

Policy Roundtable on
GLOBAL ADJUSTMENT AND FINANCIAL ASYMMETRIES: IMPLICATIONS AND
REFORM PRIORITIES FOR EMDES

Summary

The Intergovernmental Group of Twenty-Four (the G-24), in partnership with the Boston University Global Development Policy Center (GDP Center), convened a closed-door Policy Roundtable on the margins of the 2026 Spring Meetings of the IMF and the World Bank. The Roundtable was chaired by Mr. Jameel Ahmad, Governor of the State Bank of Pakistan, and Dr. Iyabo Masha, the G-24 Director. Participants included senior officials from ministries of finance and central banks, IMF Executive Directors and staff, academics, think tanks, and development finance practitioners. Presentations were delivered by Dr. Kevin P. Gallagher, Director of the GDP Center, and Dr. Neil Meads, Deputy Division Chief in the IMF's Multilateral Surveillance Division.

The discussion examined how persistent external imbalances, asymmetric capital flows, and concentrated reserve-currency issuance continue to shape adjustment dynamics in the global economy. Participants reflected on how current multilateral frameworks could be strengthened to better support orderly adjustment and promote development-oriented outcomes. The discussion also explored practical reforms at global, regional, and national levels to enhance resilience and reduce dependence on costly self-insurance strategies.

Roundtable Discussions

External Imbalances and Global Adjustments

Today's asymmetries are increasingly complex compared to previous instances, encompassing three interrelated dynamics: a resurgence of financial tightening, escalating geopolitical tensions and trade fragmentation, and profound structural transformations within the global economy. While external imbalances originate largely in systemically important economies through savings-investment gaps, reserve-currency dynamics, and macroeconomic spillovers, the costs of adjustment are often borne disproportionately by Emerging Markets and Developing Economies (EMDEs) through exchange-rate volatility, capital flow reversals, reserve depletion, and rising financing costs.

Participants highlighted that global adjustment remains highly asymmetric, noted that for many developing countries, adjustment is frequently compressed into short time horizons and undertaken under adverse financing conditions. This can result in procyclical policy tightening, weaker growth, lower investment, and reduced fiscal space, even where domestic fundamentals remain broadly sound. Several participants stressed that durable adjustment cannot rely primarily on demand compression in vulnerable economies but must also involve rebalancing efforts in major surplus and deficit countries.

Capital Flows, Reserve Accumulation, and Self-Insurance

Participants discussed the continued volatility of cross-border capital flows and the incentives this creates for precautionary reserve accumulation. Although many EMDEs have improved their macroeconomic frameworks and become more resilient, their domestic policy space can still be overwhelmed by persistent external shocks transmitted through global financial volatility. Portfolio flows and abrupt changes in global risk sentiment often lead to significant policy trade-offs.

Several speakers noted that many developing countries accumulate reserves well beyond traditional adequacy thresholds as a form of self-insurance against external shocks and uncertainty regarding access to the global financial safety net. While reserves can reduce sovereign spreads, their accumulation also creates global imbalances by financing deficits in advanced economies and diverting resources from productive development needs in emerging and developing economies. For instance, the GDP Center estimates that reserves above conservative thresholds are roughly \$1.6 trillion, with an annual social cost of \$53 billion.

IMF Surveillance, Program Design, and Policy Space

Participants discussed the role of IMF surveillance and lending frameworks in supporting more balanced adjustment outcomes. However, participants emphasized that macroeconomic adjustment should not be evaluated solely through near-term stabilization indicators. Instead, the long-term effects on productive investment, export diversification, structural transformation, and employment creation should receive greater weight.

Several participants argued that program design and conditionality should be more responsive to country-specific circumstances, including institutional capacity, social constraints, and externally driven shocks. Some noted that current debt sustainability and macroeconomic assessment frameworks may be insufficient to capture the medium-term returns of climate-related infrastructure and public investments.

There was also discussion of the need to further legitimize the proactive use of capital flow management measures and macroprudential tools where warranted, especially in the face of destabilizing surges and sudden stops. Participants emphasized that countries should be able to deploy a broader toolkit without stigma or unnecessary delays.

Reforming the Global Financial Safety Net

While IMF resources remain central at the Global Financial Safety Net, many participants argued that liquidity provision needs to become more predictable, accessible, and less stigmatized.

Several participants suggested that a more diversified and reliable financial system for emergency liquidity support was essential for a more balanced international monetary system. These complements could include some regional and South-led initiatives, such as regional financing arrangements, reserve pooling mechanisms, swap lines, and new liquidity facilities among developing countries. At the same time, several participants argued that current global uncertainty underscores the urgency of pragmatic coalitions and plurilateral approaches that can advance specific areas of cooperation while preserving an open multilateral spirit.

Conclusion

The Roundtable concluded with a call for reforms that should aim not only to stabilize crises after they occur, but also to reduce the need for costly self-insurance, preserve room for investment-led growth, and support more orderly and equitable adjustment across countries.

Panelists

Adam Posen, President, Peterson Institute for International Economics

Chandranath Amarasekara, Deputy Governor, Central Bank of Sri Lanka

Daniel Munevar, Alternate Executive Director for Colombia, IMF

Dirk Willem te Velde, Principal Research Fellow and Director International Economic and Development Group; Director Supporting Investment and Trade in Africa (SITA) Program, ODI Global.

Gian Maria Milesi-Ferretti, Senior Fellow at Brookings- Economic Studies the Hutchins Center on Fiscal and Monetary Policy

Homi Kharas, Senior Fellow, Global Economy and Development, Center for Sustainable Development at the Brookings Institution

Iyabo Masha, Director, The Intergovernmental Group of Twenty-Four (G-24)

Jay Shambaugh, Professor, The George Washington University; former Under Secretary, U.S. Treasury for International Affairs

Jameel Ahmad, Governor, State Bank of Pakistan

Jose Antonio Ocampo, Professor, Columbia University School of International and Public Affairs

Kevin P. Gallagher, Director, Boston University Global Development Policy Center

Mahmoud Mohieldin, UN Special Envoy on Financing the 2030 Agenda; Non-resident Senior Fellow at the Brookings Institution

Martin Guzman, Professor, Columbia University School of International and Public Affairs

Neil Meads, Deputy Division Chief in the Multilateral Surveillance Division, IMF

Penelope Hawkins, Head, Debt and Development Finance, UNCTAD

Rania Al-Mashat, Former Minister of Planning, Economic Development and International Cooperation, Egypt