G7 Finance Ministers and Central Bank Governors' Statement

Washington, DC, 25 October 2024

We, the G7 Finance Ministers and Central Bank Governors, met on 25 October 2024 in Washington, DC. We were honoured to be joined by the Ukrainian Finance Minister Sergii Marchenko. The Heads of the International Monetary Fund (IMF), World Bank Group (WBG), Organisation for Economic Cooperation and Development (OECD) and Financial Stability Board (FSB) also took part in the meeting.

Global Economic Outlook and Developments

The global economy remains resilient, despite growth being uneven across countries and moderate by historical standards, and a soft-landing continues to be the most likely scenario. Disinflation is under way and world GDP growth is projected to remain stable next year, supported by improving household real incomes, and more favourable monetary and financial conditions.

Nevertheless, downside risks to the outlook remain and have increased in recent months in particular due to the escalating conflict in the Middle East. Heightened geopolitical tensions, including the adverse impacts of Russia's illegal war of aggression against Ukraine, can dampen global trade growth and foreign investment, increase volatility in commodity markets, and hurt household and business confidence. Other downside risks include more persistent than expected inflation, lower than expected productivity growth, and increasingly frequent extreme weather events. On the upside, the recovery in real household incomes could lead to a stronger-than-expected rebound in private consumption. Technological advances, notably in the field of artificial intelligence (AI), have the potential to support productivity growth as long as the associated risks are properly understood and managed.

Inflation has continued its decline from elevated levels, thanks to well-calibrated monetary policies and the unwinding of supply shocks. Central Banks remain strongly committed to price stability in line with their respective mandates and will continue to adjust their policies in a data-dependent manner. Credible medium-term fiscal adjustment paths within a sound fiscal framework are crucial to safeguard debt sustainability, maintain flexibility to respond to new shocks, generate the resources to address future spending pressures and pursue growth-enhancing investment and structural reforms. The green and digital transitions, and protecting the most vulnerable, remain key ingredients of balanced and sustainable fiscal policies. We reiterate our commitment to sound and well-communicated macroeconomic and structural policies, while endeavouring to limit negative spillovers through clear communication. We reaffirm our May 2017 exchange rate commitments.

Support for Ukraine

Russia's illegal, unjustifiable, and unprovoked war of aggression against Ukraine continues to cause immense human and economic losses in Ukraine and negative spillovers for the global economy, including food and energy insecurity that hurts the most vulnerable sectors of the world's population. We reaffirm our unwavering support for Ukraine for as long as it takes and call on Russia to end the war immediately.

We are pleased to announce that, in line with the G7 Leaders' Statement issued on 15 June in Apulia, G7 Finance Ministers have agreed on the operationalisation of the Extraordinary Revenue Acceleration (ERA) loan initiative, which will disburse approximately USD 50 billion (EUR 45 billion) for the benefit of Ukraine, leveraging the extraordinary revenues on the immobilized Russian sovereign assets. The details of this initiative are reported in a separate statement. The achievement was made possible by legislation that was recently agreed by the European Union, specifically the establishment of the Ukraine Loan Cooperation Mechanism and a Macro-Financial Assistance loan, together with intense efforts and commitments from all other G7 countries.

We are grateful for the efforts of all parties involved in achieving this major milestone and making ERA loans a reality. We also welcome the continued delivery of support by all G7 partners to helping Ukraine meet its financing needs.

We welcome the positive completion of the fifth review of the IMF's arrangement under the Extended Fund Facility (EFF) for Ukraine. We value the Ukrainian authorities' commitment to conduct reforms under challenging circumstances, and we appreciate the solid program implementation despite the ongoing conflict. We are also looking forward to the successful completion of the debt restructuring with all Ukraine's private creditors.

Sanctions imposed on Russia have muted its capacity to wage its war against Ukraine, by creating delays in and increasing costs to its procurement efforts; further isolated its economy from the world and levied real costs on Russian individuals and companies providing support to its war efforts We are also committed to obstructing Russia's ability to evade or circumvent sanctions and acquire dual use goods for the battlefield also in cooperation with third countries. The Oil Price Cap has been successful in supporting stability in energy markets, while reducing Russia's revenues. We welcome the Coalition efforts to ensure the Oil Price Cap measures are correctly implemented. We remain committed to taking further initiatives in response to oil price cap violations and to increasing the costs to Russia of using the shadow fleet to evade sanctions. We remain committed to constraining the Kremlin's sources of revenue, including further action to target energy revenues and future extractive capabilities, building on the measures we have taken so far. We intend to intensify our efforts to prevent financial institutions from supporting Russia's evasion of our sanctions, especially in third countries, and to keep engaging with the private sector to make sure G7 operators are not part of Russia's circumvention schemes. We strongly condemn the increasing military cooperation between North Korea and Russia, in direct violation of relevant UNSCRs.

