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

COMMUNIQUÉ
October 11, 2022

1. Multiple compounding crises have severely darkened the global economic outlook and development prospects. Global growth is slowing, and poverty, hunger, water scarcity, cost of living pressures and food and energy insecurity have increased alarmingly, deepening the existing challenges in the global economy as well as exacerbating fragilities in Fragile and Conflict-Affected States (FCS). Persistently high inflation and spikes in food and energy prices, exacerbated by the conflict in Ukraine, have disproportionately harmed vulnerable households and the poor. Downside risks to prospective growth have risen leading to fears of a global recession.

2. Financial conditions are worsening. Policymakers, especially in advanced economies, have moved to curb higher than expected inflation by tightening monetary policy with sharp and repeated increases in interest rates, which have led to currency depreciations and large capital outflows in emerging markets and developing economies (EMDEs). Their much tighter fiscal spaces and increased debt burdens leave policymakers with difficult trade-offs between maintaining social spending and boosting investments to secure a recovery from the pandemic's enormously adverse impact on economic growth, human capital, poverty, and inequality. An inclusive and sustained recovery is highly uncertain as the world navigates policy responses to high inflation and their second-round effects, inadequate financial resources, and evolving risks from social and economic disruptions.

3. Strong and coordinated multilateral support to tackle the food and energy crises is urgently required. We welcome the efforts taken by countries and international organizations to address rising food insecurity and reduce trade distortions. We welcome the decision of the World Trade Organization's (WTO) Ministers on the exemption from export prohibitions or restrictions of World Food Programme's food purchases to meet the needs of least developed countries and net food importing developing countries. However, stronger actions are needed to enhance and diversify food production. The WTO should also further address longstanding subsidies and import restrictions by advanced countries that have constrained agricultural production and exports from many developing countries. We encourage exploring regional solutions to alleviate food and energy shortages. We welcome the creation of the Food Shock Window in the International Monetary Fund's (IMF) emergency lending instruments and look forward to its urgent assistance to countries in need. We also ask for flexibility in providing such assistance to countries with debt sustainability concerns to ensure an urgent response. We welcome the World Bank Group's (WBG) Global Crisis Response Package to address drivers and impact of food insecurity, recover learning and other losses to human capital development, and build resilience in times of health crises and future pandemics. We also welcome the establishment of the Financial Intermediary Fund for Pandemic Prevention, Preparedness and Response.

4. As policymakers strive to curb inflation, policy coordination is needed among large, advanced economies to calibrate their simultaneous and rapid monetary policy tightening to mitigate adverse and growth-disrupting spillovers to EMDEs. Failure to do so could trigger further

capital outflows and currency depreciations jeopardizing financial stability and debt sustainability. Policymakers in EMDEs need to be vigilant and cautious in putting in place appropriate macroprudential and capital flow management measures to mitigate those risks. At the current juncture, the IMF should continue to strengthen its engagement with its member countries to deliver on its global surveillance mandate and ensure the provision of tailored policy advice. We encourage continued work by the Fund on its Integrated Policy Framework, adapting the implementation of the Institutional View to diverse country circumstances, and supporting local currency market development. We also urge the IMF to continue to support countries in managing the implications of the digitalization of payments systems and the adoption of Central Bank Digital Currencies (CBDCs), especially on financial stability and monetary policy effectiveness.

5. We reiterate the need for a strong Global Financial Safety Net (GFSN), with an adequately resourced and quota-based IMF at its center. We call on the IMF to ensure the timely completion of the 16th General Review of Quotas (GRQ) by December 2023. Within this Review, we call for an increase in the IMF's quota resources to reduce its dependence on borrowed resources to boost its lending capacity in times of crisis. As potential demand for IMF financing increases, due to rising global uncertainties, the projected sharp decline in the IMF's lending capacity is concerning and could threaten the IMF's effectiveness and credibility.

6. The 16th GRQ should include the long-delayed realignment of IMF members' quota shares, which was last undertaken in 2008. We also call for a revised quota formula that further shifts quota resources from advanced countries to EMDEs to reflect their growing weight in the global economy. We ask to consider an increase in the weight of the GDP blend and correct biases within the formula. The realignment of quota shares must protect the shares of the PRGT-eligible members and small developing states and should not be at the expense of other EMDEs. The 16th GRQ should deepen governance reforms to improve the voice and representation of EMDEs in the IMF's Executive Board, including through an addition of a third Chair for Sub-Saharan Africa, without this being at the expense of another EMDE chair.

