DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

DC2015-0010
October 9, 2015

G-24 COMMUNIQUÉ

The attached Communiqué of the Ministers of the Intergovernmental Group of Twenty-Four, held in Lima, Peru on October 8, 2015, is circulated for the information of the Development Committee at the request of their Chairman, Alain Bifani, Director-General of the Ministry of Finance of Lebanon.

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

COMMUNIQUÉ
OCTOBER 8, 2015

1. We, the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, held our ninety-fourth meeting in Lima, Peru on October 8, 2015 with Alain Bifani, Director-General of the Ministry of Finance of Lebanon in the Chair; Mauricio Cárdenas, Minister of Finance and Public Credit of Colombia as First Vice-Chair; and Sufian Ahmed, Minister of Finance and Economic Development of Ethiopia as Second Vice-Chair.

Global Economy and Implications for Emerging Markets and Developing Countries

2. Growth in the global economy is weaker than expected at the time of our last meeting. Emerging markets and developing countries (EMDCs) remain the key drivers of global growth, although some are experiencing a slowdown. Downside risks have risen for many of our countries, including tightening financial conditions, reduced capital flows, and persistent low commodity prices. In this context, we call for effective and well-sequenced policy that is adequately communicated to guard against potential financial instability risks, including those coming from normalization of U.S. monetary policy. We stress the importance of a more inclusive SDR basket and look forward to the completion of the work of the International Monetary Fund (IMF) on the method of valuation in view of recent changes in the economic weights in global trade and financial flows.

3. In the context of uncertainty and increased volatility, we must continue to build strong foundations for growth while addressing unemployment, poverty, and inequality. Strengthened global financial safety nets should be a priority in order to ensure the availability of adequate liquidity support in times of need, and we call on the international financial institutions (IFIs) to step up their efforts in this regard. We recognize the important role of regional, bilateral, and multilateral arrangements that can provide complementary precautionary financing to help countries face potential shocks.

4. EMDCs are disproportionately affected by the influx of refugees and internally displaced populations, including as a result of terrorism and conflicts. We call for strong and timely support by the international community in alleviating their impact, and for enhanced support, including through concessional financing from the IFIs. More broadly, we continue to call on the IMF and the World Bank Group (WBG) to strengthen their support for fragile and conflict-affected countries.

Financing the 2030 Sustainable Development Agenda

5. We welcome the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), which focus strongly on eradicating poverty in all its forms and dimensions and achieving sustainable development in its three dimensions – economic, social, and environmental – in a balanced and integrated manner. We also welcome the Addis Ababa Action Agenda on financing for development. Building the foundations for strong, inclusive, and

sustainable growth by investing in people, promoting effective public institutions, investing in sustainable infrastructure, and putting in place solid economic policy frameworks and fundamentals will be crucial to achieving the SDGs.

6. We stress the importance of country ownership and leadership in the implementation of the SDGs, but the agenda must be underpinned by credible means of implementation and a revitalized global partnership for sustainable development. Mobilizing sustained and predictable financing from various sources will be essential to the achievement of our development goals. To this end, we call for scaled-up support from the IFIs, accompanied by peer learning. We recognize the initiatives by the IMF and WBG to support the implementation and financing of the 2030 Agenda, in line with country priorities. We urge their management to define a clear action plan to help countries in the implementation of such complex agenda. We also call for strengthened efforts by the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to catalyze private financing.

7. We underscore the vital need to increase the quantity and quality of investments in infrastructure to support growth, contribute to poverty reduction, and promote environmental resilience. Efforts by both the public and private sector, at the country and international levels, are necessary given large infrastructure deficits and financing requirements. We call on the multilateral development banks (MDBs) to strengthen their roles in supporting infrastructure development and financing, including at regional levels. We also call on the IFIs to support developing countries to have greater access to external infrastructure financing while maintaining debt sustainability. We look forward to the operationalization of the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

8. To enhance the ability of MDBs to finance infrastructure investments and support development, we call on MDBs to ensure adequate capitalization and to optimize their balance sheets, while maintaining financial integrity. In this context, we also call for further work and dialogue to ensure that methodologies employed by credit rating agencies to gauge the MDBs' financial strength, which is the basis of their credit ratings, take into account the specific characteristics of the MDBs and appropriately assess their risks.

