitments further to meet the requirements of the MDGs;
- all countries to support the process of rebuilding peace and stability in the Middle East, while not diverting financial assistance from other developing countries and regions;
- all countries, following the disappointing outcome of the Cancun Trade Ministers Meeting, to improve market access, reaffirm commitment to a transparent rules-based multilateral trading system and avoid recourse to trade distorting bilateralism, as trade liberalisation, especially in agriculture, could be the single most important factor catalysing economic growth in developing countries; and
- all countries to continue to work toward multilateral measures to reduce trade distorting subsidies and other barriers to trade, particularly in agriculture; and to co-operate and show flexibility to deliver the Doha Development Agenda.

### **Meeting the Millennium Development Goals**

5. Ministers noted with concern that while a third of people in the Commonwealth live on under US\$1 a day and two thirds on under US\$2 a day, only a minority of Commonwealth developing countries are on track to meet the MDGs. They expressed concern that HIV/AIDS was undermining the capacity of a number of countries to meet the MDGs. They also noted World Bank estimates of the size of the continuing shortfall in donor finance and recent work showing that substantially more aid could be used effectively. They called for action to implement all the elements of the Monterrey Consensus, and the Commonwealth Action Plan on Delivering the Monterrey Consensus that they adopted a year ago.

In particular they called on development partners to:

- match policy action by developing countries by providing more, and more effective development assistance, and to examine constructively all proposals for securing a further increase in aid commitments. Ministers welcomed further elaboration of the initiative of the UK Chancellor for an International Finance Facility (IFF) and look forward to the further consideration of this or other similar options;
- implement parallel changes to make aid flows more effective, including those set out in the Rome Declaration on Harmonisation; and
- consider concessional resources for all countries, including middle income countries seriously affected by the HIV/AIDs pandemic which can reverse some of the achievements they have made towards MDGs.

6. Ministers welcomed actions taken by the Secretariat to implement its responsibilities under the Commonwealth Action Plan, and looked forward to reviewing overall implementation of the plan at their meeting in 2005.

### **Delivering Basic Services to the Poor**

7. In discussing the special theme for this year's meeting, Ministers welcomed the valuable contributions to their discussion made by Mr Shanta Devarajan (World Bank), Director, World Development Report 2004, as well as representatives of Commonwealth Civil Society organisations and the Commonwealth Business Council (CBC). They also noted conclusions reached by their Senior Officials in their earlier discussion of private financing for infrastructure development.

8. Ministers underlined the key importance of effective delivery of basic services to the poor in education, health, water, sanitation, telecommunications and power. Reviewing the lessons of experience they stressed the following:

- the need for strong participation by and empowerment of poor people themselves in defining requirements and designing delivery systems; and for strong accountability between poor people and providers; between poor people and policy-makers; and between policy-makers and providers;
- the importance of development partners supporting national efforts set out in Poverty Reduction Strategy Papers (PRSPs) and other national strategies with sufficient aid, provided in a way that reinforces the accountabilities in these relationships, and does not undermine them;
- the need to explore new ways to engage private finance effectively alongside public finance in supporting provision of basic services, recognising the important differences between countries and services in their suitability for this approach. In this context, Ministers welcomed views from the private sector, articulated by the CBC, regarding practical steps to encourage further

- private sector participation in the provision of basic services to the poor, and invited the CBC to help facilitate further steps to share, among Commonwealth members, experience and techniques of developing public private partnerships. Ministers also welcomed the contribution of civil society to the discussions and particularly valued their view on the issues of accountability and ownership; and
- the importance of countries tackling corruption as one of the causes of failure in service delivery to poor people; and the need for decentralisation and capacity building at all levels of government among service providers in the private sector, civil society as well as among poor people. The need to enable better performance on service delivery was underscored by Ministers.

9. Ministers asked the Secretariat to assist by facilitating exchanges between countries on best practice on all aspects of service delivery, including participation and effective regulation.

### **Securing Sustained Debt Relief for Poor Countries**

10. For many of the poorest countries in the world, debt relief is an essential first step for successful growth and development. Ministers welcomed the continued progress in implementing the HIPC Initiative, which successive meetings of Commonwealth Finance Ministers helped launch and improve, and emphasised that there is much more to be done to ensure that HIPCs achieve growth with equity and a permanent exit from unsustainable levels of debt.

