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

COMMUNIQUÉ
Chaired by Ali Salehabadi, Governor of the Central Bank of the Islamic Republic of Iran

October 11, 2021

1. The global economy is recovering from the pandemic amidst an uncertain path. Growth in per capita incomes of advanced countries and many emerging and developing economies (EMDEs) continue to diverge, largely driven by uneven vaccine access, fiscal space and financial capacity to respond to the crisis. After severe output losses due to the pandemic, growth in the near term in many EMDEs is improving largely due to increasing domestic demand and higher commodity prices. Multiple social and economic challenges – food insecurity, increasing inequality, persistent unemployment and informality, setbacks in education and human capital development, heightened debt vulnerabilities, conflict, fragility and migration, climate change and increasing inflation risks – remain and weigh on medium-term prospects of most EMDEs. The sudden tightening of financial markets poses additional downside risks. Securing inclusive and sustainable growth will require international cooperation to provide widespread access to and distribution of affordable vaccines, ensure adequate external financial support to meet sustainable development goals and maintain financial market stability.

2. We call for stronger multilateral cooperation to scale up vaccine supply and ensure equitable access by all countries to affordable vaccines, which is the most critical global public good at this juncture. Concerted international support is essential to mobilize the IMF's proposed US$50 billion global financing, preferably through grants or on concessional terms, to end the pandemic. We welcome all efforts, including by the Multilateral Leaders Task Force on Scaling COVID-19 Tools – composed of the World Bank Group (WBG), IMF, WHO and WTO – to tackle obstacles of reaching 40 percent vaccine coverage in all countries by end-2021, 60 percent by mid-2022 and 70 percent by end-2022. Advanced countries should ensure adequate upfront funding of Access to COVID-19 Tools Accelerator (ACT-A) and the COVAX Facility, fulfill their dose-sharing pledges and agree on a patent waiver for COVID-19 vaccines and treatments in order to support global recovery and on humanitarian grounds. We commend the increased lending envelope of the WBG's Pandemic Facility. We call on the Multilateral Development Banks (MDBs) to urgently support boosting vaccine manufacturing in EMDEs and welcome the IFC's efforts in this regard. All countries should ease trade restrictions and tackle logistical, financial and supply-chain bottlenecks that impede effective production and distribution of vaccines, treatments and critical medical supplies.

3. We welcome the new $650 billion Special Drawing Rights (SDR) allocation to boost global liquidity, which is an important global response to the pandemic crisis. We call for a meaningful voluntary channeling of SDRs from countries with strong external positions to low- and middle-income countries that need support. We welcome channeling SDRs through the Poverty Reduction and Growth Trust (PRGT). We also welcome the proposed Resilience and Sustainability Trust (RST) to support low-and-middle-income countries vulnerable to transformational challenges,

including pandemic prevention and preparedness and challenges to sustainable development, to support recovery, improve financial resilience and promote balance of payments viability. The RST should complement and add to the Fund's regular lending toolkit by providing affordable and long-term financing to IMF-supported arrangements. Going forward, we welcome wider consultations with key stakeholders in deciding the objectives and structure of the Trust, which will be important for the success of the initiative. We encourage the IMF to explore further options, where feasible, for members to voluntarily channel SDRs through the WBG, other MDBs, regional development banks and other prescribed holders of SDRs, without delaying the RST, and while preserving the reserve asset characteristics of the SDR.

4. We commend the IMF's continued efforts to adapt its lending toolkit, technical assistance and advice to the evolving needs of EMDEs, including fragile and conflict affected states (FCS). We ask the IMF to consider the review of Access Limits and Surcharge Policy. We urge the Fund to correct the regressive and procyclical character of the Surcharge Policy and suspend, or at least substantially reduce, existing surcharges to support pandemic responses. We call on the IMF to review and expedite some Rapid Financing Instrument cases that have not been concluded yet. We draw attention to the role of precautionary financing instruments in helping eligible countries deal with tail external risks and complement liquidity buffers. We encourage the IMF to review its financial governance and address equity considerations in its revenue structure, including the role of surcharges. In addition to donor contributions, the IMF should explore predictable sources of funding to enhance the PRGT and increase own resources devoted to capacity building that will particularly benefit low-income countries. We look forward to further discussions on the review of the IMF's Institutional View on Capital Flows, incorporating the recommendations of the Independent Evaluation Office (IEO) and the Integrated Policy Framework and aiming to help countries reap the benefits of capital flows while managing risks to ensure stability.

5. We reiterate the importance of a strong Global Financial Safety Net, with an adequately resourced and quota-based IMF at its center. We encourage the timely completion of the 16th General Review of Quotas (GRQ). If previous quota reviews had been successful, EMDEs could have received a higher share of the new SDR allocation. Under the 16th GRQ, we support a substantial quota increase and reduction in reliance on borrowed resources. We also call for an early consensus on a new quota formula and a meaningful shift in quota shares from advanced economies to EMDEs, while protecting the shares of the poorest countries.