9. Concessional resources will continue to be an important source of financing for development in the low income countries. Fulfillment of existing commitments from advanced economies and ensuring the best development impact of official development assistance (ODA) must remain key priorities. We note the proposal by the WBG to leverage existing International Development Association's (IDA) resources but we stress that it is critical to preserve its regular replenishments and concessionality as core elements of IDA. This measure should not negatively impact the voice and participation of developing countries in the WBG's governance. Increasing the participation of developing countries in policy setting will help ensure development impact informed by experience of the use of IDA resources. We also welcome the review of IDA's non-concessional borrowing policy for low income countries, with a view to increasing flexibility in their access to financial markets. We look forward to the review of the IMF/WB framework for Debt Sustainability Assessments. We also urge the international community to work with small and climate vulnerable developing countries in finding solutions for improving their debt sustainability, including by enhancing their access to concessional financing.

10. We are concerned about the adverse impacts of Illicit Financial Flows (IFFs) and harmful tax avoidances, especially by multi-national firms, on the sustainability of public finances, particularly in African countries. We consider policies that combat IFFs as vital to raising revenues and supporting the attainment of the SDGs, consistent with agreement in the Addis Ababa Action Agenda. This is made even more urgent in the context of uncertainty with respect to future ODA flows and the investments necessary to support the post-2015 agenda. We welcome the proposed work on illicit flows by the WBG and the IMF as well as their commitment to assist countries to build capabilities in developing domestic policies and practices that reduce such flows. International tax cooperation is an important complement to our domestic resource mobilization efforts. We call for the participation of developing countries on an equal footing in the implementation of G20/OECD Base Erosion and Profit Shifting Project and Automatic Exchange of Information initiative. We welcome the commitment of the IMF and the WBG to deepen the dialogue with developing countries and help increase their voice on international taxation issues. We also welcome the U.N. Tax Committee's efforts to encourage dialogue among tax authorities worldwide. Asset recovery and repatriation of funds to countries of origin also represent an important component of global cooperation.

11. We are concerned about the unintended consequences of anti-money laundering and combating of financing terrorism standards on the de-risking behavior of banks and loss of correspondent banking relationships in many developing countries. We call on the IMF, the World Bank, and the Financial Stability Board to develop appropriate guidance on how to properly implement the risk-based approach rather than seeking to avoid money laundering and financing terrorism risks by wholesale termination of entire classes of customers through de-risking, which contributes to financial exclusion.

12. In order to address incentives for holdout behavior that seriously undermines sovereign debt restructuring processes, we recognize as positive steps the sustained progress with regards to the contractual provisions for debt issuance as well as the recent passage by the U.N. General Assembly of the resolution on the Basic Principles on Sovereign Debt Restructuring Processes. We also encourage sovereign issuers to include enhanced Collective Action Clauses and the modified pari passu clauses.

13. We look forward to the outcomes of U.N. Framework Convention on Climate Change's 21st Conference of the Parties (COP21). We stress the importance of incorporating environmental sustainability into growth and development strategies, while respecting the principle of common but differentiated responsibilities.

Governance and Reform of International Financial Institutions

14. We reiterate our deep disappointment with the lack of progress in implementing the IMF quota and governance reforms agreed to in 2010 and strongly urge the U.S. to complete ratification. This remains an impediment to IMF credibility, legitimacy, and effectiveness and has considerably delayed forward-looking commitments, namely, a new quota formula and the 15th General Review of Quotas. Implementing the 2010 reforms remains our key priority. Nevertheless, we believe that a decision to de-link quota reform from the Board reform amendment, which is the element of the 2010 reforms that requires ratification by the U.S. Congress, would be the preferred option in the interim, as it increases IMF resources and also

realigns quotas to reflect the increased economic weight of EMDCs. The alternative option, interim ad hoc increases, can, if properly designed, achieve meaningful progress towards the shifts in representation under the 2010 reforms, although it would increase IMF quota resources only marginally. It is important that any interim measures be designed so as not to lower incentives to complete the 14th General Review of Quotas.