11. They welcomed the continuing work of the HIPC Forum and the conclusions of its meeting held on 16 September in Brunei Darussalam, noting that the international community needs to undertake the following:

- ensure that financing provided to support the Initiative is and remains truly additional to other aid flows and consider the extension of the sunset clause at the appropriate time, due to slippages in achieving the various triggers;
- recognise that meeting the objectives and implementing the Initiative in all countries will require full participation by all creditors. In this regard, Ministers welcomed recent announcements by some non-Paris Club creditors, including the decision by India to write off all bilateral loans to HIPCs which have reached their decision points, and called on all other non-Paris Club and commercial creditors that are not yet participating to do so, and called for support to the HIPCs in tackling the difficult issue of creditor litigation;
- support faster implementation. Noting that most HIPCs that have yet to reach their decision points are conflict-affected countries with related administrative and governance difficulties that challenge the structure and presumptions of the HIPC approach, Ministers urged the early and flexible engagement of the international financial institutions with this group of countries;

- ensure that unnecessary obstacles are removed, and topping-up is applied flexibly so that HIPCs that have reached their decision points achieve a sustainable exit from their debt burden at completion point, and that any additional bilateral relief is used to the benefit of the debtor to increase the cushion against future shocks;
- support better analyses of countries' debt sustainability, and actions to ensure countries remain in a sustainable debt situation after they emerge from the HIPC process. This may involve addressing unsustainable domestic debt, provision of more finance in the form of grants, and consideration of new arrangements for concessional contingency finance;
- support consideration of new mechanisms to insure HIPCs against reversion to unsustainable levels of debt after reaching their completion points because of economic shocks;
- ensure that HIPCs have better access to world export markets, particularly for those products, including agricultural products, where they have a competitive advantage;
- Ministers welcomed recognition by the Paris Club of the need for flexibility in providing relief for non-HIPC countries with unsustainable debt; and seek early implementation of measures to assist these countries.

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

12. Ministers discussed other issues likely to be taken up during the Bank/Fund meetings to be held shortly in Dubai. In particular, Ministers emphasised the following:
  - the need to increase the voice of developing countries in the Bank and Fund by further strengthening the capacity of Executive Directors. Consideration ought also to be given to different options for structural changes at the Board level in the future;
  - the need to strengthen IMF surveillance and pay greater attention to the impact of policies of major industrial countries on the prospects of developing countries;
  - the need for the IMF to remain engaged with its low-income country members, to recognise that their economic problems are deep seated, requiring many years of successful policy implementation to address, and to consider new ways to provide quick disbursing concessional finance to help them deal with exogenous shocks;

- the importance of learning from experience in the implementation of the PRSP approach, ensuring that PRSPs are genuinely country-owned and avoid undermining political legitimacy, are aligned with PRGFs, are realistic but ambitious; and that countries have the required implementation capacity, and that financial support is provided by development partners on a sufficient scale and in an effective manner;
- their support for moves by the World Bank to simplify its loan conditions and procedures and re-engage in lending for infrastructure development;
- the need for the World Bank to develop a more robust and objective methodology for its Country Policy and Institutional Assessment (CPIA); and
- their support for continuing Fund/Bank work on crisis prevention and management, welcoming progress being made on implementation of standards and codes and in wider use of Collective Action Clauses (CACs) in bond contracts. They called for further progress in considering mechanisms to assist with crisis resolution and to increase the availability of counter-cyclical finance.

### **Promoting Investment**

13. Ministers noted the continued progress and operation of funds launched under the Commonwealth Private Investment Initiative, and urged investment support for Pan-Commonwealth African Partners.

14. They also noted the progress made in examining the feasibility of proposals to address the special difficulties faced by small vulnerable economies and LDCs in attracting investment, welcoming the interest expressed by commercial banks, International Financial Institutions, Regional Development Banks and development partners in exploring more effective ways to promote domestic and foreign investment in such economies, and in developing a new “Small and Vulnerable Economies Facility”, to be launched initially in the Pacific region. Ministers called on the Secretariat to monitor and support progress and to provide a report for the next meeting.

15. Ministers welcomed the proposals put forward by the Commonwealth Business Council to create an index and associated framework of business principles that could facilitate greater portfolio equity flows to emerging markets on a commercially sustainable basis, and looked forward to further work in this area.

### **Small States**

16. Ministers noted that the Global Forum would be meeting in Ottawa, Canada (15-16 October). They welcomed the fact that the meeting will focus on the issue of a level playing field and stressed that the way forward required a satisfactory resolution of this issue. They emphasised the importance of tax and fiscal sovereignty, transparency and inclusiveness in the dialogue between OECD and offshore financial centres. They urged the Commonwealth to remain engaged on this issue. They requested the Secretariat to

support the affected jurisdictions to mobilise assistance to meet international standards, strengthen and deepen their financial sectors and diversify their economies.