7. We welcome the timely implementation of the IMF's Resilience and Sustainability Trust (RST), which channel the Special Drawing Rights (SDRs) to support countries' efforts, especially low-income and vulnerable middle-income countries, to build resilience to external shocks and ensure sustainable growth, contributing to their longer-term balance of payments stability. We look forward to expanding the Trust to cover other structural challenges affecting EMDCs beyond addressing pandemic and climate change responses. We encourage the IMF to make timely adjustments to the RST, where warranted, to ensure effective implementation. We thank member countries that have contributed thus far to the RST and call on additional member countries to join this effort to increase the Trust's lending capacity. We also call for strengthening the lending capacity of the Poverty Reduction and Growth Trust (PRGT), including from channeled SDRs and contributions to its subsidy resources. Pledges should at least meet the global ambition to voluntarily on-lend US$100 billion of unused SDRs to developing countries in need of liquidity support. We encourage exploring other viable mechanisms to voluntarily channel SDRs, including through Multilateral Development Banks (MDBs).

8. We continue to call on the IMF to correct the regressive and procyclical character of its surcharge policy. Over the short-term, due consideration should be given to suspend surcharges

temporarily to support countries with severe balance of payments constraints. Going forward, we encourage the IMF to review its sources of revenues, which consist mainly of income from lending, which includes surcharges, and assess the appropriate burden sharing among IMF's members in providing a GFSN, which is a global public good.

9. Addressing worsening sovereign debt distress requires urgent globally coordinated actions. The G20 Common Framework for Debt Treatments should be implemented in a timely, orderly, and coordinated manner for eligible low-income countries (LICs). Although progress has been made, a comprehensive debt treatment will remain limited without comparable treatments from private creditors within the Common Framework. As we advance, we recognize the need to accommodate the unique needs of eligible LICs. We therefore stress the importance of private creditors' commitment to providing debt treatments to ensure fair burden sharing and meet the principle of comparability of treatment. Rising debt distress in several middle-income countries (MICs) also highlights the importance of supporting their necessary debt treatments, when sought, through concerted efforts. We welcome the IMF's revisions of its policies on sovereign arrears to reflect changes in the sovereign creditor landscape, strengthen debt transparency, and facilitate creditor coordination. We urge the strong engagement of the IMF and WBG in providing technical and financial support to countries that seek to restore debt sustainability. We look forward to the continued support of the IMF and WBG to improve debt transparency and build capacity in public expenditure and debt management.

10. The introduction of a global minimum tax and taxation of the digital economy are welcome reform principles under the global tax deal agreed upon by the G20/OECD Inclusive Framework. We call for an early finalization of the subject to tax rule, which is an essential component of Pillar Two, with a broad scope covering services and capital gains, which remain base eroding concerns for EMDEs. In addition, the Two-Pillar solution should be simpler to administer and provide sufficient taxing rights for EMDEs. Going forward, building on the reform principles agreed upon in the Inclusive Framework, developing countries need to develop and implement tax measures, including withholding taxes, on digital and remote transactions involving their residents, or to configure a significant taxable economic presence in their jurisdictions to protect their tax base in ways that are tailored to their unique circumstances. This will entail a stronger and more inclusive multilateral cooperation to reach a fairer and more stable international corporate tax system that can yield meaningful revenues for EMDEs.

11. MDBs can, and should, play a much greater role in scaling up development financing to meet the enormous investments needed to secure an inclusive recovery and address climate change. The WBG and other MDBs should enhance their lending capacity by using the strength of their balance sheets, to the fullest extent possible, while preserving financial prudence. We encourage MDBs to consider, in consultation with shareholders, the recommendations by the Independent Expert Panel convened by the G20 to review their Capital Adequacy Frameworks in order to manage risks and leverage capital more effectively. MDBs should also strengthen support to developing countries in mobilizing private finance, including through scaling up risk mitigation instruments and blended finance. The WBG's frontloaded crises response will reduce its medium-term lending capacity, so we urge its shareholders to initiate discussions to consider timely increases in capital to ensure the medium-term lending firepower to support development and

climate imperatives. We welcome the last replenishment of IDA20 and look forward to its successful implementation.

12. We call on the WBG to design a two-fold strategy of engagement with the full range of MICs to address short and medium-term challenges. Most MICs have seen massive setbacks in key development indicators, especially on poverty, health, and learning losses. They also face major challenges to transform their economies to boost growth, reduce inequality, address debt vulnerabilities, and ensure resilience and sustainability. Achieving a better recovery will require interventions and policy reforms with significant public investments in human development, sustainable infrastructure, climate change mitigation and adaptation for a just transition, and social protection. We urge the WBG to provide and expedite stronger support to MICs through development financing and knowledge transfer.