15. We strongly urge the initiation of the 15th General Review of Quotas, including a new quota formula, without further delays, with a view to meet the December 2015 deadline, as mandated under the Articles of Agreement. We urge that quota reforms at the IMF protect the quota share of low income countries. We reiterate our longstanding call for a third Chair for Sub-Saharan Africa on the IMF Executive Board, provided this does not come at the expense of other EMDCs' Chairs.

16. We note the 2015 Shareholding Review of the World Bank, including the proposed roadmap. We call for a timely agreement on a dynamic formula for future shareholding realignment and stress that any such formula must meaningfully increase the voting power of developing countries and move towards equitable voting power, while protecting the voting power of the smallest poor countries. Through the shareholding review, we also call for the strengthening of the WBG's responsiveness to the developing countries and the increase of the developing countries' voice and representation in the Bank's Executive Board.

17. We note the ongoing work on the review of the World Bank's safeguard framework. We underscore that the framework should give a greater role to the use of country systems and effectively address the concerns of the borrower countries. Additionally, the consultations should consider the implementability of standards and their implications in terms of cost and time. We call on the Bank to allocate the resources necessary to assist in building countries' capacity to implement the forthcoming safeguards framework. We welcome the Bank's new procurement guidelines and call on the WB to build capacities in client countries to support implementation of the guidelines.

18. Finally, we reiterate our call for concrete efforts towards greater representation by nationals from under-represented regions and countries in the form of recruitment and career progression to achieve balanced regional representation in the WBG and the IMF. We reiterate the importance of staff diversity and gender balance at all levels, including diversity of educational institutions and background as well as experiences.

Other Matters

19. We thank Lebanon for its Chairmanship of the Group and welcome Colombia as the incoming Chair. We also welcome Sri Lanka as the Second Vice-Chair. The next meeting of the G-24 Ministers is expected to take place on April 14, 2016 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-fourth meeting in Lima on October 8, 2015 with Alain Bifani, Director-General of the Ministry of Finance of Lebanon in the Chair; Mauricio Cárdenas, Minister of Finance and Public Credit of Colombia as First Vice-Chair; and Sufian Ahmed, Minister of Finance and Economic Development of Ethiopia as Second Vice-Chair.

The meeting of the Ministers was preceded on October 7, 2015 by the one hundred and sixth meeting of the Deputies of the Group of Twenty-Four, with Alain Bifani, Director-General of the Ministry of Finance of Lebanon, as Chair.

African Group: Abderrahman Benkhalfa, Algeria; Nialé Kaba, Côte d'Ivoire; Mutombo Mwana Nyembo, Democratic Republic of Congo; Hazem El Beblawi, Egypt; Teklewold Atnafu, Ethiopia; Regis Immungault, Gabon; Henry A. K. Wampah, Ghana; A.M. Daniel Nwaobia, Nigeria; Nhlanhla Nene, South Africa.

Asian Group: Arun Jaitley, India; Gholamali Kamyab, Islamic Republic of Iran; Wassim Manssouri, Lebanon; Ashraf Wathra, Pakistan; Cesar V. Purisima, Philippines; Ravi Karunanayane, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

Latin American Group: Axel Kicillof, Argentina; Antonio Silveira, Brazil; Ximena Cadena, Colombia; Oscar Monterroso, Guatemala; Rodrigo Turrent, Mexico; Julio Velarde, Peru; Sandra Fraser, Trinidad and Tobago; Jose Rojas, Venezuela.

Observers: Abdulrahman Al Hamidy, Arab Monetary Fund; Shaolin Yang, China; Jose Manuel Salazar, ILO; Savas Alpay, IsDB; Abderrahim Bouazza, Morocco; Suleiman Alherbish, OFID; Hojatollah Ghanimi Fard, OPEC; Mohammed Al Zaben, Saudi Arabia; Alexander Trepelkov, UNDESA; Inés Bústillo, UNECLAC; Deodat Maharaj, The Commonwealth.

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

G-24 Secretariat: Marilou Uy, Natalia Speer, Shichao Zhou, Lana Bleik

IMF Secretariat for the G-24: Maria Guerra Bradford, Dalila Bendourou

[1] Persons who sat at the discussion table.