17. Ministers welcomed the actions being taken by the Commonwealth and its partner institutions (the World Bank, IMF, WTO, EU, UNCTAD and Regional Development Banks) in implementing the proposals in the April 2000 report of the Joint Commonwealth/World Bank Task Force on Small States. They also noted and welcomed the progress made in implementing the New Agenda for Commonwealth Work on Small States endorsed by the Heads of Government Meeting in Coolum (March 2002), and looked forward to discussion, at the annual small states forum in Dubai, of the theme “Poverty Alleviation as a Prerequisite for Sustainable Development in Small States”.

18. Ministers welcomed and supported the work undertaken by the Secretariat, particularly in assisting Small States to prepare for the Barbados Programme of Action Review and International Meeting scheduled for Mauritius in 2004: highlighting the concerns of small states faced with the possibility of graduation from the list of Least Developed Countries; and assisting small states in their transition to the changing global trade regime through technical assistance on the WTO small economies work programme, implementation of WTO commitments, capacity building in trade policy and preparation for the Cancun Ministerial.

19. While commending the existing work of the Commonwealth Secretariat on small states issues, Ministers invited the consideration of ways to further sharpen the focus of the Secretariat’s capacity to assist these countries, including strengthening the role and capacity of the Chair of the Small States Forum.

### **Commonwealth Action to Counter Money Laundering and the Financing of Terrorism**

20. Ministers welcomed the completion of the revision of the FATF 40 recommendations as the new standard for combating money laundering and called on a uniform implementation of these recommendations in their jurisdictions as soon as possible. In addition, Ministers welcomed the following:

- the progress that the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) has made, congratulating member countries for signing the MOU establishing the group and for the comprehensive work programme that they have set for themselves;
- efforts being made by countries in the West African region to establish an FATF style regional body. Ministers asked the Secretariat to assist Commonwealth jurisdictions/countries in this region in that effort; and
- the support that the Commonwealth Secretariat has provided to member countries in undertaking and implementing obligations under the Security Council Resolution 1373 for combating terrorism and the financing of terrorism. Ministers noted with satisfaction the completion of the four regional workshops in Eastern and Southern Africa, the Caribbean, Asia and West Africa that assisted member countries to develop legislative provisions.

They encouraged the Secretariat to follow up this support by providing assistance directly to countries.

### **Working towards Gender Equality in Economic Policy**

21. Ministers noted that since 1995, 15 Commonwealth countries had institutionalised measures aimed at gender budget analysis and that this had contributed to promoting women's economic empowerment and efforts aimed at ensuring that Poverty Reduction Strategy Papers included a gender perspective. They welcomed the continued progress by the Secretariat in developing gender analytical tools for the revenue side of the budget and reaffirmed their commitment to make progress within their respective budget setting processes, for review at their meeting in 2005.

### **Enhancing Commonwealth Development Co-operation**

22. Ministers welcomed the practical help provided by the CFTC, particularly in those areas of development co-operation of concern to them. They recalled Heads of Government's commitment in the 1995 Millbrook Action Programme and subsequently to restore the CFTC's resources to the 1991/92 level in real terms and expressed concern that the resources currently available to the Fund were some 40 per cent less than the target. Ministers expressed their appreciation for the work of the CFTC in areas such as debt management, trade, public sector reform, strengthening of democratic institutions and corporate governance. They welcomed the increased contributions made by a number of countries and called on all member countries to continue to make the best possible efforts to achieve the Millbrook target within each country's capacity to contribute.

23. Ministers commended CBC for promoting practical initiatives in the areas of investment, trade, public/private partnerships and good corporate governance for the benefit of Commonwealth countries.

24. Ministers received the report of the Commonwealth Partnership for Technology Management (CPTM) and took note of its programme of advisory country tasks and International Smart Partnership Dialogues. They recognised CPTM's initiative in establishing the Endowment Fund and acknowledged the contributions to this Fund from Commonwealth Governments and the private sector so as to provide stability to CPTM's financial resources which would enable it to undertake enhanced activities that benefit the Commonwealth.

### **Appreciation**

25. Ministers thanked His Majesty's Government and people of Brunei Darussalam for their generous hospitality and the excellent arrangements for the meeting.

Brunei Darussalam

18 September 2003