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G24 Communiqué on the World Bank and IMF 2019 Spring meeting

The annual Spring meeting of the International Monetary and Finance Committee (IMFC) and the Development Committee consisting of the principals from capitals and the executive directors of the International Monetary Fund (IMF) and the World Bank took place in Washington DC from 8 to 14 April 2019. On the sidelines of the meeting of the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development also known as G24, the 101st Meeting of Ministers and Governors was held on April 11. The group which represents the interests of developing countries in financial issues sent a strong message for reform in the international financial systems and called for a collective global response to resolve ongoing trade tensions within a rules-based trading system. The meeting was chaired by H.E. Julio Velarde, Governor of the Central Reserve Bank of Peru. Below is the Communiqué.

H.E. Mr. Julio Velarde, Governor of the Central Reserve Bank of Peru and Chair of the Group of Twenty-Four, at the 101st Meeting of Governors of Central Banks and Ministers of Finance in Washington D.C. on April 11, 2019. Photo: G24

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

Washington D.C., April 11, 2019

1. We held our meeting in Washington DC with Julio Velarde, Governor of the Central Reserve Bank of Peru as Chair, Ken Ofori-Atta, Minister of Finance of Ghana as 1st Vice-Chair, and Peyman Ghorbani, Vice-Governor of the Central Bank of Iran as 2nd Vice-Chair.

2. We congratulate and welcome Mr. David Malpass on his selection as President of the World Bank Group (WBG), and thank Mr. Jim Kim for his leadership and contributions during his tenure. We thank Ms. Kristalina Georgieva for her effective stewardship as Interim President.

Navigating the Uncertain Global Environment to Support Inclusive Growth

3. Global growth is expected to moderate this year but is projected to pick up in 2020, reflecting the continued dynamism of emerging market and developing economies (EMDEs). However, projected growth would be uneven across EMDEs. Important downside risks remain from ongoing trade tensions, sharp tightening in financial conditions and large swings in commodity prices, amid more limited policy space to address downturns. Major challenges to be addressed include weak productivity growth, increasing inequality, climate change, migration, demographic shifts and policy uncertainty. We call for stronger international cooperation to ease global risks and help address these challenges.

4. We call for a collective response to resolve ongoing trade tensions within a rules-based multilateral trading system. International trade has delivered enormous benefits globally and has been an important engine of growth among G-24 countries and EMDEs more generally. We stand ready to work with other members of the global community to foster a modern, open, rules-based, non-discriminatory and equitable multilateral trading system.

5. We reiterate our call for a strong Global Financial Safety Net with a quota-based and adequately resourced IMF at its center. In view of rising global uncertainty, we call for at least maintaining the IMF's current lending capacity, which should be preferably met by increasing quota resources. We deeply regret the insufficient support so far for a quota increase under the 15th General Review of Quotas, which could require continued reliance by the Fund on borrowed resources to maintain its lending capacity. This also has unfortunately delayed the needed realignment of quotas that was intended to reflect the greater share of dynamic EMDEs in the global economy and increase the share of EMDEs as a group, while protecting the quota shares of the poorest countries. Going forward, we continue to support progress in quota and governance reforms in the IMF, including agreement on a new quota formula.

6. On the occasion of the 50th anniversary of the reform that included the Special Drawing Rights (SDR) in the IMF Articles of Agreement, we reiterate our call for a more active use of SDRs as a reserve asset.

7. We call on the IMF to intensify its ongoing integrated surveillance efforts to assess the spillovers of domestic policies of systemically important countries on EMDEs, and stress the importance of responsible policies in this area. Within the Institutional View, we reiterate our call for a balanced and context-based assessment by the IMF of the appropriateness of the mix of measures used by countries in dealing with capital volatility to ensure financial stability. In this regard, we welcome the Fund's work on an Integrated Policy Framework.

8. We urge the IMF to continue adapting its lending toolkit, including program design and conditionality, to members' evolving circumstances and needs. We welcome the Fund's proposals to strengthen its lending toolkit for low-income countries (LICs). We call for more tailored engagement with countries in fragile situations and small developing states. We support a significant increase in access limits within the Poverty Reduction and Growth Trust (PRGT) to address erosion relative to Gross Domestic Product (GDP) and trade growth over time. We therefore urge the Fund to ensure adequate resources for the PRGT to support the growing balance of payments needs of LICs. We encourage the IMF to reconsider a short-term liquidity swap instrument in a way that addresses the concerns of members and consider a broader set of contingency arrangements for EMDEs.

9. Debt vulnerabilities have increased in many countries, including LICs. We welcome the joint IMF/WBG multipronged approach for addressing rising debt vulnerabilities. We look forward to a review of their relevant policies. We urge the international community to strengthen its support for developing countries' efforts to deal with the interrelated challenges of debt and growth. We call for stronger action from the WBG, IMF and other international organizations to support capacity building for fiscal and debt management, increasing the efficiency of investment programs, ensuring debt transparency, building a comprehensive database and developing domestic capital markets. We emphasize the joint responsibilities of debtors and creditors in fostering debt sustainability, and stress that creditor coordination should be strengthened in debt restructuring situations with a view to facilitating sustained debtor economic and fiscal recovery.

