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2019 GLOBAL PARLIAMENTARY WORKSHOP

15 OCTOBER 2019 | WASHINGTON D.C.

EXECUTIVE SUMMARY

The 2019 Global Parliamentary Workshop organized jointly by the Parliamentary Network on the World Bank & IMF, the World Bank, and the IMF took place on October 15 ahead of the 2019 Annual Meetings in Washington D.C. Some 62 participants from 32 countries engaged in discussions with World Bank and IMF experts on development issues under the general theme of “Fighting Inequalities.” Ricardo Leite, Vice-Chair of the Parliamentary Network on the World Bank and IMF opened the event along with Sheila Redzepi, Vice-President of External and Corporate Relations at the World Bank Group and Gerry Rice, Director of the Communications Department at the IMF. Liam Byrne, Chair of the Parliamentary Network on the World Bank and IMF joined participants via videoconference and shared with them his view on how to overcome inequalities and the need for cooperation in order to sustain harmony in our society. He argued that if the top 1% of the world’s richest continue to accumulate wealth, they will own more than 60% of wealth by 2030. Mr. Byrne spoke to participants about the risks of inequality and the significance of fiscal policy and regulating capital markets in order to obtain a more inclusive economy.





The sessions of the workshop addressed the role of parliamentarians in fighting inequalities through international trade, debt management, technology, taxation and fighting fragility, conflict and violence. Participants were also briefed on the 19th replenishment of the International Development Association (IDA) and its priorities. Additional priorities mentioned repeatedly during the workshop revolved around the significance of education, gender equality and good governance to promote sound domestic economic policies.

“We are here today to fight together to ensure that no one is left behind.” — Ricardo Leite MP, Portugal, Vice-President of the Parliamentary Network on the World Bank & IMF

The issues discussed were also in line with World Bank and IMF corporate priorities. The IMF’s Global Policy agenda supports enhanced focus on governance, including tackling corruption as well as gender and inequality issues and the need to mitigate risks and enhance confidence in trade. According to the World Bank Development Committee (DC) Communiqué, promoting shared prosperity and gender equality is a priority for the World Bank Group, all topics of concern throughout the workshop.

The meeting concluded with several remarks from Vjosa Osmani, Board Member of the Parliamentary Network on the World Bank and IMF:

- Parliamentarians should develop inclusive growth agendas that tackle inequality. Ms. Osmani advised policymakers to support the IMF and the World Bank in programs that allocate resources to fight inequalities;



- Parliaments must increase cooperation and democracy by bringing countries together in trade cooperation, which can become an engine of growth and job creation;
- Parliamentarians play a key role through parliamentary oversight in fiscal policy and debt management;
- Parliaments should build and sustain spending on Human Capital by taking into account technological innovations;
- Parliamentarians should continue to support the International Development Association (IDA), in particular, the IDA19 replenishment priorities. In doing so, they are not only assisting individual low-income countries, but also contributing to inclusive growth and global stability.



“We cannot standardize policy, it’s on a case-by-case basis. We must push policymakers to explore what is best for their country.” — Senida Mesj, MP, Deputy Chair of the European Integration Committee, Albania

Overall, speakers and participants emphasized the importance of lawmakers at this pivotal moment, when rapid technological advancements demand investments in human capital at an unprecedented speed to meet development goals and boost economic growth. Participants expressed an interest in future engagement with the Parliamentary Network through meetings such as the Global Parliamentary Conference, which will take place in April 2020.



FOREWORD

About the Parliamentary Workshop

On the occasion of the World Bank and IMF Annual Meetings, the Parliamentary Workshop engages members of parliament in a dialogue on development and matters related to the global economy, with World Bank and IMF senior management as well as technical or operational staff, i.e. the people responsible for designing and overseeing the implementation of projects and policies.

