



Commonwealth Finance Ministers Meeting

Washington DC, 6 October 2016

CHAIR'S SUMMARY

1. We met as Commonwealth Ministers of Finance in Washington DC. Our meeting was chaired by the Minister of Finance of India, the Honourable Shri Arun Jaitley.
2. We again welcomed the unique opportunity provided by the meeting of Commonwealth Finance Ministries, an informal platform for open and honest dialogue amongst a diverse group of countries on key international economic challenges.

The Economics of Climate Change and Financing Climate Adaptation and Mitigation

3. We received an address by Professor Lord Stern, I. G. Patel Professor of Economics & Government of the London School of Economics and the Head of the Stern Review on the Economics of Climate Change commissioned by the UK Government. Professor Stern's presentation laid out a strategic vision for a greener global economy that would drive global growth and future development across the globe. He emphasised the urgency of action and the opportunities for countries to access finance to fund the necessary adaptation and mitigation activities. While advocating for a significant scaling up of resources to multilateral financial institutions to fund investment in sustainable infrastructure, he also posited the need to ensure that these institutions take a broader view in allocating finance calling for a move away from a system based on income criteria towards a system which considers vulnerability, sustainability and all the dimensions of development.

4. We noted that whilst the world has committed to an ambitious climate action agenda, this will require significant investment in green infrastructure, investment that is far above the current levels of climate finance. There is a particular need to channel finance towards those developing countries, many in the Commonwealth, that are already suffering significant loss and damage associated with the adverse impacts of climate change.
5. We received an update from the Commonwealth Secretariat on its climate financing activities including the Commonwealth Finance Access Hub, the Commonwealth's debt swap for climate action initiative as well as research into countercyclical financial instruments to help countries manage climatic shocks. We also received an update from the Prince of Wales' International Sustainability Unit on the progress of the Commonwealth Green Financing Facility (CGFF) Initiative, an initiative that arose from the Commonwealth Heads of Government Meeting in 2015. We welcomed this work and called on the Secretariat to continue to support member states to access higher levels of climate finance.

International Taxation - A Commonwealth Conversation around the 'Panama Papers'

6. We noted the range of issues raised by the reporting around the so called 'Panama Papers' such as tax avoidance and evasion, other illicit flows, its impact on developing countries and the role that IFCs play in the international tax and investment system. Whilst these issues are not new they continue to be at the forefront of the international economic agenda.
7. We noted that many of these issues are being taken forward in other forums and, in particular, that G20 leaders have called on all relevant jurisdictions, regardless of size, to implement both the base erosion and profit shifting package and the new tax transparency standard.
8. We recognised the value of the Commonwealth, and this meeting of Finance Ministers, in providing a political level forum in which the perspectives of the Commonwealth's diverse membership on these issues can be shared, better ensuring that international action in response to these global problems comes from a position of understanding.
9. We reflected on the perspectives put forward by a range of Commonwealth members, including G20 countries, developing countries and small states that host IFCs.
10. We were informed about new and emerging transparency initiatives, such as that related to the automatic exchange of beneficial ownership information

which a number of Commonwealth members have already committed to. Some members highlighted the potential opportunity for the broader Commonwealth membership to engage at an early stage with this emerging initiative, ensuring that a diversity of perspectives and experiences helps to shape its development.

11. We heard about the particular issues facing developing countries including the impact that illicit financial flows have on the ability of such countries to mobilise domestic resources. The importance of engaging a broad range of countries in new international initiatives was highlighted as was the need to support developing countries and resource constrained small states to meet new standards, particularly as new regulatory standards emerge.
12. We heard from small state members whose jurisdictions host international financial centres who noted that they faced a broad range of challenges in the current environment, including that posed by 'de-risking' which was impacting many small state members. The need for organisations like the Commonwealth to bring together key stakeholders to clearly outline global regulatory expectations and facilitate meaningful engagement by a broad range of countries was emphasised.
13. As well as welcoming the sharing of these perspectives we affirmed the importance of international action resulting in a level playing field and being undertaken through inclusive processes. Finally, and noting that many initiatives underway would continue to be progressed through other fora, we called on the Secretariat to continue to identify ways to help build a better understanding within the membership of the diverse range of perspectives and the required actions on the 'Panama Papers'.

Commonwealth Small States Trade Financing Facility

14. Ministers warmly welcomed the signing of the Memorandum of Understanding between the Commonwealth Secretariat, Standard Chartered Bank and the Bank of Baroda who will manage the newly established Commonwealth Small States Trade Financing Facility, a credit enhancement facility that is expected to make available up to US\$ 100 million of incremental trade finance to Commonwealth Small States over a three-year period. Ministers thanked the Governments of India, Sri Lanka and Mauritius for providing the initial capitalisation of the facility.

Other Issues and Conclusion

15. We welcomed the Secretary-General's remarks around the importance of adequately funding health and education programs, noting that this is a critical step in building national resilience and in promoting human development.

16. We also noted a report from the Senior Finance Officials meeting, in which officials were provided an update by the IMF of the opportunities afforded by the increased international recognition of the importance of assisting developing countries to better mobilise domestic resources. Despite this increased support, senior officials also reflected on the challenges facing Finance Ministries in supporting Government to champion tax reform. Senior officials also discussed the considerable opportunities for mobilising additional resources for development through diaspora savings and investments. Senior Officials shared their experience of reforms to leverage diaspora finance for government and private investments and discussed further action that can be taken to attract this source of finance. Officials also welcomed the Commonwealth Secretariat's work to support member states in this area.
17. We also received an update from the Commonwealth Central Bank Governors meeting, which discussed the Brexit and the challenges posed for monetary policy. This provided Governors a platform to discuss how jurisdictions are responding to the fallout from Brexit. Governor's also discussed the ongoing challenges posed by 'de-risking' noting in particular that the increased withdrawal and restriction of correspondent banking relationships presents particular challenges for many small states who are already reliant on a limited number of banking relationships to access the global financial system. Governor's had welcomed the increased international focus on the issue but called on more to be done to identify and give effect to practical solutions to this critical problem.
18. Finally, we thanked the IMF Secretariat for providing the necessary facilities for our various meetings in Washington DC.

Honourable Shri Arun Jaitley
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6 October 2016