Outcome Statement: Commonwealth and Francophonie Dialogue with the G20

Washington DC, 7 April 2014

1. Members of the Commonwealth and La Francophonie (CF) held a Dialogue with Australia, President of the G20 in 2014 and several members of the G20 Development Working Group (DWG) in Washington DC on 7th April 2014. We welcomed Australia’s initiative to hold the fourth Annual Dialogue, which has contributed to a further deepening of dialogue and engagement between the three associations, enabling 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 over 20 developing country members of the Commonwealth and Francophonie, from Africa, Asia, the Pacific and the Caribbean regions, 12 G20 member countries, the European Union and several international organisations including the World Bank and International Monetary Fund, ODI, DFI, WFP, IFAD, OECD and the G24.

2. We welcomed the discussion and valued suggestions by members on where the G20 DWG might best support developing countries in generating resilient growth and employment in the context of sustainable development and the challenges presented by the global economy. Participants highlighted the importance of continued engagement with the G20, and discussed the importance of taking stock of it and how the G20 has taken account of input provided through this dialogue.

Update on G20 Development Agenda

3. The G20 is continuing to focus on strengthening development through promoting stronger economic growth and generating employment. We welcomed an update by the Australian G20 Presidency highlighting its key policy priorities for the 2014 G20 development agenda. These issues, which include: encouraging infrastructure and private sector investment in developing countries; ensuring that developing countries can benefit from the G20’s efforts to improve the international tax system; and assisting developing countries to expand the use of formal financial services and reducing the cost of transferring remittances into developing economies, are all of crucial importance to the world’s poorest, smallest and most vulnerable developing countries in achieving their sustainable development objectives. The Australian G20 Presidency also highlighted the ongoing work of the DWG on food security and human resource development for the G20 development agenda, and an upcoming forum to discuss the G20 contribution to the UN driven discussions on the Post 2015 Framework.
4. We benefited from a wide-ranging discussion on the challenges affecting developing countries, including Small States and particularly Small Island Developing States. Participants highlighted issues of: inadequate infrastructure; infrastructure financing, including for climate adaptation and mitigation and for energy production; the need to expand opportunities for innovation in financing, including public private partnerships; the importance of mobilising domestic resources for development; and the emerging challenges and opportunities arising from the development of maritime economies. Participants highlighted the challenges of connecting to markets, addressing the consequences of natural disasters, debt sustainability and the high debt burdens of several members, developing appropriate legislative infrastructure and addressing aspects of food security.

**Achieving Growth with Resilience**

5. The promotion of Growth with Resilience is a major ongoing challenge and policy preoccupation for both CF developing economies and G20 members. We welcomed the priority attached by Australian G20 Presidency to promoting stronger economic growth and employment outcomes and finding ways to make the global economy more resilient to deal with future shocks. We welcomed a presentation by the Overseas Development Institute, and contributions from Malawi and Chad on the particular challenges and opportunities for developing countries in achieving resilient growth. Specific challenges for the poorest, smallest and most vulnerable (PSMV) members include openness to global financial and trade markets, limited diversification, vulnerability to natural disasters, environmental fragility, limited access to external markets, limited capacity, poverty, and income volatility.

6. Discussions explored ways in which G20 and CF members can collaborate on a joint agenda to support the building of resilient growth. Suggestions emphasised the importance of appropriate monetary and fiscal policies and strengthened international action to ensure job-rich growth over the longer term. The discussions supported the G20’s ongoing work to improve resilience through appropriate policies to prevent future financial crises, address climate change and avoid, where possible, natural and environmental disasters. Members called for strengthened economic cooperation among G20 and CF countries, particularly PSMVs, in access to finance, reducing trade costs, infrastructure needs and financing standards implementation, and fostering knowledge and technology transfer between G20 and CF countries.

**Role of Informal Sectors in Promoting Growth, Jobs and Sustainable Development**

7. The informal sector represents a significant proportion of national output and employment in CF developing country members, and presents opportunities and challenges for sustainable development through its effects on employment, productivity, fiscal revenues, and growth. We welcomed a presentation from Senegal and contributions from Zambia and the ILO. Members discussed a wide range of issues associated with the informal sector and noted its differentiated and heterogeneous impact on development.
On the one hand the informal sector is a source of employment and incomes of last resort, however informality can constrain development prospects through low productivity, loss of fiscal revenues and unfair competition to formal firms.