Middle East

We reiterate our strongest condemnation of the brutal terrorist attacks perpetrated by Hamas on 7 October 2023. We also strongly condemn Iran's direct military attack against Israel as well as its transfer of advanced weapons to Russia. We call on all regional players to act responsibly and with restraint, stressing that further attacks and retaliation would risk lives and threaten economies across the region. We are deeply concerned about the worsening humanitarian crisis in Gaza and the consequences of the escalating situation along the Blue Line for the safety and security of the civilian population in Lebanon. We reaffirm our support for the UN peacekeeping mission UNIFIL and express deep concern over all threats to UNIFIL's security. The protection of peacekeepers is incumbent upon all parties to a conflict. We reiterate our call for a full cessation of hostilities consistent with the full implementation of UNSCR 1701 and a diplomatic solution to the fighting that enables citizens to return safely to their homes on both sides of the Blue Line. We will continue working together to deliver humanitarian assistance in the Middle East. We will also continue to plan for early recovery in Gaza, when the situation allows. Recalling UNSCR 2735, we call for an immediate ceasefire, the release of all hostages, a sustained increase in humanitarian assistance and an end to the conflict.

We call on Israel to take the necessary measures to ensure that correspondent banking services between Israeli and Palestinian banks remain in place, so that vital financial transactions and critical trade and services continue; to release withheld clearance revenues to the Palestinian Authority in full; and to reissue permits for Palestinian workers where security allows.

Artificial Intelligence

We remain committed to advancing our discussion on how to leverage AI in a safe, secure, and trustworthy way to increase productivity and growth while minimising the risks to the financial system and the wider economy. Following up on our Stresa shared policy agenda, we set up a High-Level Panel of Experts to identify the opportunities and challenges for economic and financial policymaking arising from the development and use of AI and to prepare a Report for the G7. The Panel is focusing on the implications of AI for policymakers on areas deemed at the core of the G7 Finance Track, including macroeconomic impact, the potential use of AI by governments and financial agencies, financial stability considerations, implications for skills of the labour force, and environmental sustainability. We look forward to the Panel's assessment of how to harness the benefits of AI while mitigating the associated risks. We welcome the Panel Chair's update on the ongoing work and look forward to the Report on AI and Economic and Financial Policymaking.

Financial Sector Issues

We are firmly committed to the timely implementation of international financial reforms and reaffirm the importance of strong prudential standards for banks and our commitment to implement all aspects of the Basel III framework in full, consistently and as soon as possible.

We strongly support the FSB’s ongoing work to enhance the resilience of the non-bank financial intermediation (NBFI) sector. We look forward to timely finalisation of the FSB proposals to enhance margining practices, including market participants’ preparedness to meet liquidity calls, and look forward to a robust set of recommendations to address vulnerabilities from NBFI leverage in the forthcoming FSB consultation report. We reiterate that continued effort is needed in implementing the FSB policy recommendations on Money Market (MMFs) and Open-Ended Funds (OEFs). We encourage further efforts to enhance NBFI data and improve authorities’ ability to monitor vulnerabilities in the sector.

As G7 Members, we reiterate our support and our commitment to a timely and effective implementation of the G20 Roadmap to enhance cross-border payments to make them faster, cheaper, more transparent, and more inclusive, while maintaining their safety, resilience, and financial integrity. Improving cross-border payments should benefit both advanced economies and emerging markets and developing economies (EMDEs), contribute to financial integration, and reduce the risk of market fragmentation. We welcome the two reports published by the Committee on Payments and Market Infrastructures (CPMI) on governance and oversight of fast payment systems interlinking arrangements and on the harmonization of application programming interfaces to enhance cross-border payments. We welcome the FSB’s annual progress report on the implementation of the Roadmap and the related report on monitoring progress towards achieving the cross-border payments’ quantitative targets; evidence from the monitoring exercise show that that further steps are needed to meet the targets by 2027. Therefore, we encourage the implementation of the policies and recommendations developed so far by the FSB, CPMI and other partnering organisations. Finally, we support FATF’s ongoing work to strengthen its Standards on Payment Transparency.