The Workshop plays a critical role in building political will to ensure that both development programs and the Sustainable Development Goals (SDGs) are attained, while encouraging country ownership and government accountability. By focusing on specific development topics and favouring interactive debates between participants, the knowledge-sharing platform provided by the Workshop allows the participants to learn from best practices across the world and to maximize their impact in the development process.

Acknowledgements

The Parliamentary Network would like to thank the World Bank Group and the IMF for their support in organizing the event. The PN would also like to express its gratitude to the speakers and moderators who animated the discussions and provided invaluable input in the successful execution of the Workshop. Finally, the PN wishes to thank its members who came from all over the world to take part in this important gathering.



WELCOME ADDRESS

Speakers

- **Hon. Ricardo Leite**, MP, Portugal, Vice Chair of the Parliamentary Network on the World Bank and IMF
- **Shelia Redzepi**, Vice President, External and Corporate Relations, WBG
- **Gerry Rice**, Director, Communications Department, IMF
- **Liam Byrne**, MP, United Kingdom, Chair of the Parliamentary Network on the World Bank and IMF

Hon. Ricardo Leite opened the Global Parliamentary Workshop by welcoming all participants and expressed the importance of parliamentarians as elected officials in pursuing the UN Sustainable Development Goals (SDGs) and in reducing inequalities. He addressed the role parliamentarians, the World Bank and the International Monetary Fund all have in ensuring the prosperity and well-being of citizens around the world, to fight against poverty and to ensure shared prosperity for all.

“That is why we are here; to fight for their prosperity and well-being, to ensure we all live in a socially just world, and that all citizens are protected from the black hole and vicious cycle of poverty and malaise.” –
Hon. Ricardo Leite, MP, Portugal, Vice Chair of the Parliamentary Network
on the World Bank and IMF

He outlined the theme of the workshop, fighting inequalities, and the importance of inclusive growth needed to continue to counter the profound inequalities that emerge in today’s global landscape. Hon. Leite stressed the importance of effective tax policies, efficient debt management, international trade, and capacity building for empowering citizens to fight inequality.





Gerry Rice, Director,
Communications Department, IMF

Gerry Rice welcomed all parliamentarians and speakers in the room and highlighted the role of parliamentarians as essential for fighting inequality and promoting inclusion.

“The world is in a difficult place, where the IMF has reported the global economy has been in a synchronized slowdown”, Mr. Rice stated, “with 90% of the global economy growing more negatively”. He suggested discussing how the right fiscal, monetary and structural policies could counter this trend, and wished the room a fruitful discussion.

“The role of parliamentarians is key if we are to focus on policies that benefit people.” – Gerry Rice, Director, Communications Department, IMF.

Sheila Redzepi thanked parliamentarians and speakers for attending the Parliamentary Workshop and expressed her interest in hearing parliamentarians’ views on the opportunities and challenges on the ground in all countries represented. She emphasized the commitment of the World Bank to helping parliamentarians achieve the task of reaching the goals expected by their constituents and stressed the urgency of fighting for the 700 million people still living in extreme poverty today.

“No country in history has been able to sustain poverty reduction rates without sustainable and inclusive economic growth.” – Sheila Redzepi, Vice President of the World Bank Group’s External and Corporate Relations



Sheila Redzepi, Vice President, External and Corporate Relations, WBG, opening the Global Parliamentary Workshop

Ms. Redzepi spoke of the Human Capital Project¹, a project lead by the World Bank consisting of building and assessing health and education within developed and developing

¹ View the Human Capital Project website [here](#), and Annual Progress Report 2019 [here](#).



countries as indicators of productivity for the next generation of workers. She announced that the World Bank was launching a new indicator during the Annual Meetings within the framework of this project, assessing learning poverty. This indicator measures the percentage of 10-year-olds who cannot read or understand age appropriate text. Ms. Redzepi stressed the urgency of addressing this as unfortunately 52% of 10-year olds in lower and middle-income countries and 80% in IDA countries are below average²

Ms. Redzepi closed by saying the World Bank will continue to be a resource and partner to parliamentarians.

