

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

## COMMUNIQUÉ OCTOBER 9, 2014

1. We, the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, held our ninety-second meeting in Washington, D.C. on October 9, 2014 with Naglaa El-Ehwany, Minister of International Cooperation of Egypt in the Chair; Alain Bifani, Director General of the Ministry of Finance of Lebanon as First Vice-Chair; and Mauricio Cárdenas, Minister of Finance of Colombia as Second Vice-Chair.

### **Global Economy and Implications for Developing Countries**

2. Although the global economic recovery continues to be tepid and uneven, emerging market and developing country (EMDC) fundamentals are generally strong and EMDCs are expected to continue to account for the bulk of global growth in the medium term. Growth in low-income countries (LICs) has also been robust, supported by better macroeconomic policies and structural reforms. Notwithstanding these generally strong fundamentals, global economic headwinds arising from the slower than expected growth in the euro area and Japan, and in some EMDCs, have affected global growth. Global growth forecasts have been revised downward for the remainder of 2014 and for 2015, and important downside risks have risen with potentially large spillovers on EMDCs. These include risks from disruptive capital flows and exchange rate volatility associated with the exit from unconventional monetary policy in major advanced economies (AEs), rising geopolitical tensions, and risks from a sharp correction in financial markets.

3. Against this backdrop, we urge policymakers in AEs, especially those that issue reserve currencies, to give due attention to the risks and impact of spillovers on EMDCs and to undertake effective coordination and communication of their policies. We also stress the need to ensure that EMDCs have adequate access to flexible financial backstops, including from the international financial institutions (IFIs). We welcome the establishment of the BRICS' Contingent Reserve Arrangement, which adds to existing safety nets, such as the Chiang Mai Initiative Multilateralization and the Latin American Reserve Fund. We welcome the continued role that the Fund is playing in multilateral surveillance and global policy coordination.

4. Despite a prolonged period of very low interest rates in AEs, robust recovery has not materialized, which emphasizes the importance of deeper structural reforms and more supportive fiscal policy, including through infrastructure investment. In order to ensure that our own countries are on a robust long-term growth path, we will continue to pursue measures to increase investment in infrastructure and raise productivity, create jobs and accelerate structural transformation, recognizing that this will involve policy challenges that will vary across countries.

5. We underscore the importance of reducing inequality and social exclusion in both AEs and EMDCs, and welcome the increased focus by the World Bank Group (WBG) and the

incorporation of these issues in the work of the IMF. We are committed to a broad range of actions to support more inclusive growth and create more and better quality jobs, including investing in skills, education and health, facilitating labor mobility and improving social safety nets. We also support further work by the WBG on mainstreaming policies to address climate change and gender equality.

6. We are deeply concerned about the Ebola outbreak in West Africa and its impact on the affected countries. We welcome the work underway by the U.N., WBG, IMF and African Development Bank, among others, and call for swift, intensified international action and timely delivery of assistance to eradicate the epidemic and mitigate its human and economic costs.

7. We note the enhanced efforts by the IMF and the WBG in providing financial, technical and analytical support to Arab countries in transition as they deal with political and socio-economic challenges, and continue to call for increased resources and flexibility from international financial institutions (IFIs). The IMF and the WBG should also support countries' efforts to leverage additional resources outside the region, such as Tunisia's recent global conference and Egypt's upcoming 2015 Economic Summit that will be geared toward attracting investments globally. We reiterate our call for increased support and resources to countries facing a disproportionate impact from the influx of Syrian refugees, particularly Lebanon.

8. We are concerned by the challenges facing small developing states, particularly those that are vulnerable. We also remain concerned about the continued difficulties faced by countries in fragile and conflict-affected situations and those facing health crises. We urge the WBG and IMF to continue to provide effective support to these countries. We look forward to the completion of the new guidelines for IMF engagement with countries in fragile situations and welcome the creation of a working group of IMF Executive Directors to promote joint action on policy and country items affecting these countries.

9. Recent developments have highlighted the importance of more effective mechanisms for resolving sovereign debt crises. We are concerned about the systemic impact of the decision in the NML Capital, Ltd. vs. Argentina case in the U.S. courts, specifically on incentives for holdout behavior that undermine the basic architecture for sovereign lending and debt resolution. We note the initiation of discussions with the recent United Nations General Assembly resolution to establish an effective multilateral framework for sovereign debt restructuring, and look forward to further dialogue and work. We also note the IMF Executive Board's endorsement on measures to reform pari passu clauses and reinforce collective action clauses in sovereign bonds, given the challenges litigation poses to the predictable and orderly resolution of sovereign debt restructuring processes.