We welcome the first status report on the G20 Crypto-Asset Policy Implementation Roadmap and reaffirm our commitment to implement effective regulatory and supervisory frameworks consistent with the FSB’s recommendations and standards and guidance established by SSBs. We also reiterate our support to the FATF's initiatives on accelerating global implementation of its standards on virtual assets and to its work on emerging risks, including from DeFi arrangements, stablecoins, and peer-to-peer transactions.

Cybersecurity continues to be a key issue for industry and financial authorities. We welcome the work of the G7 Cyber Expert Group (CEG) and its industry partners to understand cyber threats, strengthen our shared response capability and prepare for the future. In this respect, we recall the successful completion of the cross-border coordination exercise conducted this year and the importance of sound coordination, communication and information sharing among G7 authorities and industry to respond to large scale cyber incidents that may affect the financial system. We note the publication by the CEG of guidance to industry and authorities on the need to prepare now for the risks and opportunities posed to the financial sector by quantum computing.

Multilateral Development Banks

We reiterate our firm support for evolving and strengthening Multilateral Development Banks (MDBs) to better address the most pressing development and global challenges. We welcome the G20 MDB Roadmap towards better, bigger, and more effective MDBs, and we consider the evolution agenda a key component of this work. We call on MDBs to advance implementation of the G20 Roadmap recommendations for concrete and measurable impact. We encourage MDBs to work better as a system, to leverage their respective comparative advantages and to coordinate better to maximize impact, including through country platforms and the Finance in Common Initiative. We call on MDBs to step up support to countries in their design and implementation of adequate policy and regulatory reforms, particularly to remove bottlenecks to private investment and foster enabling conditions to catalyse more private sector engagement. In addition, we urge MDBs to step up their efforts to mobilize private capital, including through setting ambitious mobilization targets, aligning staff incentives, and transparent reporting, and to enhance domestic resource mobilization, as well as to scale up local currency solutions.

We welcome the progress made on the implementation of the G20 MDBs Capital Adequacy Framework (CAF) recommendations, recognizing that the measures already identified have the potential to unlock up to USD 357 billion in additional MDB financing over the next ten years. We look forward to a continuous and ambitious further implementation of all appropriate CAF recommendations, while safeguarding long-term financial stability and robust credit ratings of MDBs. We call on MDBs to continue to work on the design of innovative instruments such as hybrid capital and portfolio guarantees. We also call on MDBs to jointly explore options for a common approach to assess the risk mitigation value of callable capital and to incorporate that value into their capital adequacy frameworks. We encourage MDBs to develop a set of guiding principles to ensure those frameworks assign appropriate value to preferred creditor status (PCS) and effectively account for portfolio concentration risk, where applicable. All of the above will benefit from further discussions with credit rating agencies. We recognize that CAF implementation would maximize the effectiveness of any potential future capital injections, and we consider the Board of each MDB to be best placed to determine if and when a capital increase is needed, in addition to CAF measures. In line with the G20 MDB Roadmap, we encourage MDB Boards and management to consider establishing processes to undertake reviews of the alignment of their resources and strategies at regular intervals.

We reaffirm the importance of continuing to provide significant concessional support to low-income countries. We also reaffirm our support for the targeted use of concessional resources, through a clear allocation framework, to support low- and middle-income countries in addressing global challenges. We call on the MDBs to better address fragility, conflict, and violence by investing in prevention, remaining engaged during conflicts, developing the local private sector and local financial markets, enhancing institutional and staff capacity and incentives to address fragility, and leveraging strategic partnerships, including with regional organisations.

We support a robust International Development Association (IDA21) replenishment that includes an impactful policy package to help low-income countries (LICs) to eradicate poverty on a liveable planet. To ensure a successful IDA21 replenishment, we will continue to provide strong support while we call for an expanded donor base. We also commit to work toward a successful replenishment of the African Development Fund (AfDF17) next year, following recent fruitful discussions during the Mid-term review of AfDF16.

We also acknowledge calls to review the governance of Global Financial Institutions to strengthen their impact. We highlight recent progress in that direction, and we welcome discussions on appropriate roles and responsibilities across the MDB system.

We reiterate our support to the Alliance for Green Infrastructure in Africa (AGIA), as an innovative financial mechanism, developed by the AfDB, the African Union, Africa50 and other development partners aimed at mobilising blended finance to design and develop a USD 10 billion envelope of transformative green infrastructure projects. Its goal is to accelerate the energy transition, bridge the infrastructure gap and promote climate resilience on the Continent.