13. The international commitment to accelerate climate actions should reflect the principles of equity and common but differentiated responsibilities and respective capabilities as enshrined in the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. Support for low greenhouse gas (GHG) and climate resilient development pathways should create, not impede, opportunities for inclusive and sustainable growth. It should ensure affordable energy access to maintain economic activity and energy security, both of which are critical to obtaining broad support for climate actions. Scaling up affordable and long term sustainable and climate finance and finance for nature under the Rio Conventions and ensuring access to technology and capacity building will be critical to meet the required enormous investments in sustainable infrastructure, adaptation to build resilience, restoring natural capital, and reversing biodiversity losses. All of these are critical to achieve the Sustainable Development Goals (SDGs) and tackle climate change. Ensuring just, orderly, and inclusive transitions require developed countries to contribute financing that matches their largest share of historical and current global GHG emissions. The appropriate policy mix should be tailored to country-specific circumstances, and could consider the full range of fiscal, market, and regulatory mechanisms, including market-based mechanisms, non-price regulations, and incentives. We echo calls at the 2022 United Nations General Assembly for developed countries and MDBs to step up climate actions and financing for mitigation, adaptation, as well as loss and damage to support developing countries that emitted the least GHGs leading to climate change but are now disproportionately bearing heavy losses from extreme climate related events, such as the recent devastating monsoon floods in Pakistan and hurricanes in several countries. We commend the country platform initiatives made by some member countries to facilitate climate finance, which could be replicated in other countries. We look forward to the successful outcomes of COP27. Climate change and biodiversity loss are two major and interlinked global challenges. We also look forward to ambitious and pragmatic outcomes of COP15.

14. Climate and sustainable finance, however, fall far short of addressing historical responsibility and what will be needed by developing countries to meet climate and development goals. Developing country policymakers already face major fiscal constraints to invest in a better recovery and meet the SDGs. It is time for developed countries to fulfill the pledges they made on climate finance. They should urgently deliver the annual US$100 billion climate financing commitment they pledged to support developing countries, and significantly increase this target in the years ahead under a new collective quantified goal for climate finance. We, therefore, call on

COP27 to aim for an ambitious and accelerated climate agenda and an implementation plan to bridge financing gaps. This agenda should increase and broaden the sources of grant and concessional finance, step up financing by MDBs, catalyze private finance, provide adequate financing for adaptation, and mainstream financing for loss and damage. The WBG and other MDBs must articulate its medium-term strategy to support climate and development agendas, in partnership with developing countries and in line with their Nationally Determined Contributions and sustainable development strategies. We encourage effective collaboration between the WBG and the IMF.

LIST OF PARTICIPANTS[1]

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their one hundred and eighth meeting in Washington D.C. on October 11, 2022 with Alvaro Gonzalez Ricci, Governor of the Bank of Guatemala, in the Chair; Adama Coulibaly, Minister of Finance, Côte d'Ivoire, serving as First Vice-Chair; and Benjamin Diokno, Secretary of Finance, Philippines, as Second Vice-Chair.

The meeting of the Ministers was preceded on October 10, 2022 by the one hundred and twentieth meeting of the Deputies of the Group of Twenty-Four, with Johny Gramajo Marroquin, Economic Manager at the Central Bank of Guatemala, as Chair.

African Group: Ali Bouharaoua, Algeria; Adama Coulibaly, Côte d'Ivoire; Malangu Kabedi Mbuyi, Democratic Republic of Congo; Rania Al-Mashat, Egypt; Nicole Robotymbou, Gabon; Ken Ofori-Atta, Ghana; Julius Muia, Kenya; Mohammed El Qorchi, Morocco; Zainab Ahmed, Nigeria; Ayanda Dlodlo, South Africa.

Asian Group: Surjit Singh Bhalla, India; Hossein Hosseini, Islamic Republic of Iran; Saade Chami, Lebanon; Saeed Ahmed, Pakistan; Benjamin Diokno, Philippines; Shehan Semasinghe, Sri Lanka.

Latin American Group: Marco Lavagna, Argentina; Marco Rocha, Brazil; Jose Antonio Ocampo Gavira, Colombia; Tatiana Rodriguez, Ecuador; Alvaro Gonzalez Ricci, Guatemala; Michel Patrick Boisvert, Haiti; Ernesto Acevedo, Mexico; Julio Velarde, Peru; Suzette Taylor Lee Chee, Trinidad and Tobago.

Observers: Mario Caetano Joao, Angola; Tianwei Zhang, China; Christophe Perrin, ILO; Muhammad Al Jasser, Islamic Development Bank; Fuad Albassam, OPEC Fund; Aseel Alaqla, Saudi Arabia; Ebrahim Al Zaabi, United Arab Emirates; Richard Kozul-Wright, UNCTAD; Navid Hanif, UNDESA; Raquel Artecona, UNECLAC.

Special Guests: Kristalina Georgieva, Managing Director, International Monetary Fund
David Malpass, President, World Bank

G-24 Secretariat: Marilou Uy, Angela Hanna, Arundhati Joshi, Angelica Huerta Ojeda, Rita Kyomukama

IMF Secretariat for the G-24: Bo Zhao, Paris Gkartzonikas, Andrea Arevalo Arroyo, Aric Maiden

[1] Persons who sat at the discussion table.