### **Financing for Development**

10. We stress the critical importance of sustaining efforts to achieve the Millennium Development Goals (MDGs) as the 2015 deadline approaches. We emphasize the importance of delivering on commitments to Official Development Assistance (ODA) and seek to increase their leverage. We call on the WBG and other multilateral financial institutions to intensify their efforts to support countries in achieving the MDGs.

11. We look forward to continued engagement in shaping the post-2015 development agenda. The Report of the U.N. Intergovernmental Committee of Experts for Sustainable Development Financing and research work of the G-24 have underscored the large financing gap that has to be met to implement the post-2015 development agenda and enhance the growth prospects of developing countries. We agree with the Report's call for a principles-based, multi-pronged approach to optimize the use of various domestic and external financing sources, led by national efforts, and boosted by a supportive international environment. Financing the enormous development needs of the future will require international attention and strong cooperation to mobilize aid, including ODA, domestic resources and private finance. We look forward to the Addis Ababa Financing for Development Summit in July 2015.

12. We recognize the importance of strengthening domestic revenue mobilization in ways tailored to our countries' circumstances, and will continue to undertake tax, expenditure and subsidy reform efforts, supported by peer learning. We note the importance of effective international tax cooperation to support growth-enhancing fiscal strategies, including on Base Erosion and Profit Shifting (BEPS). We call for structured dialogue in the OECD with developing countries while developing the action plan on BEPS, as well as for the provision of technical assistance by the IMF to support the institutional capacity of EMDCs on fiscal management. We also take note of the new global standard on automatic exchange of tax information to tackle cross-border tax evasion and non-compliance.

13. We stress the critical importance of infrastructure investments for supporting demand and enhancing potential growth in our economies and globally. We recognize the important role of the public sector in creating a supportive environment for quality investments in infrastructure, including through sound sector policies and institutional and regulatory arrangements, and adequate project identification and preparation. We welcome the increased attention to augmenting financing and capacity-building mechanisms to support quality investments in infrastructure, including the BRICS' New Development Bank, the Asian Infrastructure Investment Bank, the Africa50 Fund, the Global Infrastructure Facility, and the recent G-20 Global Infrastructure Initiative. We call for broad participation in these initiatives and firm commitment given the scale of infrastructure investment needs.

14. We ask for due flexibility in the IMF's debt limits policy and the International Development Association's (IDA) non-concessional borrowing policy for LICs, taking into account the large financing needs of LICs and changing landscape of global financing. Debt sustainability assessments should be based on realistic, objective risk assumptions, in order to avoid unduly constraining investment and growth. We look forward to the Fund completing the review of the IMF's debt limits policy in consultation with stakeholders, consistent with its objectives of having in place a structured and unified debt framework for all countries. We emphasize that access to external financing along with sound debt management and effective use of borrowed funds should enable the financing of productive investments that support inclusive growth, increased resilience and job creation. We urge the Fund to extend for two years the waiver on interest rates applicable to the Poverty Reduction and Growth Trust.

### **Role and Reform of International Financial Institutions**

15. We welcome the IMF's continued efforts to ensure that its surveillance adapts effectively to emerging challenges. Greater integration and deepening of risk and spillover analysis that enable better understanding of transmission of risks and their impact on recipient countries will support the timely adoption of national policies to improve resilience and mitigate the impact of external shocks. We encourage greater consultation between the IMF and EMDCs on ensuring more effective, evenhanded policy dialogue and communication that will strengthen the effect of the Fund's policy advice.

16. We remain deeply disappointed that the IMF quota and governance reforms agreed to in 2010 have not yet come into effect, and urge the U.S. to complete ratification. This remains a significant impediment to the credibility and effectiveness of the IMF and unjustifiably delays forward-looking commitments, namely a new quota formula and the 15<sup>th</sup> General Review of Quotas. We call on the Fund to develop options for next steps should ratification of the 2010 reforms be delayed beyond year-end. We call for reaching agreement on a reformed quota formula that meaningfully enhances the voice and representation of EMDCs, including poor, fragile, and small low- and middle-income countries, by addressing the long-standing bias against EMDCs. We urge the IMF to begin work towards the 15<sup>th</sup> General Review of Quotas. The realignment of quotas must ensure that the rapidly growing weight of EMDCs in the global economy is reflected in the Fund's governance structure, and this must not come at the expense of other EMDCs. We reiterate our longstanding call for a third chair for Sub-Saharan Africa in the IMF Executive Board to improve the representation of the region, provided it does not come at the expense of other EMDC chairs.