10. To address the challenges created by climate change, we are committed to meeting our undertakings under our Nationally Determined Contributions. We call on the IMF, WBG and other international financial institutions (IFIs) to intensify their efforts to address climate risks. We look forward to developed countries delivering on their commitment to provide US$100 billion per year additional financing by 2020 to support EMDEs' climate actions. Multilateral Development Banks (MDBs) are well positioned to support the scaling up of

EMDEs' investments in sustainable infrastructure, which will substantially contribute to growth and climate objectives. MDBs should work together to harness the untapped potential to pool and diversify risks across the MDB system, scale up their financing and support country-led programs. We note the initiative to form the Coalition of Finance Ministers for Climate Action. We strongly urge that the Climate Investment Funds be adequately resourced in light of their vital role in scaling up concrete climate solutions in developing countries.

Mobilizing Financing for Growth and Development

11. Our key priority is to boost economic transformation and inclusive growth, which are crucial requirements in achieving the ambitious Sustainable Development Goals (SDGs) by 2030. In this regard, we ask the WBG to define its strategy for supporting jobs and economic transformation in client countries. These efforts should be based on a narrative that effectively considers persistent inequality in the poorest regions in EMDEs.

12. Achieving the SDGs is a daunting challenge for all developing countries. While all of them face resource constraints, estimates show that LICs, on average, require additional annual spending of 15 percentage points of GDP in 2030 to achieve the SDGs, for which relying solely on mobilizing domestic resources is not feasible. Therefore, we call for the coordinated support of IFIs for national and global efforts to mobilize the necessary financing to support sustainable development. It is also vital for advanced countries to deliver on their Official Development Assistance commitments and increase concessional resources, especially for LICs, which have declined in recent years. We look forward to meaningful replenishments of IDA19 and the African Development Fund.

13. Strengthening domestic resource mobilization is essential to our development efforts and to ensure fiscal sustainability. This requires not only countries' substantive efforts but also continued technical support from the IMF, WBG and other international and regional organizations. We encourage the IMF to ensure sufficient resources for its capacity development activities, including regional technical assistance centers, and to respond effectively to members' needs and circumstances in line with their priorities.

14. We believe that intensifying the fight against corruption and increasing transparency are essential for achieving a more efficient allocation of resources. We also call for strong international cooperation to combat illicit financial flows and develop an international platform, along the lines of the Stolen Asset Recovery (StAR) initiative of the WBG and the UN, to recover and return stolen assets and repatriate and prosecute fugitive offenders. Accelerating the Fund's ongoing work on the measurement of illicit financial flows will be helpful in this regard. Further, we welcome the harmonization of anti-money laundering and counter-terrorism financing rules and regulations across jurisdictions. In addition, strengthening the rule of law and fostering fair competition are also important to the fight against corruption.

15. International tax standards, practices and issues have disproportionate implications to the fiscal revenues received by developing countries. Thus, the views of developing countries need to be central in the reform of the international tax system's rules and standards. In this regard, we commend the work of the G-24 Working Group (WG) on tax policies and international tax cooperation to enhance international advocacy and members' peer learning on key tax challenges. The WG articulated our perspectives in the deliberations of the Base Erosion and Profit Shifting Inclusive Framework on addressing the taxation challenges of the digital economy. We support a multilateral solution that recognizes that with the digitalization of economies, enterprises can have a significant economic presence in our economies, even without physical presence, and that allocates

profits according to rules that take into account the contribution of markets and users in creating those profits. The solution should be fair and simple, and capable of being implemented effectively in developing countries.

Governance Reforms of the Bretton Woods Institutions

16. We continue to stress the importance of deepening the voice and governance reforms for the legitimacy and effectiveness of the IMF and the WBG. The lack of progress on the IMF 15th General Review of Quotas is a major source of concern since quota increases are essential to undertake the necessary quota realignment. Furthermore, we should continue pursuing the completion of the Board Representation Reforms under the 14th Review. We further reiterate our longstanding call for a third Chair for Sub-Saharan Africa to enhance the voice and representation of the region without this being at the expense of another EMDE Chair.

17. We look forward to the full implementation of the WBG's Capital Package with a Bank that works effectively and efficiently with all developing countries and leads in the global public goods agenda as laid out in the WBG's Forward Look and Capital Package. The full implementation of the Package will benefit from strong country partnerships, WBG commitment to decentralization and a focus on measurable development outcomes. For this, it is important that the new Environmental and Social Safeguard Policies be allowed to stabilize operationally before looking for further changes in the Bank's accountability mechanism. We urge the immediate adoption of the IFC Resolution to implement its capital package. The WBG will need to achieve the necessary scale and impact to contribute to achieving the SDGs.

18. Finally, we call on the IMF and the WBG to strengthen their efforts toward addressing the severe under-representation of some regions and developing countries in recruitment and career progression, including at the managerial levels. We reiterate the importance of staff diversity and gender balance at all levels, including the diversity of educational institutions and backgrounds.

*Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their one hundred and first meeting in Washington D.C. on April 11, 2019 with Julio Velarde, President of the Central Reserve Bank of Peru, in the Chair; Kenneth Ofori-Atta, Minister of Finance, Ghana, serving as First Vice-Chair; and Peyman Ghorbani Aghilabadi, Vice Governor of the Central Bank of Iran as Second Vice-Chair.

** The Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24) coordinates the position of developing countries on monetary and development issues in the deliberations and decisions of the Bretton Woods Institutions (BWI). In particular, the G-24 focuses on issues on the agendas of the International Monetary and Financial Committee (IMFC) and the Development Committee (DC) as well as in other relevant international fora. Website: https://www.g24.org See the Work of the South Centre on G24 issues at https://www.southcentre.int/

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For more information, please contact Anna Bernardo of the South Centre: Email bernardo@southcentre.int, or telephone +41 22 791 80 50.

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