INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT

COMMUNIQUÉ
APRIL 20, 2017

1. We held our ninety-seventh meeting in Washington D.C. on April 20, 2017 with Abraham Tekeste, Minister of Finance and Economic Cooperation of Ethiopia in the Chair, Ravi Karunanayake, Minister of Finance of Sri Lanka as First Vice-Chair; and Julio Velarde, Governor of the Central Bank of Peru as Second Vice-Chair.

Managing Growth under Global Uncertainty

2. We welcome the increased momentum in global economic growth. Economic activity in emerging market and developing countries (EMDCs), while uneven across countries, is expected to strengthen. EMDCs will continue to contribute the bulk of global growth. However, downside risks from economic and non-economic sources remain high, including sharper than expected tightening of global financial conditions, a potential turn to inward-looking policies, and a reversal of financial regulatory reforms in systemically important advanced economies (AEs).

3. Boosting inclusive growth remains our priority as this is key to raising living standards and lifting many out of poverty. Investment growth, which has declined significantly in recent years, needs to be reinvigorated. This requires maintaining macroeconomic stability and continuing to strengthen fiscal, structural, and governance reforms tailored to country circumstances. We will use all policy levers to ensure that the benefits of growth are shared widely and to reduce high levels of income inequality. We call on the International Monetary Fund (IMF) and the World Bank Group (WBG) to support countries' efforts in achieving inclusive growth.

4. A well-functioning international monetary system will support our efforts to manage vulnerabilities and pursue our growth agenda. We continue to call for a strengthened Global Financial Safety Net, with an adequately-resourced, quota-based IMF at its center. We look forward to an enhanced IMF toolkit that responds effectively to liquidity and precautionary needs of all countries and provides the right incentives for policymakers. More work needs to be done on how to minimize fears of perceived stigma attached to IMF facilities as well as to provide timely and adequate support for primary commodity exporters. We call for evenhandedness in lending decisions, including access and conditionality, and for tailoring policy advice to country circumstances. We look forward to greater cooperation between the IMF and Regional Financial Arrangements.

5. We continue to call for improved international policy coordination to minimize adverse spillovers from major economies' policies. We welcome the IMF's review of country experiences with its Institutional View on the management of capital flows and urge further work on the interaction of macro-prudential and capital flow management measures, to enhance the Fund's policy advice in dealing with capital flow volatility. We look forward to further work to broaden the role and use of Special Drawing Rights as a reserve currency.

6. EMDCs have contributed to and benefited from increased global integration by lowering barriers to trade, while also bearing the cost of adjusting to competitive pressures and technological change. A likely rise in inward-looking policies in some AEs poses a substantial source of risk to the growth prospects of EMDCs. We call for stronger multilateral cooperation to preserve an open and rules-based global trading system, and ensure that its benefits are widely shared. South-South cooperation and regional, subregional and interregional integration have continued to deepen. We encourage IFIs to broaden their work to support and catalyze more South-South cooperation and connectivity.

7. We welcome the support from IFIs and the international community to EMDCs that are disproportionately affected by the refugee crisis, including the internally displaced populations, and encourage the continued pursuit of developmental approaches to address this serious challenge.

Financing for Development

8. Strong fiscal frameworks are essential to mobilize domestic resources to effectively support development efforts. We are encouraged by the progress made in improving tax revenue-to-GDP ratios and enhancing spending efficiency in EMDCs. Progressive and growth-enhancing tax policies and expenditure measures also play an important role in improving income equality and broadening opportunity. We underscore the important role of IFIs and donors in supporting capacity building for revenue mobilization and encourage more peer learning and capacity building among EMDCs through collaborative platforms. We welcome the work of the Platform for Collaboration on Tax and look forward to its engagement with tax officials in EMDCs.

9. We welcome ongoing initiatives on international tax cooperation such as the Automatic Exchange of Information (AEoI) initiative and the Base Erosion and Profit Shifting (BEPS), and call for a framework that ensures effective participation of EMDCs. We support the development of a digital global platform with least compliance cost for implementation of AEoI. We appreciate the work of the UN Tax Committee and encourage multilateral support to upgrade the Committee to an intergovernmental body to enhance the voice of EMDCs on international tax policy matters. We also call for more attention to developing fair tax rules to guide the taxation of multinational corporations and for international cooperation to prevent harmful international tax competition, negative spillovers from shifts in tax policies in major countries, and illicit financial flows.