Joining via videoconference, **Liam Byrne** spoke of the downward trend in poverty reduction, in parallel with growing inequalities between the richest and the poorest. He warned of the risks stemming from inequality, such as increasing rates of corruption and a breakdown in cooperation within and between societies. He expressed the dire need for changes in the social contract, as well as in taxation and fiscal policies, to foster the inclusive economy that is so needed in today’s context of rising inequalities.

He closed the session by inciting speakers and parliamentarians today to work together in sharing experiences and ideas on how the Bretton Woods institutions can achieve inclusive growth for the next 75 years.



Welcome Remarks during the 2019 Global Parliamentary Workshop

² View the Ending Learning Poverty report [here](#).



THE INCLUSIVE GROWTH AGENDA

Speaker

- **Tao Zhang**, Deputy Managing Director, IMF

Moderator

- **Hon. Ricardo Leite**, MP, Portugal, Vice Chair of the Parliamentary Network on the World Bank and IMF

Tao Zhang shared IMF research on how higher inequalities are associated with lower, less durable economic growth and greater financial instability. He stated that although income gaps between countries have narrowed, inequality within countries has risen from the mid-1980s to the mid-2000s, especially in advanced economies. Mr. Zhang explained that in emerging economies such as China and India, there has been a significant decline in cross-country inequalities in the past decades.



Hon. Ricardo Leite, MP, Portugal, Vice Chair of the Parliamentary Network on the World Bank and IMF and Tao Zhang, Deputy Managing Director, IMF

Mr. Zhang presented the means by which both advanced and developing countries could counter inequalities that are at the center of political and economic tensions. The first step towards reducing inequalities in developing countries, he stated, was to focus on policy improvement with regards to essential services such as basic health coverage and government programs geared towards alleviating unemployment. More legal and administrative barriers need to be removed to boost female labor participation, he continued, while harnessing new technological developments can help inclusive growth by ensuring access to all citizens.

Mr. Zhang also spoke of best practices in tax reform, making a distinction between advanced and developing countries in this respect. In advanced countries, fiscal policies are seen as the most effective tools for offsetting income inequality through redistribution of income, progressive taxation, or income transfers. In developing countries, however, policy reform is a priority to reduce inequalities through public spending on health and education.



“As technology is evolving and things are moving, we have to keep ourselves agile and alert, to make sure we’re ready.” – Tao Zhang, Deputy Managing Director, IMF

Discussion

During the Q&A, parliamentarians raised several issues, such as:

- Hon. Ricardo Leite, inquired into why regions are progressing more poorly and the ways in which to address this.
 - Tao Zhang clarified there was no one-fit-all reason behind the trend, but that one reason for this was the “dislocational impact” of technological progress and trade, with trade raising efficiencies of economies as a whole but redistributing resources and production bases. He also stated that some countries were able to more efficiently adapt to labor mobility and gender inclusivity than others.
- Senator Colin Deacon raised concerns relating to privacy versus transparency in using digital services to fight inequality.
 - Mr. Zhang was clear on the IMF safeguarding principles of privacy related to digital services and suggested international cross-border cooperation on this issue could shed light on best practices.
- Hon. Vjosa Osmani asked about the actions the IMF is taking to use education to help the labor market.
 - The IMF works with partners such as the World Bank to focus not only on stability but also education and health to make sure that education systems are better matched with labor market needs, replied Mr. Zhang. He acknowledged that challenges brought on by fast technological shifts still create many uncertainties.

Key recommendations:

- **Fiscal policy improvement** through income redistribution, by progressive taxation and/or income transfers.
- **Policy improvement on public spending** through pre-distributional effect policies in health and education, where basic health coverage has a clear benefit to the poorest households in developing economies.



- **Labor market improvements** such as government programs for unemployment, boosting female labor participation by removing legal, administrative and societal barriers, and enhancing access to new technologies.



