



Outcome Statement: Commonwealth and Francophonie Dialogue with the G20 Washington DC, 14 April 2015

1. Members of the Commonwealth and La Francophonie (CF) held a Dialogue with Turkey, President of the G20 in 2015 and members of the G20 Development Working Group (DWG) in Washington DC on 14th April 2015. We welcomed Turkey's initiative to hold the fifth Annual Dialogue, which has contributed to a further deepening of exchange and engagement among the three associations and enabled the perspectives and priority development challenges of many of the poorest, smallest and most vulnerable developing countries to be discussed and brought to the attention of the DWG. Participants included developing country members of the Commonwealth and Francophonie (CF), from Africa, Asia, the Pacific and the Caribbean regions, G20 member countries, and several international and regional organisations.

Update on G20 Development Agenda

2. The G20 is continuing to focus on strengthening sustainable development through promoting inclusive and robust growth. We welcomed an update by the Turkish G20 Presidency highlighting its key policy priorities for the 2015 G20 development agenda which are framed around Turkey's G20 Presidency's three I's agenda - implementation, inclusiveness and investment for growth. 2015 is a year where G20 focuses its efforts to ensure inclusive and robust growth through collective action. These fall under the three pillars of: enhancing resilience; strengthening global recovery and lifting the potential for growth; and buttressing sustainability. Policy issues to enhance resilience include: financial regulation, IFI reform, effective international tax systems and anti-corruption. To strengthen the global recovery and lifting the potential for growth, the G20 agenda will focus on: macro policy coordination, boosting investments to close the infrastructure gap, increasing employment and addressing inequalities, enhancing multilateral trading system and promoting better integration of SMEs especially in developing countries into the global value chains. To buttress sustainability in the global economy, the Turkish G20 Presidency emphasised its focus on the issues of development, energy and climate change finance. The Presidency's central focus will be supporting efforts to eradicate poverty and ensure sustainable development in Low Income Developing Countries (LIDCs).

3. In response to this update, CF delegates highlighted a range of development concerns related to food security, energy and infrastructure in particular. Other areas included the Blue Economy and the urgent need to strengthen responses to climate change. The need for an objective approach to defining countries' priority needs was highlighted and the value of the Commonwealth's Vulnerability and Resilience Framework was emphasized as a valuable tool for country classification. Some spoke about exploring very practical support from G20 countries in areas such as investment in infrastructure and technology transfer.

Priority Development Challenges of Commonwealth and Francophonie Developing Countries

4. We welcomed inputs from Samoa, Grenada, Swaziland and Madagascar on their development challenges and priorities, and how these might be considered and addressed by the G20 in the context of its work.
5. Samoa spoke about its reliance on remittances and the challenges posed by Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) regulation on these vital finance flows. The example of the closure of all MTO bank accounts by all major Australian banks was quoted, which has effectively halted remittance flows in this important geographic corridor. Samoa spoke about the measures that the Government is putting in place to ensure that this vital development life-line remains open and affordable to citizens such as setting up a government account to act as a clearing mechanism. Grenada highlighted the continued impact of the global downturn on the Caribbean and suggested that the region could be either facing a protracted crisis or a fresh start. Grenada stated that fiscal consolidation and reform at the domestic level must be supported by international support and action to address the debt overhang and called for a debt relief initiative for highly indebted Caribbean countries. Grenada also called for support to develop an international architecture to enable meaningful debt restructuring which would address common problems of too little, too late, too costly and too frequent debt restructurings. The Representative suggested that a set of good practices could be developed by the G20 which included: conduct of independent debt sustainability analysis; provision for shocks and inclusion of stand-still clauses in renegotiated and new debt contracts; as well as the inclusion of collective action and aggregation clauses in debt contracts. Efforts to support domestic revenue mobilisation are also needed, supported by the development and adoption of fair tax rules. Swaziland and Madagascar highlighted basic development challenges that their countries are facing and necessary reforms to strengthen their economies.
6. In discussions, delegates continued to raise concerns around the large debt burdens, the adverse impact on ability to fund investment in areas such as infrastructure and the consequent constraint on growth. Concerns were also raised around the ability to access finance on affordable terms and conditions. The high debt burden is hampering growth prospects and exacerbating vulnerability to economic shocks. Key challenges to

addressing the debt challenge in many Small Island Developing States (SIDS) include: the size of the fiscal adjustment required and the need to calibrate the size of the adjustment to ensure that growth is not choked; and the inefficient international debt restructuring mechanism. There were calls for SIDS debt to be further discussed by an international task force to examine options for the way forward and consideration of innovative mechanisms such as debt-for-nature SWAPs; as well as wider consideration of vulnerability and resilience building in the development of policy responses at the national and international level. Another strand within the discussions were developing capacity and frameworks for PPPs.

7. Discussions also explored ways in which G20 and CF members can collaborate on a joint agenda to address these issues. Suggestions emphasised: the importance of more inclusive global value chains; reducing the global average cost of remittances as an important source of income for developing countries and working together to address the adverse impacts of Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) on remittance flows; and supporting the mobilisation of domestic resources through levelling the playing field in areas of trade, investment and tax.