10. We emphasize the vital importance of scaling up investments in quality infrastructure to deliver on the growth and sustainable development agenda. We call on IFIs to step up support to strengthen policy and institutional frameworks, prepare bankable projects, and crowd in private sector financing. Further, we call on multilateral development banks (MDBs) to implement their Joint Declaration of Aspirations on Actions to Support Infrastructure Investments and enhance synergies with various infrastructure initiatives. The MDBs' ability to finance infrastructure investments to scale will depend on adequate capitalization and optimizing the use of their balance sheets, while maintaining their financial strength that needs to be assessed with appropriate credit rating agencies' methodologies.

11. Concessional financing remains a key element of development financing. We welcome the successful 18th replenishment of the International Development Association (IDA). As IDA integrates non-concessional lending among its instruments, we stress the need to preserve concessionality as a core element of IDA, and to ensure adequate concessional resources for the poorest and the most vulnerable countries. We welcome the creation of the Private Sector Window, the enhancement of the Crisis Response Window, and the doubling of allocation to countries affected by fragility. We call for taking steps to smoothen graduation of IDA countries by providing them adequate transitional support and waiving the acceleration repayments clause. We also welcome the IMF's decision to extend the zero interest rate on its concessional lending through the end of 2018. We call on donors to ensure timely disbursements of their financial commitments to low-income countries (LICs) and encourage the IMF to highlight the negative implications of untimely disbursement.

12. International commitment is essential to implement the Paris Agreement on Climate Change, including by ensuring the availability of the necessary concessional financing. We look forward to developed countries delivering on their commitment to provide US$100 billion per year additional financing by 2020 to support EMDCs' climate actions. We urge developed countries to take the necessary actions to authorize the use of reflows from the Clean Technology Funds to allow the implementation of new financing modalities. We support the increase in access limits in the IMF's rapid facilities to countries hit by very large natural disasters and welcome the extension of the WBG's Catastrophe Deferred Drawdown Option facility to IDA countries.

13. We note the ongoing review of the Joint WB-IMF Debt Sustainability Framework for LICs. We look forward to a new, forward-looking and more flexible framework that considers country specific circumstances and the impact of effective public investments on growth. We continue to encourage the use of enhanced contractual clauses in sovereign debt issues to facilitate timely and orderly sovereign debt restructuring and support exploring solutions to address potential holdout problems.

14. We support the continued reform of global financial regulations and the strengthening of the AML/CFT framework but highlight the need to address their unintended consequences. In this regard, we take note of the initiative by the Financial Stability Board (FSB) to develop a structured framework to evaluate the effects of the implementation of financial regulatory reforms. We call for continued efforts by the IMF, the WBG, the FSB and other global financial standard-setters toward finding concrete solutions to address the withdrawal of correspondent banking relationships, its multifaceted drivers, and its disruptive impact on cross-border flows and access to financial services. We are committed to enhancing financial inclusion, drawing on country experiences through peer learning, and look forward to stronger support from IFIs, including on enabling digital financial innovations and managing their risks, and reducing the cost of remittances. We call for further support to promote deeper and more resilient financial sectors, including through the development of local currency bond markets.

Reforming the Bretton Woods Institutions

15. We support a quota-based, adequately-resourced IMF that is less dependent on borrowed resources. We call for the full implementation of the 2010 Governance Reforms on Board

Representation. We call for the completion of the 15th General Review of Quotas, including a new quota formula, by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We call for a revised quota formula that further shifts quota shares from AEs to dynamic EMDCs, reflecting their growing weight in the global economy, while protecting the quota share of the poorest countries, and puts greater weight to GDP PPP within the GDP blend. The realignment of quota shares must not come at the expense of other EMDCs. We reiterate our longstanding call for a third Chair for Sub-Saharan Africa, provided that it does not come at the expense of other EMDCs' Chairs.

16. We look forward to a World Bank's Shareholding Review that upholds the Istanbul Principles to achieve equitable voting power between developed and developing and transition countries (DTCs), and produces an outcome that is broadly acceptable to the membership, while protecting the smallest poor countries. We call for the timely implementation of the Lima Roadmap. As the review moves toward the conclusion of the new shareholding package, we call for exploring options to ensure a meaningful realignment with a balanced shareholding outcome, including allocations in line with the agreed formula, special allocations, forbearance, and limits on dilution of individual DTCs.