International Monetary Fund

We welcome the priorities as set out in the IMF Managing Director's Global Policy Agenda (GPA). We recall our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the centre of the Global Financial Safety Net. We welcome the conclusion of the 16th General Review of Quotas (GRQ) and the IMF Executive Board's ongoing work to develop possible approaches as a guide for further quota realignment, including through a new quota formula, under the 17th GRQ, while protecting the quota shares of the poorest members.

We welcome the creation of a 25th Chair at the IMF Executive Board for Sub-Saharan Africa, which will improve the voice and representation of this region. We strongly support the Fund's commitment towards the most vulnerable, including through the Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST). We reiterate the call on all IMF members, especially those that have not yet done so, to consider providing additional financial support to those facilities. We welcome the successful completion of the review of the PRGT's facilities and financing which will ensure that the IMF continues to meet its most vulnerable members in addressing their balance-of-payments needs. We also welcome the conclusion of the IMF review of charges and surcharges, which will alleviate the financial cost for borrowing countries while preserving intended incentives and safeguarding the IMF's financial soundness.

Debt issues

We reaffirm G7 Leaders' call on all stakeholders to redouble efforts and improve the ability to help low- and middle-income countries that fall into debt distress.

We fully support efforts to improve the implementation of the G20 Common Framework for Debt Treatments in a predictable, timely, orderly, and coordinated manner. In this light, we welcome the endorsement of the G20 Note on the Lessons Learned from the First Cases Under the Common Framework and look forward to the implementation of its recommendations. We also welcome the agreed debt treatments for Sri Lanka. We call on all stakeholders to improve debt transparency, including through data-sharing exercises.

We stand ready to make efforts to support vulnerable countries whose debt is sustainable yet face liquidity challenges, which impede their ability to make critical investments toward their ambitious sustainable development goals. We support a country-owned, reform-oriented, multidimensional approach and encourage the IMF and the World Bank to further develop their proposal of a three-pillar approach.

Health and Finance issues

On 10 October we held a joint session with G7 Health Ministers focusing on areas where coordinated efforts between Finance and Health actors can contribute to increase preparedness against future health emergencies and enhance global security.

Recognizing that the pipeline of innovative products to prevent, diagnose and treat drug-resistant infections remains insufficient to address the challenge of Antimicrobial Resistance (AMR), we underscore the need of push incentives to accelerate R&D of new antimicrobials as well as alternatives to their use. We also reaffirm our commitment to promote pull incentives and their benefits in our regional and domestic markets and health systems; and to explore and support innovative market sustainable approaches.

We will continue leading the effort to enhance pharmaceutical manufacturing capacity in Africa. We welcome the Report produced under the Italian Presidency, according to which G7 Members have already committed more than USD 2.9 billion in support of the development of a sustainable regional industry. To maximize the impact of supported initiatives, we look forward to further enhanced G7 cooperation and to the continuous engagement of African partners.

We remain committed to continue exploring innovative mechanisms for response financing to address remaining functional gaps, in close coordination with the G20 Joint Finance-Health Task Force (JFHTF), and welcome the creation of a global Mpox response financing tracker to enhance transparency. We call for continued support to the Pandemic Fund, including by expanding the donor base, to reach at least USD 2 billion in new pledges and at least an equivalent amount in co-financing in order to support the implementation of the Pandemic Fund medium term Strategic Plan 2024 - 2029. We also call for robust support to Gavi, the Vaccine Alliance's ongoing replenishment campaign and the Global Fund to Fight AIDS, Tuberculosis and Malaria's upcoming replenishment cycle.

We commend the IMF, World Bank and WHO for the finalization of the collaboration principles as an important step towards the operationalization of the pandemic preparedness component of the IMF's Resilience and Sustainability Trust (RST) and we look forward to the first RST programs that address pandemic preparedness.

We welcome the signing of a Memorandum of Understanding (MoU) for the Surge Financing Initiative for Medical Countermeasures (MCMs) by the participating G7 Development Financial Institutions, along with the European Investment Bank and the International Finance Corporation.

Green Transition

The consequences of climate change and biodiversity loss weigh on our economies and take a painful toll on our societies. We reaffirm our commitment to implementing effective strategies to foster the global transition towards net-zero, guided by the *G7 Finance Track Menu of policy options for a just transition towards net-zero*. We acknowledge the importance of and the rising demand for green skills. Investment in reskilling and upskilling, including for women and low-wage workers, can lead to significant productivity gains and job creation, can act as additional stimulus for the transformation and can also contribute to reduce inequalities. We also reiterate our support for the OECD's Inclusive Forum on Carbon Mitigation Approaches work, including on carbon intensity measurement. We reaffirm the potential of well-designed policy mixes including carbon pricing and non-pricing mechanisms and incentives to foster cost-efficient reductions in emission levels, drive innovation and enable a transformation to net zero.

