

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

COMMUNIQUÉ

**Chaired by Sergio Francisco Recinos Rivera,
President of the Central Bank of Guatemala**

April 19, 2022

1. We are deeply saddened by the tragic deaths and devastation in Ukraine. We strongly support international efforts to provide humanitarian support and restore peace and stability and recognize that this crisis compounds and intensifies risks and undermines economic recovery worldwide.
2. The pandemic has imposed huge costs. Many impediments to the global recovery remain, with growth prospects increasingly divergent and uncertain. GDP growth over the medium-term in many emerging market and developing economies (EMDEs) is projected to fall below pre-pandemic levels. Investing to spur recovery is highly constrained by limited fiscal space and rising debt vulnerabilities. Rising inflationary pressures, driven by spikes in food, energy and commodity prices, and pandemic and conflict-related disruptions in supply, international trade, and financial markets exacerbate output losses and inequality. Urgent global action is needed to prevent hunger and food crises among vulnerable countries and poorer households and avert financial distress in highly indebted EMDEs. Close attention to the impact of refugee flows and the internally displaced is needed. Strong multilateral cooperation is crucial to preserve multilateral rules-based trade, ensure food and energy security, protect financial stability, and sustain increased financing to developing economies.
3. We call for an urgent and stronger global response to improve COVID-19 vaccine access and its distribution, especially in low-income countries. All countries need to act to overcome supply barriers by facilitating timely cross border flows of vaccine and treatments and sharing technologies to boost their supply. Advanced economies should ensure adequate funding of the Access to COVID-19 Tool Accelerator (ACT-A) and the COVAX Facility to meet the global goal of 70 percent vaccination coverage in all countries by mid-2022. We welcome the World Bank Group's (WBG) \$20 billion vaccine financing package, partnerships with COVAX and the African Union, and assistance in building vaccine capacity in EMDEs. It is vital to put in place an adequately funded and equitable global initiative to support preparedness for and response to pandemics.
4. We are concerned about increasing risks to financial stability that may disrupt economic recovery. In managing the exit from accommodative macroeconomic policies, policymakers need to strike a balance between containing surging inflation and supporting economic recovery. Faster than expected increases in interest rates in advanced economies could raise rates globally and trigger capital outflows from developing countries, reducing access to financial markets, and further increasing debt vulnerabilities. We urge the IMF to be vigilant in recognizing the spillover effects in its bilateral and multilateral surveillance and to provide timely and tailored advice and technical support to member countries. The rapid growth of fintech and digital assets has the

potential to facilitate efficient cross-border payments, but also presents risks, especially in EMDEs. In this context, more countries are exploring the issuance of Central Bank Digital Currencies (CBDCs), which offer opportunities, but also pose global policy challenges. Supporting EMDEs in their digitalization efforts is crucial to avoid a digital divide. We urge the IMF to analyze the implications of digitalization in payments systems and cross-border capital flows as adoption of digital assets and currencies accelerates, with a view to supporting countries mitigate risks.

5. Against this background, we will continue to strengthen the mix of policies to ensure financial stability based on our countries' specific circumstances. We welcome the recognition of the role of pre-emptive macroprudential and capital flow measures in managing capital inflows in the IMF's revised Institutional View on the Liberalization and Management of Capital Flows, while considering that they cannot substitute for sound fundamentals and warranted macroeconomic adjustment. An important next step is to extend the analysis and advice to include preemptive measures for capital outflows. We also encourage the IMF to further develop its work to assist members address economic vulnerabilities to enhance resilience and avoid undue reliance on capital flow measures.

6. We reiterate the need for a strong Global Financial Safety Net, with an adequately resourced and quota-based IMF at its center. Within its mandate, the IMF should continue to adapt its advice and lending toolkit to serve the diverse needs of EMDEs and to respond to multiple global shocks. We commend the timely and expanded use of the Fund's emergency lending facilities, which has provided vital support for pandemic response. We draw attention to the role of precautionary financing instruments in helping eligible countries deal with tail external risks. We welcome the IMF's strategy to flexibly tailor its assistance to fragile states considering the drivers of fragility, capacity and reform constraints, and their specific financing needs. Strong country ownership of country engagement strategies with fragile states will play a fundamental role in effectively implementing this strategy.

7. We call on the IMF to urgently review its sources of revenues, which consists mainly of income from lending, including surcharges. This review should assess the appropriate burden-sharing among IMF's member countries to support the sustained provision of a global public good. In this context, we call on the IMF to correct the regressive and procyclical character of its surcharge policy. It should consider suspending or temporarily substantially reducing surcharges to support countries with severe balance of payments constraints.

8. We call on the IMF to set clear timelines and deliverables to ensure the timely completion of the 16th General Review of Quotas (GRQ) no later than December 15, 2023. We call for an increase in the IMF's quota resources to ensure an adequately resourced IMF that is less dependent on temporary borrowed resources to boost its lending capacity in times of crises. Failure to deliver a quota increase will result in a sharp decline in the IMF's resource envelope as temporary borrowing arrangements expire – at a time of potentially high liquidity needs in developing countries – which could threaten the IMF's effectiveness and credibility. We call for a revised quota formula that further shifts quota shares from advanced countries to dynamic EMDEs reflecting their growing weight in the global economy. The realignment of quota shares must protect the quota shares of all 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 introducing a third Chair for Sub-Saharan Africa, but not at the expense of other EMDEs' Chairs.