GLOBAL SHIFTS AND INEQUALITIES

Speaker

- **Martin Muhleisen**, Director, Strategy, Policy and Review Department, IMF

Discussant

- **Hon. Michael Aastrup Jensen**, MP, Denmark, Chairman of the Foreign Affairs Committee

Moderator

- **Senator Neila Tazi**, Morocco, Member of the Committee for Education, Culture and Social Affairs

Senator Neila Tazi introduced the topic by explaining that whilst extreme poverty has dropped to 10%, the lowest it has ever been, not all regions have shared in global economic growth or succeeded in ensuring that the poor fully benefit from that growth. She advocated for reinforced trade and the strengthening of several national policies to sustain youth job creation, gender equality, tax redistribution, and carbon policies.



***Martin Muhleisen**, Director, Strategy, Policy and Review Department, IMF*

Martin Muhleisen presented the three major streams under which the IMF operates—economic surveillance, lending programs, and capacity building and technical assistance training. Mr. Muhleisen specified that the IMF views inequality as a threat to macro-economic prospects of a given country and has for two years consolidated this three-pronged framework to improve policies at the country-level.



The economic surveillance stream refers mainly to analysis and research, explained Mr. Muhleisen, in which inequality has been a significant research focus and is gaining speed. Mr. Muhleisen also stated that the IMF includes conditionalities on its lending programs that are adamant about social spending and structural reforms notably regarding gender equality. Additionally, he further developed on training courses available for country officials, which focus on inclusive growth, social safety nets and gender budgeting.

Hon. Michael Aastrup Jensen presented the *top five* ways to fight inequalities:

1. Education for a higher-skilled labor force;
2. Fighting against corruption with transparency;
3. Fair taxes;
4. Reforms such as fiscal balances;
5. Family Law reforms related especially to maternity leave.

Discussion

During the question and answer (Q&A) session, parliamentarians highlighted the following concerns:

- The Deputy Speaker at the Parliament of Senegal, Hon. El Hadji Sy asked about how the IMF uses global experience to help countries manage their natural resources.
 - Mr. Muhleisen stated that while the IMF is not a sectoral specialist, it helps in raising revenues from extractive industries and focuses strongly on governance and fighting corruption that can be linked to natural resource management.
- Senator Percy Downe from the Senate of Canada inquired into whether the IMF and the World Bank deal with labor and carbon footprint floors that allow for fair taxes.
 - The WTO is the place where this should be negotiated, Mr. Muhleisen answered, however the IMF just recommended that every country adopt a carbon price of 75 dollars per ton of CO₂.

Key recommendations:

- **Structural adjustments** need to be paired with mitigation such as social safety nets, social spending and reforms to protect vulnerable groups.
- **Policymakers should work towards debt restructuring** to lower the burden on the domestic population and free resources for investment and spending.
- **Female labor force participation** is key to productivity and growth. Financial inclusion is a starting point for gender equality in the work force. An example of such a policy includes financial inclusion and work on provision of child care.



HOW CAN INTERNATIONAL TRADE COUNTER INEQUALITIES?

Speaker

- **Aaditya Mattoo**, Research Manager, Trade and Integration, World Bank Group

Moderator

- **Hon. Senida Mesi**, MP, Albania, Deputy Chair of the European Integration Committee

Hon. Senida Mesi introduced the session on what governments can do in order to design, improve and monitor trade policies ahead of upcoming challenges, with new technology and new required skills.

Aaditya Mattoo discussed in depth the topic of Global Value Chains (GVCs)³. “They have powered an economic revolution”, he said, explaining that GVCs led to a dramatic reduction in poverty and global inequality; however, with the recession these improvements have slowed. Mr. Mattoo acknowledged seeing a retreat from openness in trade, with protectionism on the rise in all corners of the world.



