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Statement by Mr. Haddad Brazil

On behalf of
Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama,
Suriname, Democratic Republic of Timor-Leste, and Trinidad and Tobago

**Statement by Fernando Haddad
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**On behalf of the Constituency comprising Brazil, Cabo Verde
Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama,
Suriname, Timor-Leste, and Trinidad and Tobago**

**International Monetary and Financial Committee
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The global economy remains resilient, but global challenges require a renewed multilateralism

The global economy has remained resilient as inflation continues to lose steam. A feared global growth slowdown has not come to pass, as activity in major economies – including Brazil – has exceeded expectations. Meanwhile, inflation has continued to gradually decline globally, although the pace of disinflation has slowed, in part reflecting persistent inflation in core services. In some regions, headline inflation has been impacted by further shocks to energy and food prices. Overall, macroeconomic uncertainty has continued to decrease as the post-pandemic imbalances unwind, but important downside risks remain, including related to geopolitical developments. In this context, central banks will need to carefully calibrate monetary policy in order to ensure that inflation sustainably converges to targets, in line with their mandates.

Gradual fiscal consolidation can help safeguard debt sustainability while ensuring fiscal space for priority spending on socially and environmentally sustainable development. In the short term, a well-designed fiscal consolidation can help ease the burden on monetary policy while mitigating potential social costs. In the medium and long run, gradual fiscal consolidation within a credible fiscal policy framework can help ensure the sustainability of public debt while increasing fiscal space for needed investment in reducing poverty, protecting the vulnerable, and the green transition. According to country circumstances, fiscal consolidation may rely on a different mix of instruments, which could include spending reviews, reducing tax expenditures, and progressive taxation.

A renewed and reinvigorated multilateral system is needed in order to meet global challenges such as climate change and the fight against poverty and inequality. In a context of subdued medium-term global growth, if the tendency towards greater economic fragmentation is allowed to proceed unabated, cooperation to tackle our shared global challenges will become ever harder. Instead, to foster a socially and environmentally sustainable global integration, we must choose to reinvigorate multilateralism and reform the global economic governance to better reflect the increased share of emerging markets and developing economies (EMDEs) in the global economy. Working together, we can address debt vulnerabilities in many low-income and emerging market economies, ensure a steady and predictable flow of finance and knowledge to EMDEs geared towards sustainable development, and improve global tax cooperation in order to fight base erosion and profit shifting and make sure that high-net-worth individuals pay their fair share.

Brazil: focus on sustainable and inclusive growth while safeguarding macroeconomic stability

Economic activity has remained robust, prompting another round of upward revisions to growth forecasts. In the second quarter of 2024, GDP grew 1.4 percent over the previous quarter, exceeding expectations. This result was largely driven by robust household consumption and a solid performance in cyclical sectors. Notably, investment increased for the third consecutive quarter, signaling sustained confidence in the economy. As the economy continues to outperform earlier projections, our growth estimate for 2024 has been revised upward to 3.5 percent, from the previous estimate of 2.5 percent. Domestic demand has been bolstered by a healthy credit expansion and a strong labor market, with 1.7 million formal jobs added this year, unemployment near record lows, and recovering real wages. The external accounts remain stable, with the current account deficit comfortably financed by consistent inflows of foreign direct investment. This stability in external financing reflects sustained investor confidence in the country's long-term growth prospects, contributing to a favorable economic outlook.

As inflation converges towards the target, we have continued to refine the monetary policy framework. Recent inflationary pressures, largely driven by climate-related shocks affecting food and energy prices, have pushed the 12-month headline inflation rate from 3.7 percent in April to 4.4 percent in September. However, the average of core inflation measures, while still above target, has remained contained at 3.8 percent, reflecting more stable underlying inflation trends. In order to ensure the convergence of inflation to the target, the Central Bank's Monetary Policy Committee unanimously decided to raise the policy rate by a quarter of a percentage point in September. Looking ahead, the current annual inflation target and tolerance range will be replaced in 2025 by a continuous inflation target of 3 percent, with a fixed tolerance band of 1.5 percentage points. This will increase the transparency and predictability of the monetary policy framework, enhancing the Central Bank's ability to anchor inflation expectations.

Guided by the fiscal framework, fiscal policy seeks to balance fiscal and social responsibility, while ensuring long-term debt sustainability. The fiscal strategy involves a comprehensive approach to revenues and expenditures under the guidance of the fiscal framework enacted in 2023. On the revenue side, the administration is taking steps to streamline tax policies to eliminate distortions, close loopholes, and reduce inefficient subsidies that erode the tax base. On the expenditure side, the government is focused on controlling and closely monitoring public spending growth, ensuring that it remains sustainable and aligned with the fiscal framework. Furthermore, the administration established a Federal Expenditure Review aiming to enhance the efficiency of public spending and improve budgetary control over the trajectory of expenditures. This balanced approach not only strengthens the overall fiscal position but also ensures that public resources are allocated in a manner that supports inclusive economic growth and social development while ensuring public debt remains in a sustainable path.