8. Participants identified several ways in which the G20 can help support the development challenges and opportunities presented by the informal sector. These include, amongst others, supporting a research agenda and action plan to investigate and implement policies that assist small informal firms to improve productivity through innovation and targeted support services while enforcing appropriate fiscal and regulatory obligations for large informal actors.

International Financial Centres (IFCs): Meeting the Requirements for International Tax Transparency and Continuing to Generate Jobs and Growth

9. At the G20 Saint Petersburg Summit, the G20 committed to automatic exchange of information (AEOI) as the new global standard; and has embraced an approach to improving international tax transparency which, inter alia, seeks to better understand the challenges faced by developing countries in complying with international standards. We welcomed a presentation from the Commonwealth Secretariat and inputs from St. Kitts and Nevis and the Bahamas, who together with other small states that host IFCs, emphasised the important contribution to growth and jobs arising from IFCs through the wide range of business activities conducted by them; and highlighted particular challenges in implementing tax transparency standards. Some of these include: reducing the costs of compliance, strengthening institutional capacities and legal frameworks, the need for adequate training and human resource development and often the need to establish new institutions to achieve compliance. Other challenges include maintaining sufficient accounting records; and the need for additional mechanisms which provide for effective exchange of information and network agreements. We also welcomed a contribution by the UK, highlighting the benefits of pursuing the new global standard in a timely manner.

10. Discussions included several options for the G20 to consider helping to address the challenges faced by small states in the implementation of the AEOI. Recommendations include: a more graduated approach to implementation for small states and developing countries; a more inclusive and consultative process with domestic institutions; differentiated measures and timelines to countries not posing a systemic risk; a more streamlined approach to monitoring and assessment; and an enhanced dialogue at both the political level and among IFC and non-IFC developing countries. Members also noted the need for technical support in meeting exchange of information requirements; and mechanisms which help reduce costs.
Trade, Growth and Jobs: Opportunities through Value Chains

11. Capacity-constrained developing countries, including CF members, as well as the G20 are concerned to find ways to improve developing country access to global trade markets. Over the past few decades the fragmentation of tasks and production activities to yield many individual final products for international consumers has emerged as an important driving force shaping world trade, giving rise to global value chains or GVCs. An expanding range of empirical evidence reveals that GVCs tend to bypass a large majority of severely capacity-constrained developing countries. We welcomed a presentation from the Commonwealth Secretariat and contributions from Côte d’Ivoire, Bangladesh and other CF members on the particular experiences and challenges of expanding trade, including through GVCs and the potential of regional supply chains (RSCs) to promote more effective trade participation. We also welcomed a presentation from Australia emphasising the G20’s continued focus on trade and the concrete measures being taken to boost trade.

12. Participants discussed several key initiatives that may help CF and other developing countries benefit from RSCs. These include: addressing intra-regional barriers to trade; overcoming challenges posed by the proliferation of regional trade agreements (RTAs); improving trade facilitation measures; strengthening trade-related infrastructure and policy support to develop trade capacity; developing more effective regional trade policy mechanisms to promote RSCs; achieving improved market access for LDCs, SSA and small states; and strengthened international recognition of the particular challenges experienced by small states.

13. The poorest and smallest CF developing countries considered the following ways in which the G20 can strengthen support to these countries in their integration into regional and global value chains: building support for a more coherent and accountable international trade support mechanism; strengthening the availability of Aid for Trade support; helping achieve an improved global trade facilitation regime by pressing for effective implementation of the recently concluded WTO-sponsored Bali agreement; pressing for the removal of tariff and non-tariff barriers to trade; and by supporting the gainful integration of poor and vulnerable countries in RSCs.

Continuing Engagement

14. 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.

15. We thanked the Australian G20 Presidency for facilitating this meeting and the IMF for providing the venue for our meeting. We expressed our gratitude to the Government of Australia for its financial support for the Commonwealth-G20 development dialogue.

11 April 2014