17. We look forward to the continued implementation of the institutional reforms underway at the WBG. We stress the importance of reinforcing country ownership in the new country engagement model. We reiterate the importance of WBG engagement with and support for all its members on the basis of its development mandate and without political considerations. We look forward to more effective delivery of financing, technical, and advisory support tailored to different country circumstances. We take note of the Bank's ongoing expenditure review and efforts to improve its financial capacity. We express concern, however, about the impact of the phasing out of the Grant-Making Facility on the funding of global public goods, especially on the Consultative Group for International Agriculture Research (CGIAR) and on the State and Peace Building Fund. We encourage management to ensure the identification of alternative sources of funding. We also look forward to the effective implementation of IDA17, in order to meet the immense needs of the poor and vulnerable.

18. We reiterate our call for the timely implementation of the 2010 WBG voice and capital reforms and remain committed to the conclusion of the next shareholding review by no later than October 2015, as previously agreed.

### **Other Matters**

19. We call for concrete efforts to strengthen the recruitment, career progression, and promotion of nationals from underrepresented regions and countries to achieve balanced representation in the IFIs. To that end, we reiterate the importance of staff diversity and gender balance at all levels, including diversity of educational institutions.

20. We thank Amar Bhattacharya, outgoing Director of the G-24 Secretariat, for his excellent work for the Group over the past years. We wish him the very best in his future endeavors. We welcome the incoming Director, Marilou Uy, and assure her of our support.

21. We thank Egypt for its Chairmanship of the Group and welcome Lebanon as the incoming Chair. We also welcome Ethiopia as the Second Vice-Chair. The next meeting of the G-24 Ministers is expected to take place on April 16, 2015 in Washington, D.C.

## LIST OF PARTICIPANTS<sup>1</sup>

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their ninety-second meeting in Washington, D.C. on October 9, 2014 with Naglaa El-Ehwany, Minister of International Cooperation of Egypt in the Chair; Alain Bifani, Director General of the Ministry of Finance of Lebanon as First Vice-Chair; and Mauricio Cárdenas, Minister of Finance of Colombia as Second Vice-Chair.

The meeting of the Ministers was preceded on October 8, 2014 by the one hundred and fourth meeting of the Deputies of the Group of Twenty-Four, with Mr. Karim Wissa, Alternate Executive Director at the World Bank, as Chair.

**African Group:** Mohamed Djellab, Algeria; Nialé Kaba, Côte d'Ivoire; Mutombo Mwana Nyembo, Democratic Republic of Congo; A. Shakour Shaalan, Egypt; N. Gebre-ab Biadgillign, Ethiopia; Denis Meporewa, Gabon; Frimpong Kwateng-Amaning, Ghana; Godwin Emefiele, Nigeria; Nhlanhla Nene, South Africa.

**Asian Group:** Arvind Mayaram, India; Ali Taiebnia, Islamic Republic of Iran; Mounir Rached, Lebanon; Mohammad Hassan, Pakistan; Ma. Cyo Tũaño-Amador, Philippines; Sarath Amunugama, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

**Latin American Group:** Axel Kicillof, Argentina; Carlos Cozende, Brazil; Rodrigo Suescún, Colombia; Johnny Gramajo, Guatemala; Gerardo Gonzales, Mexico; Julio Velarde, Peru; Larry Howai, Trinidad and Tobago; José Rojas, Venezuela.

**Observers:** Bin Han, China; Inés Bústillo, ECLAC; Alvaro Hernandez, Ecuador; Shamshad Akhtar, ESCAP; Laurent Lamothe, Haiti; Stephen Pursey, ILO; Jamel Zarrouk, IsDB; Mohamed Taamouti, Morocco; Suleiman Alherbish, OFID; Abdalla El-Badri, OPEC; Ibrahim Al-Turki, Saudi Arabia; Manuel F. Montes, South Centre; Mubarak Al Mansouri, United Arab Emirates; Richard Kozul-Wright, UNCTAD; Alexander Trepelkov, UNDESA.

**Special Guests:** Christine Lagarde, Managing Director, International Monetary Fund  
Jim Yong Kim, President, World Bank

**G-24 Secretariat:** Marilou Uy, Rachael Holt, Ndzouli Mendouga

**IMF Secretariat for the G-24:** Veronika Zavacka, Dalila Bendourou

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<sup>1</sup> Persons who sat at the discussion table.