We remain committed to support best practices that can enhance the comparability, informativeness and reliability of transition plans both in the financial sector and the real economy, and welcome the G20 high level principles and recommendations on transition plans. We support ongoing efforts by international bodies, such as the International Sustainability Standards Board, to address transition plan disclosures and encourage international coordination on related issues. We support progress on FSB roadmap on climate-related financial risks and we look forward to the FSB report on the relevance of transition plans for financial stability We note the potential of new technologies, including AI, as enabling tools to improve climate-related disclosures, scenario modelling, risk assessment, and the tracking of progress towards net-zero objectives.

Climate-related natural disasters are increasing in frequency and severity, with major human and economic losses. EMDEs are heavily impacted and often less equipped to deal with natural hazards. We appreciate ongoing discussions on developing tailored strategies to mobilize finance for risk mitigation in EMDEs, and we encourage the WBG work to develop a comprehensive and context sensitive strategy to mobilise public-private insurance solutions, guided by and as a complement to the Global Shield against Climate Risks and the *High-Level Framework for Public-Private Insurance Programmes against Natural Hazards*. We also stress the importance of promoting regional disaster risk finance initiatives, with a focus on the specific needs of EMDEs. We recognize the role of Climate Resilient Debt Clauses to contribute to a smooth recovery after a disaster in a context of limited fiscal space.

We welcome the outcome of the G20 Independent Review of the Vertical Climate and Environmental Funds and look forward to the effective implementation of its recommendations to ease access to finance, streamline and harmonize processes across the Funds, reduce fragmentation of the climate finance landscape, and increase financial leverage of donors' resources and the mobilisation of private capital, including through working better with MDBs.

We appreciate the progress made by the Resilient and Inclusive Supply-chain Enhancement (RISE) partnership and we welcome the upcoming launch of a Local Information Platform in Zambia. We call on the WBG to further implement this global initiative at pace, and we look forward to its regional expansion in Africa, including in Burundi and Malawi, as well as its progress in other regions.

International Tax Cooperation

We reiterate our commitment to establish a more stable and efficient international tax system fit for the 21st century. The implementation of Pillar One remains our top priority, and we are committed to solving the outstanding issues on Amount B within the OECD/G20 Inclusive Framework with a view to signing the Multilateral Convention as soon as possible. We will work together to meet that objective, also by engaging constructively with all members of the Inclusive Framework. We welcome that an increasing number of jurisdictions have implemented or started the implementation of the Pillar Two global minimum tax in their domestic legislation. We call on other jurisdictions to follow suit, and support ongoing work to ensure consistent implementation. We welcome the first signing ceremony of the Multilateral Convention to Facilitate the Implementation of the Subject-To-Tax-Rule (STTR) on 19th September.

We reaffirm our commitment to fostering international cooperation on tax issues, including – among other topics – on strengthening tax transparency, while respecting confidentiality and other safeguards, and increasing our efforts aimed at progressive and fair taxation of individuals. We encourage the Inclusive Framework to consider working on these issues in the context of effective progressive tax policies.

Noting the adoption by the UN Ad Hoc Committee on 16 August 2024 of the Terms of Reference for a UN Framework Convention on International Tax Cooperation, we encourage the UN Member States to participate with an open-minded spirit to achieve the right balance between the different aspirations of countries towards an inclusive and stable tax cooperation. We reiterate the importance of consensus-based decisions to maximize the participation in the Framework Convention and to support a durable and predictable international tax system, as well as the need to avoid unnecessary duplication of efforts, by building on existing achievements and processes, and on the ongoing work of other international organizations.

We remain committed to provide the necessary support to developing countries, and in particular low-income economies, so they can improve domestic resource mobilization by enhancing their taxation systems and enforcement capacity and make progress on Sustainable Development Goals.

7th OECD World Forum on Wellbeing

We look forward to the seventh edition of the OECD World Forum on Wellbeing, which will be hosted by Italy in Rome on 4-6 November 2024. Building on the legacy of the Japanese Presidency, the Forum will explore the adoption of policies fostering wellbeing, sustainability, and the reduction of inequalities. The Forum promotes an evidence-based and data-driven analysis of policy issues related to wellbeing and, in line with the G7 priorities of the Finance Track, it focuses on the impact on wellbeing of climate change and AI.