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

COMMUNIQUÉ
OCTOBER 6, 2016

1. We, the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, held our ninety-sixth meeting in Washington D.C. on October 6, 2016 with Mauricio Cárdenas, Minister of Finance and Public Credit of Colombia in the Chair; Abdulaziz Mohammed, Minister of Finance and Economic Cooperation of Ethiopia as First Vice-Chair; and Ravi Karunanayake, Minister of Finance of Sri Lanka as Second Vice-Chair.

2. We congratulate Dr. Jim Yong Kim on his reappointment as President of the World Bank Group.

The Global Economy and its Implications for Developing Countries

3. We are concerned with the prolonged weakness in the global recovery and increasing levels of inequality. Global demand is weak and the growth outlook in advanced economies (AEs) remains subdued. The growth prospects of emerging market and developing countries (EMDCs) are improving but they vary greatly across countries, with some commodity exporters experiencing a sharp slowdown. High downside risks remain from monetary policy normalization in the U.S., rebalancing in China, volatile financial markets, political tensions, uncertainties related to Brexit, and the refugee crisis; all of which could further disrupt growth. A broad-based policy response from countries, including coordinated measures, is urgently needed to boost confidence and global growth. We commit to using all policy measures, including monetary and fiscal policies, and structural reforms to boost growth and global demand.

4. Multilateral actions are increasingly important to support a stronger global recovery. In this regard, we support further focus on the IMF's lending toolkit and technical assistance to address diverse country needs, including instruments to address the negative impact of sharp drops in commodity prices and non-economic shocks. The difficulties faced by commodity-exporting countries, in particular low-income countries (LICs), require special attention. We support efforts to further strengthen the Global Financial Safety Net (GFSN) with an adequately-resourced, quota-based IMF at its center. We welcome the IMF's initiatives to develop synergies with regional financial arrangements, while respecting their institutional arrangements. We call for more even-handed IMF surveillance, program-design, and monitoring that are better tailored to country-specific circumstances. Greater spillovers from policies implemented in systemically important economies call for enhanced surveillance and policy coordination. Against this background, we welcome the stocktaking of the effectiveness of the International Monetary System and IMF's review of country experiences in handling capital flows. We also look forward to the review of the Multiple Currency Practices with a view to clarifying members' obligations. We welcome the official inclusion of the Renminbi in the Special Drawing Rights (SDR) basket in October 2016 and exploring options for broader use of the SDR.

5. We note with concern the slowdown in the growth of global trade, the increase in protectionist trends, and the backlash against globalization, mainly in AEs. An increase in inward

looking policies poses serious risks to global growth with adverse impact on the growth prospects of EMDCs, and calls for the implementation of coordinated policies to ensure that the benefits of global integration are more widely shared. While global inequality has shown a modest decline, due to narrowing income gaps between countries, reducing it further while addressing the currently high levels of inequality within countries can boost growth and reduce the number of people left behind by globalization. In addition, the global community has a shared responsibility to resist protectionist measures and work toward creating an enabling multilateral trade environment that fosters trade and productivity growth in goods, e-commerce, and services.

6. We continue to call on the IMF, the World Bank Group (WBG), and global financial regulators to strengthen their work toward finding concrete solutions to address the decline of correspondent banking relationships (CBRs) and avoid further financial exclusion. We note the Action Plan of the Financial Stability Board (FSB) to address this issue and look forward to tangible results. We welcome the FSB's work to address the vulnerabilities arising from market-based finance, which have grown significantly in recent years, and its impact on EMDCs. We are concerned about the adverse effects of illicit financial flows on our countries and call for strengthened support of the IMF and the WBG in the broader effort to combat illicit financial flows, including through the Stolen Assets Recovery Initiative (StAR).

7. We welcome the WBG's initiatives to support EMDCs that are disproportionately affected by the refugee crisis and other non-economic shocks. The newly launched Global Concessional Financing Facility is a right step in this direction. We welcome the WBG's report on the "Forcibly Displaced" and the analytical work by IMF staff on the economic impact of conflicts and the refugee crisis in the Middle East and North Africa, which indicate a shift to a developmental approach to this challenge, and encourage continued work in the assessment of the economic costs of conflict and participation in global initiatives to manage the impact of refugee flows. We call for more work and coordination among international organizations, following the WBG's report on migration and development, to improve the understanding of, and efficiently address, the challenges of migration.

Strengthening Foundations for Inclusive and Sustainable Growth

8. Boosting and sustaining growth and improving the livelihoods for all are central to achieving the Sustainable Development Goals (SDGs). Delivering on these priorities requires efforts at the country level as well as the global level. Economic diversification and other measures to mitigate the impact of external shocks, particularly for commodity exporting and agro-dependent countries, are more urgent than ever. Depending on our country circumstances, appropriate policies to improve agricultural productivity, further industrialize, including in agro-industry, and tap into the potential of digital technology are crucial for transforming our economies and reinvigorating growth. It is also important to integrate our economies more effectively in global value chains, whose structures are evolving in response to rapidly changing technology and direction of trade.