Structural reforms will help foster investment and lay the groundwork for equitable and sustainable development. The implementing legislation for the landmark indirect tax reform is under discussion in Congress. Key initiatives such as the New Growth Acceleration Program, the New Industry Brazil, and the Ecological Transformation Plan are designed to increase investment, particularly in productive and sustainable infrastructure. These programs are crucial in addressing environmental challenges that arise from the ongoing impacts of climate change. In the context of

our sustained effort to reduce inequality and fight hunger and poverty, social programs have been strengthened under the Brazil Without Hunger Plan. Notable actions include expanding the coverage and reinforcing the conditions (related to health and education) of the cash transfer Bolsa Família program, which helps over 20 million families, while taking measures to improve targeting. To assist indebted families, the government implemented the Desenrola Brasil program, enabling over 15 million Brazilians to renegotiate their debts and regain access to credit. Improving the availability and quality of education and healthcare in the country is a key part of the plan to reduce inequality. In the education sector, the Pé de Meia program aims to reduce the dropout rate by offering students a savings account that becomes accessible upon graduation from secondary school. This innovative approach not only promotes higher graduation rates but also provides young adults with a financial cushion as they transition into the workforce.

The Fund must adapt to a changing global economic landscape in order to continue to deliver for its membership

In the 80th anniversary of the Bretton Woods Conference, the Fund must continue to adapt to new challenges, while retaining its effectiveness and enhancing its legitimacy. Climate change, loss of biodiversity, inequality, ageing, geopolitical fragmentation: the world is confronting trends that pose existential challenges. At the national and supranational levels, we all have responsibilities and must act in as coordinated a manner as possible. Countries are dealing with these challenges while coping with enormous fiscal pressures and elevated public debt. Our institutions should complement each other, maximizing the impact of a cooperative strategy. The Fund, when confronting these challenges, should not deviate from its mandate. It must bring these additional dimensions to its core macro-financial analytical framework, devising solutions to support sustainable growth and macroeconomic and financial stability, while contributing to the global efforts to tackle climate change and inequality.

The reform of charges and surcharges was a step in the right direction and will contribute to ease the heavy financial burden on IMF borrowers. When this discussion started, our ambitions were much higher. Indeed, as the Fund has surpassed the SDR 25 billion target for its precautionary balances, we could have moved further in adjusting the margin for the rate of charge, consistent with the application of Fund policy. A margin of 15-20 bps would cover the Fund's intermediation costs and would help all the General Resources Account (GRA) borrowers. For large and prolonged users of Fund resources, surcharges have not provided effective incentives to reduce access and repay earlier. Instead, they have added to the burden on countries unable to adjust their economies at the needed depth and speed. Our chair at the Executive Board represents both creditor and debtor countries and acted forcefully until the very end for a larger financial envelope to reduce charges and surcharges but joined, at the end of the process, the possible consensus at this moment.

The PRGT review delivered a framework that can provide a lending volume of more than double the pre-pandemic average. This is a crucial achievement given the high prospective demand from low-income countries, which are facing mounting challenges. However, the difficulty in filling the subsidy financing gap constrained both the PRGT and the charges and surcharges reforms. The mobilization of donors' resources fell short of its goal and the membership

agreed that the use of Fund internal resources was necessary. At that point, if we had achieved the required supermajority, a limited targeted gold sale would have done the job in a much more effective, straightforward, and leakage-proof way. Instead, the option to channel resources from net income or general reserves ended up limiting the envelope for reforming the margin for the rate of charge and the surcharges policy, and led to the establishment of two tiers of PRGT-eligible countries that will pay a positive rate of interest on their borrowing. We appreciate the exemption given to countries whose classification would be affected by recent GDP rebasing, but caution that the application of this tiered lending policy should be closely monitored to avert undesirable effects. Going forward, if circumstances evolve in a way that require further measures to ensure the self-sustainability of the PRGT, the Fund should explore all options, including gold sales.

A more representative and legitimate Fund is crucial to reinvigorate multilateralism and foster global growth and stability. While the 16th General Review of Quotas (GRQ) delivered a most welcome fifty percent increase in quotas, this was not accompanied by any quota share realignment, for the first time in the history of the Fund, as we discussed in the G20 Presidency Note on Quota Share Realignment. Now, as the membership moves to finalize the procedures to make the 16th GRQ effective, we encourage the IMF Executive Board to meet the June 2025 deadline to develop effective approaches to promote meaningful quota realignment, including through a new quota formula. The Fund can only enhance its legitimacy by delivering on historical commitments to better reflect today's global economy by increasing the weight of EMDEs in the Fund's governance, while preserving the quota shares of lower income countries and small developing states. In this vein, we celebrate the creation of the 25th chair at the Executive Board to facilitate the representation of Sub-Saharan Africa.

