



G-24 Technical Group Meeting

February- March, 2023

Virtual

SUMMARY REPORT

The Spring 2023 Technical Group Meeting (TGM) was held virtually over two weeks, hosted by Côte d'Ivoire, the current G-24 Chair. The overall theme of the meeting was ***Challenges to Structural Transformation for Emerging and Developing Countries (EMDEs)***.

Panel sessions focused in the following four topics: *Structural Transformation and Sustainable Development*, *World Bank Group Evolution Roadmap (WBG)*, *Mobilizing Private Finance for Sustainable and Inclusive Development*, and *Macroeconomic and Structural Drivers of Food Insecurity*.

SESSION 1: STRUCTURAL TRANSFORMATION AND SUSTAINABLE DEVELOPMENT

Moderator: Cecilia Nahon, Executive Director at the World Bank

Carlos Lopes outlined three key challenges for policymakers in the current global economy. The first challenge is premature de-industrialization, influenced by shifts in productive systems. Research indicates a distortion in manufacturing value addition that fails to account for significant GDP growth in some countries. Despite this, there are substantial industrialization opportunities, especially for latecomer developing nations that can leverage leapfrogging capabilities. Addressing this requires: 1) strong institutions and ecosystem; 2) improved infrastructure, including intellectual property and logistics; and 3) education geared toward future workforce needs.

The second challenge stems from multiple crises since 2008, prompting calls for more protectionist measures in world trade. These measures could offer opportunities, such as Africa's renewable energy potential. Overhauling the international financial system is crucial to address emissions and inequality issues resulting from this growth trajectory.

The third challenge involves the influence of megatrends on policy paths. Trends in climate, technology, demographics, and innovation must be incorporated into structural transformation policies. Lopes emphasized a tri-strategy: anticipating megatrends, capitalizing on competitive aspects within global value chains, and aligning economic actors.

Richard Kozul-Wright agreed on the de-industrialization issue, noting governance obstacles. He advocated for a just transition that includes an inequality element, emphasizing distribution for sustainable and inclusive growth. Green new deals could aid structural transformation by shifting from austerity to investment-led transitions, involving public spending, progressive taxation, and tailored policies.

Edward Brown discussed Africa's economic and structural transformation, focusing on the African Center for Economic Transformation Index. This index focuses on economic resilience and sustainability across diversification, competitiveness, productivity, technology, and well-being. Progress has been uneven, with a link between economic transformation and growth/fiscal resilience.

Janine Berg showed labor and social protection's role in structural transformation. Minimum labor standards enhance productivity, while social protection boosts labor market participation. Challenges arise from the global trade system and digital value chains, leading to labor oversupply and skill misallocation. State-led development can optimize an educated workforce, fostering better jobs and reducing reliance on the global north.

Discussions covered fiscal space limitations and debt vulnerabilities. Efficient policy implementation, tackling informalities, and progressive taxation can create fiscal space. Domestic reinvestment also spurs growth. Balancing industrialization and services is crucial, with industrialization fostering structural transformation, reduced informality, diversification, productivity, and integration into global value chains. A robust, progressive tax system is essential for resilience and positive economic spillovers.

SESSION 2: PERSPECTIVES ON THE WORLD BANK GROUP (WBG) EVOLUTION ROADMAP

Moderator: Marilou Uy, Director, G-24 Secretariat

The World Bank Group (WBG) Evolution Roadmap process started in response to shareholder requests in Oct 2022, aiming to conclude within a year. Panelists focused on four areas: the current global challenges; WBG evolution roadmap, Multilateral Development Banks lending issues; IV. Action recommendations.

Amar Bhattacharya highlighted current world challenges and obstacles - low growth, debt, climate change, SDG achievement barriers - and what they mean for the World Bank. **Edward Mountfield** focused on urgent global sustainability crises, especially for developing nations. Bhattacharya proposed strategic action for new growth, investment, and innovation, crucial for recovery and SDG progress. Investment-led growth was supported by **Kevin Gallagher**.

Panelists reviewed the World Bank Evolution Roadmap, focusing on its Mission and Vision, operating model and financial model. Mountfield and Bhattacharya linked WBG Twin Goals to sustainability and climate action, stressing scale and urgency. Gallagher supported renewed vision and urged policy reform for climate-resilient growth. On the operating model, Panelists called for responsive country model, setting ambitions, resource allocation, and operational efficiency. Hans Peter Lankes emphasized benchmarks, transparency, and performance in WBG operations. Gallagher stressed quality control and growth-enhancing financing.