9. Policies should also aim at improving social protection, broadening financial inclusion, addressing under-employment and unemployment, including that of the youth, and fostering

effective female labor force participation. We underscore the importance of the IMF, the WBG, and other international organizations to scale up their support to countries' strategies and programs to achieve inclusive and sustainable growth, and to realize the SDGs. We also call on international financial institutions (IFIs) to mobilize financing for and facilitate South-South cooperation. In this context, we look forward to integration of the features of asset-based financing practices into global finance.

10. We emphasize the vital importance of increasing investment in infrastructure in EMDCs, which will boost demand, support inclusive growth, and reduce poverty. Investing in green infrastructure presents an opportunity to change the patterns of sustainable production and consumption, and contribute to climate goals. Strengthening public investments and efficiency, efforts to prepare a pipeline of bankable projects, encouraging and enhancing the participation of the private sector as an additional source of capital, are necessary to overcome the large and growing infrastructure needs and financing requirements in these countries. Although some EMDCs are able to scale up infrastructure investments, we note that other developing countries severely impacted by external shocks face serious constraints of narrowing fiscal space and tighter access to external financing. We look forward to ambitious efforts by Multilateral Development Banks (MDBs) to effectively support sustainable infrastructure financing in EMDCs and to develop effective approaches and instruments to crowd in private resources.

11. We welcome ongoing efforts of MDBs to optimize the use of their own balance sheets and encourage those that have not undertaken these efforts to do so while safeguarding their financial strength, and call for further dialogue towards ensuring the adequate capitalization of MDBs. We welcome the IMF's infrastructure policy support initiative to strengthen the capacity of countries' public institutions involved in infrastructure investment and raise the growth payoff of such investment while preserving debt sustainability. We welcome the G20 Hangzhou Action Plan, which emphasizes the role of infrastructure development in the growth agenda and highlights the key role of MDBs.

12. We continue to underscore the importance of enhanced support from IFIs and donors for capacity building on domestic resource mobilization in developing countries. We support the work done by the Addis Tax Initiative and welcome the Platform for Collaboration on Taxation by the IMF, OECD, UN and the WBG. We encourage all countries to join the BEPS inclusive framework on an equal footing, and developing countries in particular to commit to signing the Convention on Mutual Administrative Assistance in Tax Matters. We encourage greater participation of developing countries in the activities of the Committee of Experts on International Cooperation in Tax Matters, which should be upgraded into an intergovernmental level. We stress the importance of improving the international standards on tax transparency, as well as of enhancing the availability and the international exchange of beneficial ownership information of legal persons and legal arrangements.

13. We note the ongoing review of the Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries that is scheduled for completion by year-end. We call for a forward-looking and more flexible framework that considers that effective use of borrowed funds should enable productive and social investments, which, in turn, would boost future

growth. We encourage the IMF and WBG to continue timely consultations with LICs in this process. We continue to encourage the use of the enhanced contractual clauses in sovereign debt issues to facilitate timely and orderly debt restructuring. We take note of the large stock of sovereign debt that does not include these provisions, and support work to explore solutions to address potential holdout problems for such debt.

14. Concessional finance remains an important source of development financing for LICs. We reiterate our call for developed countries to fulfill their commitments to official development assistance (ODA). We look forward to the successful 18^{th} replenishment of International Development Association (IDA). We note the proposal to leverage IDA resources, and, in this context, we stress the necessity of preserving IDA's concessionality. We call for taking steps to smoothen graduation of IDA countries by providing them adequate transitional support and waiving the acceleration repayments clause. We support the proposal to create an IDA private sector window under the IFC and MIGA, and are pleased with the focus on fragile and conflict situations (FCS). We also support the proposal of doubling the IDA allocations to FCS and, once approved, urge the World Bank to take appropriate measures to facilitate the implementation of projects under this significant increase in funding. We urge the international community to work with small middle-income countries to improve their debt sustainability, including through access to concessional financing. We also call for a more representative governance structure in IDA to increase the voice and participation of EMDCs.

15. As we move to climate action post-Paris Agreement, we look forward to a concrete roadmap from developed countries to meet their Climate Finance commitments, which will greatly support EMDCs in implementing climate action plans identified in their Intended Nationally Determined Contributions (INDCs). For addressing climate change, provision of finance from developed countries largely through grants is critical. We look forward to a successful COP 22 meeting in Marrakech, Morocco in November 2016.

Reform of the Bretton Woods Institutions

16. We support a quota-based, adequately resourced IMF that is less dependent on borrowed resources. We call for the full implementation of the 2010 IMF Quota and Governance Reforms, including on Board Representation. We call for early completion of the 15th General Review of Quotas, including a new quota formula that further shifts quota shares 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 quotas must not come at the expense of other EMDCs. We reiterate our call for a third Chair for Sub-Saharan Africa in the IMF Executive Board, provided it does not come at the expense of other EMDCs' Chairs. We call on the Fund to update the country-classification into EMDC and AE groups consistent with their economic position on matters related to governance issues.

