

Finance ministers from various Commonwealth countries have called for a systemic reform of the global financial architecture to enhance access to development financing for vulnerable countries.

Their collective call for reform came at the Commonwealth Finance Ministers High-Level Working Group Meeting in Washington D.C. on 14 April 2023.

At the inaugural Commonwealth Finance Ministers High-Level Working Group Meeting held on the margins of the 2023 World Bank Group and International Monetary Fund (IMF) Spring Meetings, finance ministers discussed national fiscal policies, measures for financial sustainability, eligibility criteria for development finance and potential reforms required for a more equitable financial architecture.

In their call, ministers stressed that any reforms must increase funding and consider the realities of vulnerability when allocating support to help vulnerable countries invest in resilience and achieve sustainable development.

In her opening remarks, the Commonwealth Secretary-General, the Rt Hon Patricia Scotland KC said, “Our world faces overlapping, interlinked and accelerating economic, security and environmental challenges. They entwine and accelerate to amplify existing inequalities, threatening stability, resilience and development prospects.

“The need for ambitious, systemic change has never been greater. As the Commonwealth family, representing one-third of humanity, we are joining forces to call for reform of the global financial system to deliver an architecture that is multi-dimensional, fit-for-purpose and adaptive to emerging and existing challenges, with a view to building long-term resilience and achieving sustainable development.”

She continued: “To create meaningful change, the global financial system must take into account the realities of vulnerability when allocating support to developing countries.”

In this regard, Secretary-General Scotland highlighted that the Commonwealth’s Universal Vulnerability Index provides a solid basis to better target support for those who need it the most.

Delivering a keynote address at the working group meeting, the Prime Minister of Barbados, the Hon Mia Mottley, said:

“One sure thing is that the status quo is not working for us. The continued discriminatory treatment between the global north and the global south really cannot continue, especially in a poly-crisis ... The time is now for action and to ensure that the global financial system is fit for purpose.”

The working group meeting also gave ministers an opportunity to focus on the urgent need to influence the global financial architecture, which is still underpinned by fiscal rules and conditions deemed unfit to meet the needs of the current global economic landscape and overlapping challenges.

Eligibility criteria for accessing concessional finance are based on sole metrics of gross national income (GNI) per capita, which mostly disregards national vulnerabilities. However, recent overlapping crises have exposed and provided evidence of countries' susceptibility to external shocks. The traditional rules and governing conditions for access to international development finance are no longer relevant in this era of interlocked and overlapping crises.

The Commonwealth Secretariat paper entitled 'Fiscal Policy Options for Resilient and Sustainable Development' considers the multi-dimensional vulnerabilities and socio-economic development challenges faced by countries and recommends several fiscal and policy reforms to facilitate more resilient and sustainable development outcomes.

Speaking at the meeting, Dr Ruth Kattumuri, Senior Director of the Commonwealth Secretariat's Economic, Youth and Sustainable Development Directorate, said:

“Collaboration among Commonwealth countries [through this group] would enable knowledge exchange, and facilitate data sharing, research and toolkits, including use of Environmental, Social and Governance (ESG) practices to monitor and accelerate progress on sustainable investing toward enabling an environmentally responsible economy and society, together with protecting our planet.”

The ministers agreed for India to be the chair and Nigeria to be the deputy chair of the Finance Ministers Working Group for a Commonwealth Call for Reform of the Global Financial Architecture.