We are pleased to announce that Brazil has doubled its contribution to the PRGT to SDR 2 billion and has done its part by consenting to the 16th GRQ, the NAB rollback, and the extension of its bilateral borrowing agreement (BBA). Brazil has undertaken all the required steps to deliver on our commitment to make the 16th GRQ effective and also to double our contribution to the PRGT. In our constituency, Haiti, Nicaragua and Panama have also consented to the 16th GRQ. We urge IMF Governors who have not yet completed the needed domestic procedures to do so within the timeline set by our Board of Governors resolution so that the 16th GRQ can take effect. We reaffirm our support for a stronger, effective, and more representative IMF at the center of the global financial safety net.

Key deliverables of the Brazilian G20 presidency

The Brazilian G20 Presidency reaffirms its goal of addressing critical global challenges. As announced by President Lula in December 2023, the Brazilian priorities for the G20 in 2024 are (i) the fight against hunger and poverty and the reduction of inequalities; (ii) energy transition and sustainable development; and (iii) the reform of global governance institutions. While we have made progress in addressing these priorities and moving towards achieving the Sustainable Development Goals (SDGs), there are still challenges to be overcome to make globalization more inclusive. This is why we are launching the Global Alliance Against Hunger and Poverty at the G20 Summit in Rio de Janeiro. The high-level initiative aims at recommitting members to the SDGs and strengthening international efforts to eradicate hunger and poverty. Equally important

is the ongoing agenda under the Task Force for a Global Mobilization Against Climate Change. In the course of 2024, the Brazilian G20 Presidency organized more than 30 high-level and technical meetings on issues such as debt, health, infrastructure, financial inclusion, and sustainable finance. Among other topics related to global economic governance, the International Financial Architecture Working Group of the G20 discussed potential approaches to IMF quota share realignment. In partnership with relevant actors, we encourage innovative means of voluntary SDR channeling, including to reinforce MDBs capacity to contribute to the eradication of hunger and poverty.

Two key topics for the G20 Finance Track on its 25th anniversary have been mainstreaming inequality and advancing the international tax cooperation agenda. A key deliverable produced by the Framework Working Group is the G20 Note on a Menu of Policy Measures and Recommendations to Address Inequality Pressures, which outlines policy options to address inequality and highlights the importance of international cooperation. On taxation, the G20 launched a landmark declaration on international tax cooperation, including, for the first time, provisions about the taxation of ultra-high-net-worth individuals. As stated in the declaration, promoting effective, fair, and progressive tax policies remains a significant challenge that should be addressed through international tax cooperation and targeted domestic reforms. Going forward, Brazil will continue to champion the fair taxation of ultra-high net worth individuals in the United Nations and other relevant international fora. At the same time, the first legislative steps were done to internalize Pillar 2 legislation, particularly the minimum levels of corporate taxation.

The G20 Finance Track agenda for 2024 has resulted in concrete deliverables. The G20 Multilateral Development Banks (MDBs) Roadmap towards Better, Bigger, and More Effective MDBs is another key deliverable of the Brazilian G20 Presidency, building on the work done in the G20 over the last few years. The Roadmap sets a medium-term comprehensive vision for MDBs as a system through recommendations on operations and financial capacity to maximize their impact to address global challenges of the 21st century while accelerating progress towards the SDGs and continue to have a pivotal role in reaching the most vulnerable and marginalized populations. We highlight the consensus achieved around the 2024 G20 Sustainable Finance Report, in particular the recommendations from the independent review of vertical climate and environmental funds, and the G20 Note on the Common Framework: Lessons Learned and the Way Forward. Significant progress was also made on initiatives such as the drivers of capital flows to EMDEs, cross-border payments, the impacts of digital innovations and other financial stability matters. We also gave important steps towards promoting financial inclusion, focusing not only on the access to financial services, but on the quality of this access and its connection with financial well-being.

In a global context marked by geoeconomic fragmentation, the G20 has a key role to play in promoting cooperation and helping to build consensus. The solutions to the global challenges we face can only be reached through open and frank dialogue in the spirit of global cooperation. Brazil has sought to reaffirm its long tradition of helping to build consensus in a multilateral context. While we will continue to champion global cooperation and strive to build a just world and a sustainable planet, we look forward to the 2024 G20 Summit in Rio de Janeiro and welcome South Africa's incoming 2025 G20 Presidency.