Delivering Inclusive Value Chains

8. We welcomed Mauritius as chair of the session, who highlighted her country's significant efforts to integrate into Global Value Chains (GVCs). A presentation by the Commonwealth Secretariat highlighted the significant structural barriers that many CF developing countries face in their integration into GVCs such as the small size of their domestic markets and their unfavourable geographical location, resulting in their excessive trade costs. This in conjunction with highly asymmetric distribution of value added share in production networks can cause systemic exclusion of many CF developing countries, particularly in Sub-Saharan Africa (SSA) and Small States. The Commonwealth underscored the need for these structural challenges to be recognised and responded to through policies that amongst others enable targeted and appropriate delivery of Aid for Trade and consider effective governance arrangements concerning the distribution of gains in GVCs and mitigating any adverse implications arising from the mega trading blocs that are currently being negotiated. Zambia spoke about broader factors that require investment including efforts towards greater industrialisation, a focus on boosting more value added exports from the mining sector, which could create an uplift in other sectors such as agriculture and forestry. All this will require robust infrastructure and affordable financing. St Vincent and the Grenadines highlighted internal factors to be overcome including the enhancement of R&D and standards, the cost of energy and improved communications and start-up capital.
9. The ensuing discussion included contributions on the G20's priorities in this area which included work on participation of SMEs in GVCs, the complementarity of Regional Trade Agreements, and discussions on how to improve the multilateral trading system. Australia shared its experience in overcoming distance through ITC use in the service sector.

10. In the open discussion, CF developing countries reiterated concerns over their lack of effective participation in GVCs. They also suggested that the G20 and international community can support efforts to: better target Aid for Trade, taking into consideration the unique challenges faced by small states; and recommending policy options to make GVCs more inclusive and beneficial to capacity-constrained countries. G20 members reiterated the importance trade as an engine for inclusive growth, and in particular to the better integration of developing countries into global value chains.
11. The United Kingdom highlighted its interest in exploring the establishment of a fund by the G20 administered by the World Bank to help support Low Income Countries to integrate into GVCs. Developing countries welcomed this idea and would like to engage in discussions on how this initiative could be funded and operated. Developing countries suggested that the Commonwealth Secretariat could undertake further analytical and global advocacy work on the issues related to the governance of GVCs to provide more informed inputs into the relevant trade policy discourse.

Remittances: Maximizing flows and reducing costs

12. We welcomed Australia as chair for the session and a presentation by the World Bank on balancing the need for effective AML/CTF with the risk of hindering remittance flows to developing countries.
13. Bangladesh, Trinidad & Tobago and Kenya, as well as other CF developing countries, made contributions, highlighting the crucial role that remittances play where in some cases especially in the Caribbean remittance flows exceed other forms of external finance such as ODA and FDI. Participants also reflected on the risks associated with the emergence of 'de-banking' of the remittance sector as a result of AML/CTF regulation and bank 'de-risking'. Discussions revealed that the effects of 'de-risking' were already being felt in regions such as the Pacific, Asia, Africa and the Caribbean. Participants recognized the importance of contributing to the global effort against money laundering and terrorist financing and highlighted that terrorist financing risk in a number of regions such as the Caribbean and increasing terrorist activity in Africa. Countries shared a range of experiences with measures to support low-cost remittance flows. Challenges were also highlighted. These included Kenya's experience of closing 13 of its 14 MTOs following the recent terrorist attack, and Sri Lanka's concern that informal channels may be increasing as de-risking progresses. The discussion highlighted options for taking this debate forward, including engagement with banks to dissuade them from de-risking; promoting awareness of the FATF Guidance of February 2013; supporting a move away from a one-size-fits-all approach to national risk assessment; and reviewing costs associated with compliance. Many CF's sought a more differentiated approach to address potential negative impacts on remittance flows and costs.
14. G20 DWG members welcomed the discussion and reiterated their continuing focus on the G20 target to reduce the global average cost of transferring remittances to five per cent.

In line with this, as agreed by G20 Leaders at the 2014 Brisbane Summit, the Turkish Presidency aims to develop country-led plans in 2015, together with peer support arrangements, in order to make progress in achieving the G20 target. Australia undertook to share presentations made at this meeting with the G20 DWG at its next session.

Domestic Revenue Mobilisation and BEPS

15. We welcomed South Africa as chair and a presentation by the OECD on mobilizing domestic resources in Low-Income and Developing Countries. The discussions on the Post-2015 framework have placed more emphasis on domestic resources for development. Mindful of its significance for developing countries, tax constitutes a key feature of the G20 development agenda. The G20 launched, together with the OECD, Base Erosion and Profit Shifting (BEPS) Action Plan in order to support the establishment of a more effective domestic and international tax system. In this process, developing countries are actively engaged to determine which of the BEPS project areas constitute priority actions in light of their specific challenges. Consultations were held on that with major regional groupings including the Latin America, Caribbean, Africa, Eurasia and French-Speaking countries. G20 aims to support mobilization of domestic resources through focusing efficient use of tax incentives, capacity building, exchange of information and transfer pricing.
16. Senegal and Saint Lucia, as well as other CF developing countries, highlighted their experiences with mobilizing domestic resources by strengthening tax systems and engaging in the BEPS initiative. The presentations highlighted the need to ensure that the basics are in place to move forward with the BEPS initiative. Countries highlighted the need to address existing challenges related to international tax relief conventions and contracts with investors and existing charges and management fees. They also noted the cost of the BEPS system to jurisdictions.
17. Going forward action is needed to strengthen: audit capacities; enforcement; legislative frameworks; strengthen information systems; build staff capacity; and cooperation on BEPS issues. A need to develop technical capacities on understanding the gains and losses involved when forging agreements.

Continuing Engagement

18. We have agreed to continue deepening engagement and collaboration, through actively facilitating dialogue and the sharing of information, to highlight and to address the needs of the poorest, smallest and most vulnerable countries. Countries also noted that members of the G20 present have undertaken to share the content and outcomes of these discussions with the G20 Development Working Group.
19. We warmly thanked the Turkish G20 Presidency for facilitating this meeting and the IMF for providing the venue for our meeting. We also expressed our gratitude to the Government of Australia for its financial support for this valuable dialogue.