

IMF urges greater action on debt restructuring

■ SEVILLE

THE deputy managing director of the International Monetary Fund (IMF) Dr Nigel Clarke yesterday said the international community must further improve debt restructuring processes to ensure that countries with unsustainable debt have access to timely and sufficiently deep debt relief.

Addressing the keynote address at the Fourth Financing for Development Conference (FFD4), the former finance and planning minister of Jamaica said that the four-day event comes at a particularly challenging moment when the resilience of the world economy is being tested.

He said uncertainty has been escalating, as major policy shifts reshape countries' priorities; and despite progress on trade talks and the scaling back of some tariffs, trade policy uncertainty indicators remain off the charts.

'This has major implications for developing countries, for whom risks have grown: downside risks to short-term and longer-term growth prospects. Risks of tightened financing conditions. And yes, risks to their development agenda, including due to cuts in overseas development assistance.

'That is why this conference is so important, and so timely. It provides an opportunity to take decisive and necessary steps to accelerate development progress. And these steps must be taken at both the individual country level and the international community level,' Clarke said, outlining three critical priorities covering the country and international levels.

Clarke said at the country level, there is a need to implement strong domestic reforms, noting that 'in an uncertain economic environment, the work to advance development must begin at home'.

He made reference to two sets of critical reforms within this first priority, saying that domestic revenues remain the bedrock of country-led efforts for sustainable growth and development. Clarke said many countries can boost the resources available to them by broadening the tax base and improving compliance.

He said building strong public financial management systems are also needed, that can redirect spending to sectors like health, education, well-targeted social safety nets, and growth-enhancing public investments.

He said that the second priority, at the international level, is to ensure that the support to development is coordinated and tailored.

'Development partners must help with policy advice, capacity building, and financial support. And to be effective, that assistance should be tailored to countries'

individual circumstances and challenges. Indeed, while developing countries share many characteristics, there are differences in their economic conditions.'

The IMF deputy managing director said that the needs of the poorest and most fragile countries-in particular, those who are often hit hardest by global shocks-demand everyone's attention, and for these countries, concessional financing remains of critical importance.

Clarke said the risk of a systemic debt crisis seems broadly contained for now, but many countries are struggling with high interest costs and refinancing needs that constrain their ability to finance critical development spending and build resilience.

-CMC