9. The \$650 billion Special Drawing Rights (SDRs) allocation in 2021 provided a timely boost to global liquidity. We welcome the creation of the Resilience and Sustainability Trust (RST) through which SDRs can be voluntarily channeled to countries in need. We call on the IMF to ensure the RST is operational by the 2022 Annual Meetings and to work in close collaboration with the WBG in implementing the RST. We welcome the global ambition to voluntarily channel \$100 billion of unused SDRs to developing countries that need liquidity support and urge further pledges to meet that goal. We ask the IMF to ensure that support from the RST covers the broad range of structural reforms and policies in developing countries that are needed to enhance resilience and prospective balance of payments sustainability, delivering the scale of medium-term financing required to address them. We call for the strengthening the resources of the Poverty Reduction and Growth Trust (PRGT), including from rechanneled SDRs, and urge donor countries to provide the subsidy resources needed to ensure its effectiveness and sustainability.

10. The WBG and other MDBs should use the strength of their balance sheets, to the fullest extent possible, to boost their lending capacity while preserving financial prudence and resilience. Scaled up financing from MDBs needs to be sustained to support enormous and urgent public investments needed to spur a post-pandemic recovery, address key drivers of inequality, confront the education crisis, and prevent economic scarring, especially at a time when fiscal resources are highly strained. We welcome the successful IDA20 replenishment a year in advance to enhance support to low-income countries (LICs) in confronting the health and economic impact of the pandemic. We urge the WBG to develop innovative means to assist fragile states that are not eligible to avail of its traditional lending windows but have been severely affected by the pandemic. We welcome the WBG's timely financial assistance to Ukraine and look forward to its support to other countries harmed by the conflict. We urge the WBG to extend concessional financing to developing countries experiencing disproportionate migration, displacement, and refugee flows, including from the impact of the Ukraine crisis. We reiterate our call on the IMF and the WBG to strengthen their analytical work on the macroeconomic and development impacts of migration and refugee flows. In addition, the WBG should develop effective instruments to catalyze public-private partnerships, especially in infrastructure, which have fallen far short of expectations. We welcome the WBG's support to help countries harness the development potential from digitalization.

11. We reiterate our call on the WBG to develop a medium-term strategy for middle-income countries (MICs), considering their evolving landscape and circumstances. Many MICs face challenges in transforming their economies to improve their medium-term growth prospects and reduce high levels of poverty and inequality. Recovering better from the economic contraction will require policy reforms and significant public investments in sustainable infrastructure, human development, and social protection. The WBG and other MDBs must play a stronger role in development financing for MICs and facilitating knowledge transfer.

12. Debt burdens in EMDEs have risen sharply in the past two years, driven largely by reduced fiscal revenues and increased public spending for pandemic response. Debt related risks need urgent attention to avert economic distress in highly indebted countries. We welcome the

improvements in debt transparency, with the support of the IMF and the WBG, especially in LICs. All actors, including private creditors, should work jointly to enhance debt transparency. We call for measures to ensure timely, orderly, and coordinated debt treatment under the G20 Common Framework, increase the participation of private creditors, and address the procyclical impact of sovereign credit ratings. Alleviating debt distress will require more development financing, particularly concessional financing. We also call for further support for EMDEs to address their development challenges and needs, within an effective international financial architecture. We welcome progress made in the multi-pronged approach, especially the implementation of the performance and policy actions (PPAs) in IDA countries. We urge the continued support of the IMF and WBG to strengthen capacity in debt and public expenditure management and domestic resource mobilization.

13. We reiterate our call for the international commitment to accelerate global actions to address the threat of climate change to reflect the principles of equity and common but differentiated responsibilities (CBDR) and respective capabilities as enshrined in the UNFCCC and Paris Agreement. Support for low greenhouse gas pathways should create, not impede, opportunities for inclusive growth and a better recovery and for protecting the most vulnerable, thus contributing significantly to achieving the SDGs and global climate goals. Achieving these objectives will require enormous investments on sustainable infrastructure, energy transitions, adaptation and reversing biodiversity losses, all of which will require scaled-up, sustained and affordable long-term financing, especially grant financing from developed to developing countries, technology transfer, and enhanced technical assistance.

14. At the 26th UN Climate Change Conference (COP26), developing countries urged stronger commitment from the international community to scale up and improve the quality of climate finance. Financing to invest in climate action has fallen far short of what is, and will be, needed, while financing gaps are amplified by pressing fiscal constraints and the high and increasing cost of capital for developing economies. As an initial step, we call on developed countries to deliver urgently their \$100 billion climate finance per year commitment to support developing countries and aim to significantly surpass this target in the years ahead to match investment needs. Going forward, COP27 should aim for an accelerated and ambitious climate finance agenda, a process to track progress in fulfilling financial commitments and the means to bridge financing gaps as needed. Concessional finance and adaptation finance should substantially increase and climate financing for loss and damage mainstreamed. Innovative financing instruments should also be explored, in alignment with the principle of CBDR. In addition, scaling up WBG and other MDB financing and catalyzing substantial private finance are critical to achieve inclusive and sustainable development. The WBG's and MDBs' climate initiatives should be in line with Nationally Determined Contributions. They must ensure strong country ownership of country climate and development reports (CCDR). MDBs' climate initiative to achieve sustainable development should ensure access to energy and energy security.

15. Climate change and biodiversity loss are two major and interlinked global challenges. At COP15 Phase II, we look forward to the adoption by the Convention on Biological Diversity of an ambitious, pragmatic, and balanced Post-2020 Global Biodiversity Framework to curb and reverse global biodiversity loss.