17. On the WBG's ongoing shareholding review, we reiterate the centrality of the Istanbul Principles of enhancing the voice and representation of developing and transition countries (DTCs) aimed at strengthening the credibility and the legitimacy of the WBG by achieving equitable voting power between the DTCs and the developed countries, while protecting the smallest poor countries. We note the recent agreement on the dynamic formula, which will

provide one important input to the next phase of realigning the voting shares. We caution against regressive outcomes that could compromise the gains of the 2010 reform. We take note of the Governors' formula guidance, that the outcomes of the formula should be broadly acceptable to membership. As the review moves to this subsequent phase, we underscore the multilateral commitment to increasing the voting power of DTCs as a group, according to the Istanbul Principles, and call for exploring options and rules to ensure this outcome, including through forbearance, cap of dilution of individual DTCs, and increasing basic votes. We also support the consideration of different options to increase set basic votes.

18. We note the WBG's Forward Look exercise that sets out the vision of its role in global development in the next fifteen years. We support continuing the WBG's assistance to reduce poverty, ensure shared prosperity and achieve the SDGs across a diverse group of high, middle, and low-income countries, while also remaining focused on the poorest and countries affected by fragility and conflict. We welcome the creation of the Global Crises Response Platform. We underscore the importance of scaled-up support to boost quality infrastructure investments, build resilience to natural disasters, and cope with rapid urbanization, which will substantially contribute to both growth and the SDGs. We look forward to greater efforts to crowd in more private financing, which the WBG is well positioned to help achieve. The Forward Look proposal of a large increase in annual lending from the International Bank for Reconstruction and Development (IBRD) is necessary to carry out its ambition, and this will require building the WBG's financial strength. In this regard, all options to strengthen the financial capacity of the IBRD and International Finance Corporation (IFC) need to be considered.

19. We welcome the WBG's modernized Environmental and Social Framework that sets standards for sustainable development to enhance development outcomes of the WBG's projects, gives a greater role to the use of borrower frameworks to manage environmental and social risks, and focuses on capacity and institution building. We look forward to an implementation plan and appropriate Guidance to staff to facilitate the smooth transition to nationally adaptive modalities of engagement with borrowers that is cognizant of international instruments ratified by the client countries and delivers the necessary support and funding for capacity building at the country level.

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

Other Matters

21. We thank Colombia for its Chairmanship of the Group and welcome Ethiopia as the incoming Chair. We also welcome Peru as the Second Vice-Chair. The next meeting of the G-24 Ministers is expected to take place on April 20, 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-sixth meeting in Washington D.C. on October 6, 2016 with Mauricio Cárdenas, Minister of Finance and Public Credit of Colombia in the Chair; Abdulaziz Mohammed, Minister of Finance and Economic Cooperation of Ethiopia, serving as First Vice-Chair; and Ravi Karunanayake, Minister of Finance of Sri Lanka, as Second Vice-Chair.

The meeting of the Ministers was preceded on October 5, 2016 by the one hundred and eighth meeting of the Deputies of the Group of Twenty-Four, with Andrés Escobar, Vice-Minister of Finance and Public Credit of Colombia, as Chair.

African Group: Hadji Babaammi, Algeria; Mawakani Samba, Democratic Republic of Congo; Chalouho Coulibaly, Côte D'Ivoire; Sahar Nasr, Egypt; Fisseha Aberra Kidane, Ethiopia; Denis Meporewa, Gabon; Kemi Adeosun, Nigeria; Mcebisi Jonas, South Africa.

Asian Group: Subir Gokarn, India; Akbar Komijani, Islamic Republic of Iran; Alain Bifani, Lebanon; Ashraf Wathra, Pakistan; Carlos Dominguez, Philippines; Yousef Al-Bassam, Saudi Arabia; Mohamed Rafeek, Sri Lanka; Maya Choueiri, Syria Arab Republic.

Latin American Group: Alfonso Prat-Gay, Argentina; Erivaldo Gomes, Brazil; Milena Lopez, Colombia; Oscar Monterosso, Guatemala; Rodrigo Turrent, Mexico; Julio Velarde, Peru; Alvin Hilaire, Trinidad and Tobago; Julio Viloria, Venezuela.

Observers: Abdulrahman A. Al Hamidy, Arab Monetary Fund; Angel A. A. Orellana, Central American Monetary Council; Ping Sun, China; Inés Bustillo, ECLAC; Alvaro Ivan Hernandez, Ecuador; Jean B. Dubois, Haiti; Erick Zeballos, ILO; Andrin Hadiyanto, Indonesia; Bandar M.H. Hajjar, IsDB; Mohamed Taamouti, Morocco; Belkacem Ouzrourou, OFID; Mohammed S. Barkindo, OPEC; Yuefen Li, South Centre; Richard Kozul-Wright, UNCTAD; Alexander Trepelkov, UNDESA.

Special Guests: Christine Lagarde, Managing Director, International Monetary Fund
Jim Yong Kim, President, World Bank
Kundapur V. Kamath, New Development Bank

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

IMF Secretariat for the G-24: Maria Guerra Bradford, Veronika Sola, Aric Maiden

[1] Persons who sat at the discussion table.