17. We reiterate our support for a stronger WBG to provide continued assistance to developing countries of all income levels, as laid out in its Forward Look. In the meantime, we are concerned with the IBRD's and IFC's strained financial capacity and the consequent expected decrease in annual lending over the coming years. This will adversely affect the WBG's ability to engage its member countries and to catalyze private financing, which are essential to meet the ambition of its Forward Look. To strengthen the financial capacity of the IBRD and IFC and build on their ability to leverage their shareholders' capital, we call for exploring all options, including capital increases, further balance sheet optimization, and review of financial transfers from IBRD and IFC to IDA. Furthermore, we recognize the importance of having a balanced portfolio, which contributes to the financial sustainability of IBRD. We welcome the shift in the WBG's development financing approach towards greater strategic use of official resources to further catalyze public and private investments and mobilize private capital.

18. We call for strengthening the efforts of the IMF and the WBG towards greater representation of under-represented regions and countries in recruitment and career progression, including at managerial levels. We reiterate the importance of staff diversity and gender balance at all levels, including diversity of educational institutions.

Other Matters

19. We welcome Morocco and Haiti as new members of the Group.

20. The next meeting of the G-24 Ministers is expected to take place on October 12, 2017 in Washington, D.C.

LIST OF PARTICIPANTS[1]

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their ninety-seventh meeting in Washington D.C. on April 20, 2017 with Abraham Tekeste, Minister of Finance and Economic Cooperation of Ethiopia in the Chair; Ravi Karunanayake, Minister of Finance of Sri Lanka, serving as First Vice-Chair; and Julio Velarde, Governor of the Central Reserve Bank of Peru as Second Vice-Chair.

The meeting of the Ministers was preceded on April 19, 2017 by the one hundred and ninth meeting of the Deputies of the Group of Twenty-Four, with Fisseha Aberra, Director of the International Cooperation Directorate at the Ministry of Finance of Ethiopia, as Chair.

African Group: Abdelhak Bedjaoui, Algeria; Mutombo Mwana Nyembo, Democratic Republic of Congo; Chalouho Coulibaly, Côte d'Ivoire; Ragui El-Etreby, Egypt; Gebreyesus Guntie, Ethiopia; Regis Immongault, Gabon; Ernest Addison, Ghana; Abdellatif Jouahri, Morocco; Kemi Adeosun, Nigeria; Sfiso Buthelezi, South Africa.

Asian Group: Subhash Garg, India; Golamali Kamyab, Islamic Republic of Iran; Alain Bifani, Lebanon; Omar F. Saqib, Pakistan; Gil Beltran, Philippines; Mohamed Rafeek, Sri Lanka; Maya Choueiri, Syria Arab Republic.

Latin American Group: Nicolás Dujovne, Argentina; Otaviano Canuto, Brazil; Ana Milena Lopez Rocha, Colombia; Oscar Monterroso, Guatemala; Jean B. Dubois, Haiti; Gerardo Zuñiga Villaseñor, Mexico; Renzo Rossini, Peru; Alvin Hilaire, Trinidad and Tobago; Armando Leon, Venezuela.

Observers: Ben Rejeb Jaleleddine, Arab Monetary Fund; Roberto Campo, Central American Monetary Council; Zhongjing Wang, China; Inés Bustillo, ECLAC; Francisco Rivadeneira, Ecuador; Horacio Sevilla Borja, G-77; Erick Zeballos, ILO; Mansur Muhtar, IsDB; Fuad Albassam, OFID; Hojatollah Ghanimi Fard, OPEC; Sulaiman Al-Turki, Saudi Arabia; Mubarak Al Mansoori, United Arab Emirates; Stephanie Blankenburg, UNCTAD; Alexander Trepelkov, UNDESA.

Special Guests: Christine Lagarde, Managing Director, International Monetary Fund
Jim Yong Kim, President, World Bank
Ludger Schuknecht, Germany Finance Ministry

G-24 Secretariat: Marilou Uy, Aldo Caliari, Shichao Zhou, Alida Uwera, Lana Bleik

IMF Secretariat for the G-24: Maria Guerra Bradford, Marushia Gislén, Aric Maiden

[1] Persons who sat at the discussion table.