The capacity of the WBG to finance the new models was discussed at length. Bhattacharya proposed affordable private, public, and concessional finance mix, suggesting tripling support in 5 years and quadrupling by 2030. Gallagher and Bhattacharya argued for substantial new capital to address global challenges, beyond existing frameworks. Nancy Lee presented innovative financing methods including hybrid capital, donor guarantee fund, and enhanced MIGA role.

A presentation of an ODI report by **Annalisa Prizzon** revealed that client countries have largely positive views of MDBs' financing terms and efficiency. However, the study noted that there are sometimes misalignment of priorities between government officials and MDB staff. Rigid policies, inadequate coordination, and the impact of policy conditionality on decision-making were often sighted as key concerns.

In conclusion, Mountfield and Lankes urged G-24 countries to lead in defining ambition and advocating for capital efficiency and new capital. Bhattacharya called on G-24 to strongly endorse capital increase, supported by the CAF report. Other recommendations emphasized equitable burden sharing, concrete actions, and financial commitments.

SESSION 3: MOBILIZING PRIVATE FINANCE FOR SUSTAINABLE AND INCLUSIVE DEVELOPMENT

Moderator: Iyabo Masha, Director, G-24 Secretariat

Private finance is crucial for achieving Sustainable Development Goals (SDGs) and the Paris Agreement, but a significant funding gap exists, especially in Low-Income and Middle-Income Countries (LICs and MICs). The session explored the scale of private finance commitment, its challenges, and opportunities.

Panelists from various institutions discussed blended finance, PPPs, and opportunities to mobilize private capital. **Chris Club** highlighted the massive funding gap for SDGs and the Paris Agreement, with current commitments falling short. He stressed the need for about \$4-4.5 trillion annually, but only around \$1 trillion has been spent so far. Private mobilization commitments from MDBs and DFIs amount to just 4% of the requirement.

Imad Fakhoury underscored the role of sustainable infrastructure in achieving goals, while acknowledging the fiscal constraints. He suggested steps like enhancing institutional capacity, harmonizing standards, and facilitating financing to boost private investments.

Christopher Millward advocated for liquidity support alongside political risk insurance to attract private investments. **Leticia Ferreras Astorqui** discussed the benefits of blended finance for various sectors, emphasizing its role in risk mitigation and attracting investors. Country perspectives from Côte d'Ivoire and the Philippines revealed efforts to enhance the business environment and promote private investment. These countries employed PPPs to boost infrastructure and economic growth.

While private finance remains important, the panelists recognized its limitations in addressing development needs. Caution should be exercised in promoting private financing mechanisms, considering potential borrower costs. Furthermore, the chronic deficiency of private development finance raises questions about the suitability of such reforms or the need for more radical changes in the international financial landscape.

SESSION 4: FOOD INSECURITY: MACROECONOMIC AND STRUCTURAL DRIVERS

Moderator: Iyabo Masha, Director, G-24 Secretariat

Maximo Torero outlined food insecurity drivers, highlighting conflict, economic slowdowns, and climate vulnerability as key factors. Poverty is on the rise, especially in Africa. Hunger is increasing, with one in five Africans affected in 2021. Undernourishment is prevalent, particularly in Middle and East Africa. Africa faces severe food insecurity due to its vulnerabilities. To improve resilience, strategies like regional food production and safety nets are crucial.

Sebastian Sosa discussed the IMF's view, emphasizing high food and fertilizer prices causing inflation in low-income countries (LICs). High domestic food prices affect vulnerable populations, leading to cost-of-living crises. LICs face limited fiscal buffers and geopolitical challenges in responding. The IMF is actively addressing food insecurity through policy advice, financial support, and innovative programs like the Food Shock Window.

Martien Van Nieuwkoop highlighted the World Bank's response. Food insecurity is worsening globally, due to inefficiencies in the food system. Transformation is needed for a resilient and inclusive food system, requiring substantial financing. This transformation can generate significant economic gains.

Ibrahim Miyaki discussed Africa's need for regional cooperation. The Special Envoy for Food Systems in the African Union advocates for a resilient agri-food system and harmonizes transformation initiatives. Regional integration and governance are vital, and Africa's peace and security architecture offers tools for managing conflicts.

Candelaria Alvarez Moroni presented Argentina's viewpoint, focusing on food production and access. Climate change and trade restrictions impact Argentina's agricultural sector. Argentina has taken targeted policy measures to ensure food access for vulnerable populations and address long-term production challenges. Discussion centered on improving financing for agriculture production and addressing political and private sector challenges. Regional collaboration, mobilizing resources, and holding the private sector accountable were highlighted as essential strategies.