6. The WBG and other MDBs should use the strength of their balance sheets, to the fullest extent possible while maintaining financial sustainability and credit ratings, to scale up lending over the medium- and long-term in order to meet the exceptional financing needs in low- and middle-income countries, including FCS and small states. We welcome the WBG's scaled-up COVID-19 response and proposed financing for the Green, Resilient and Inclusive Development (GRID) approach. We call for an ambitious IDA20 Replenishment to support a strong recovery in low-income countries as well as to strengthen assistance to fragile and conflict-affected states, small states and countries experiencing unprecedented migration flows, forced displacement and refugee challenges. We urge the WBG to increasingly adopt innovative solutions—such as de-risking instruments and blended finance—to leverage more private financing, especially for sustainable infrastructure investments. The 2018 IBRD-IFC Capital Package did not anticipate the enormous financing needs of middle-income countries, which have been hit hard by the pandemic

crisis. We ask the WBG to develop a medium-term strategy of engagement with middle-income countries, considering their evolving landscape and circumstances.

7. We welcome the introduction of a global minimum corporate tax to address harmful tax competition and new rules to allocate a portion of taxable profits of multinationals to market countries. We expect that the multilateral solution under the proposed two-pillar approach will yield meaningful revenues for EMDEs, which is an important step toward a fairer and more stable international corporate tax system. We continue to emphasize dispute prevention rather than arbitration. At the same time, existing arbitration systems need to be redesigned to reflect the interests of all parties involved. We also call for stronger international cooperation to tackle illicit financial flows.

8. We look forward to further progress in implementing sovereign debt treatments, with participation of private and official creditors in a coordinated manner, within the G20's Common Framework for Debt Treatments (CF). We call on further work on improving the sovereign debt resolution framework to facilitate debt treatments for countries that need them, increase private creditor participation and address the pro-cyclical impact of sovereign credit ratings. We encourage the IMF and WBG to strengthen their technical and financial support in the implementation of the CF, in line with their mandates. We ask the IMF and the WBG to develop innovative financial instruments to reduce debt burdens, and support capacity building for domestic resource mobilization and debt management. We encourage the IMF to continue engaging with potential contributors/donors while exploring other innovative mechanisms to replenish the Catastrophe Containment and Relief Trust (CCRT). We urge the WBG, as a leading MDB, to ensure that the LIBOR transition will not add to the financial burdens of EMDEs.

9. COVID-19 has exacerbated social and economic inequalities between and within countries. Addressing these inequalities is essential to avoid long-lasting scars and build a better and more inclusive future and should be a key area for stronger responses from the IMF, WBG and other MDBs, working with relevant organizations, within their respective mandates. We call on the IMF to strengthen its attention to the social and distributional consequences of the growth and adjustment programs the Fund supports, as recommended in the recent IEO evaluation. This will help build country ownership of adjustment reforms. We call on the WBG and other MDBs to strengthen assistance to protect the vulnerable, promote gender equity, invest in public health, address the education crisis that has set back gains in human capital development, close the digital divide and address food insecurity, to avert long-lasting fragility and enhance well-being for all. We urge the IMF and WBG to strengthen their analytical work on the macroeconomic and developmental impacts of migration and refugee flows in source and destination countries and provide advice to design cooperative approaches and national policies.

10. We welcome the stronger global attention to address climate change and tackle biodiversity losses. We look forward to the success of the 26th United Nations Climate Change Conference of the Parties (COP26) and the 15th meeting of the Conference of the Parties to the Convention on Biodiversity Diversity (COP15). The report of the Intergovernmental Panel on Climate Change (IPCC) highlights the immense impacts of climate change, which will disproportionately fall on developing countries. The international commitment to accelerate transition to a low-carbon world should reflect the principle of Common but Differentiated Responsibilities and Respective

Capabilities (CBDR-RC) as enshrined in the Paris Agreement. Low carbon pathways should offer opportunities to boost, and not impede, poverty reduction, job-creating growth, technological advances, trade openness and inclusive development in EMDEs. We look forward to a fruitful and concrete plan to reverse biodiversity loss and put nature on the path to recovery. We call on the WBG to collaborate with other organizations and institutions and contribute to these processes, based on its comparative advantage. All these will require massive increases in investment and access to affordable low-carbon technology for developing countries, including financial access on concessional terms, and drawing on the benefits of a circular economy. Developed countries should deliver ambitious climate financing to support recovery and meet adaptation and mitigation needs. They should fulfill their commitment not only to provide US$100 billion annually to developing countries at the earliest possible time, but also increase the share of concessional resources and adaptation finance and aim for greater ambition over the longer term. In addition, significant scaling up of financial and technical assistance from MDBs and climate related funds, such as the Climate Investment Fund, Green Climate Fund and Global Infrastructure Facility, will be important to bolster the investments necessary to jointly achieve both development and climate goals.

11. We welcome the WBG's Climate Action Plan and the IMF's Strategy to assist countries efforts to address adaptation and mitigation goals in addressing climate change and achieve the 2030 sustainable development goals, within their respective mandates. We call on the WBG and IMF to tailor their support to countries' unique and diverse economic structures and circumstances. All discussions on climate related programs should remain within the ambit of the Paris Agreement, and the principles of CBDR-RC need to be prioritized. The WBG can scale up their operational and lending capacity to support developing countries' Nationally Determined Contributions under the Paris Agreement, and enhance sustainable, resilient, and inclusive development. We support the IMF's update of its bilateral and multilateral surveillance frameworks to recognize the macro-critical implications of climate risks and actions. Finally, we strongly encourage effective collaboration between the WBG and the IMF.