Aaditya Mattoo, Research Manager, Trade and Integration, World Bank Group

³ View Mr. Mattoo’s PowerPoint presentation [here](#).



“If we are going to empower governments to help the losers from globalization, and help developing countries build the infrastructure to successfully participate in GVCs, we need to see more meaningful cooperation in taxation.” – Aaditya Mattoo, Research Manager, Trade and Integration, WBG

Indeed, GVCs are an equalizing force, Mr. Mattoo stated, however, across countries, the pressures of outside competition can decrease mark-ups in developing countries involved in textile production, and gains from participation are distributed unequally. GVCs have benefited women’s employment and education; nonetheless, women are still working in less qualified jobs.



Discussion

In the ensuing discussion, parliamentarians asked about the following topics:

- How can the IMF and WTO increase their cooperation, asked Hon. Muhiuddin Almagir from Bangladesh?
 - There is progressively greater cooperation between these institutions, Mr. Mattoo stated, where the biggest areas of support are trade facilitation and working on improving human capital.
- Senator Rosa Galvez from the Senate of Canada raised the issue of the disparity that is exacerbated by brand-related value versus product value derived in developing countries, and asked how this may be assisted?
 - Mr. Mattoo argued that brands do reduce competition and offered two solutions. The first solution could be to have more effective tax policies for brands, he suggested, and ensure revenues are used to help those affected negatively by globalization. The second solution is to implement more effective competition policy, where people are discouraged from maintaining privileged positions.

Key recommendations:

- **Strengthen participation in trade, skills development, and innovation** in all measures taken on, with regular discussions in the relevant committees in Parliament;
- **Strengthen cooperation on trade liberalization through international channels;**
- **Enforce taxation beyond national boundaries** helped by global cooperation.



UPDATE ON THE 19TH REPLENISHMENT OF THE IDA AND THE WORLD BANK STRATEGY TO COUNTER FRAGILITY, CONFLICT, AND VIOLENCE

Speakers

- **Xavier Devictor**, Practice Manager, Fragility, Conflict, and Violence Group, World Bank Group

Moderator

- **Senator Hodan Osman**, Somalia, Board Member of the Parliamentary Network on the World Bank & IMF

Xavier Devictor spoke about possible ways to reduce fragility around the world⁴. He declared that international institutions need to review their approach to emergency responses - today 90% of refugees in the world are hosted by developing countries. Moreover, Mr. Devictor stated that those currently experiencing persistent poverty, predominantly live in countries beset by fragility, conflict and violence (FCV). He claimed that as a development institution, the World Bank will need to effectively support countries affected by FCV in order to meet its mandate to alleviate poverty. Mr. Devictor shared with participants the hope that the IDA19 replenishment goals⁵ would support this.

Today, the World Bank is gradually shifting its focus towards the prevention of crises, recognizing that development actors have a key role to play in helping countries focus on inclusive development, and in ensuring that existing conflicts do not turn violent. Reducing fragility is currently its number one priority and financing has also significantly increased in FCV countries with the last major IDA replenishment focusing on helping fragile countries.

⁴ View Mr. Devictor's PowerPoint presentation [here](#).

⁵ Click [here](#) to view the IDA19 replenishment website.





Xavier Devictor, Practice Manager, Fragility, Conflict, and Violence Group, World Bank Group

“As a development institution, we will not be able to achieve our mandate of poverty reduction unless we effectively support countries affected by FCV.” – Xavier Devictor, Practice Manager, Fragility, Conflict, and Violence Group, World Bank Group

While the World Bank does not work on security measures, Mr. Devictor underlined that it acknowledges the necessity of collaboration with security partners in order to achieve these goals and tackle pockets of fragility in both low- and middle-income countries. He also highlighted that the FCV department will need to reorient its thinking to focus primarily on stability and peace.



Discussion

In the ensuing discussion, participants explored the following points:

- **Issa Mardo Djabir** MP, Chad, opened the discussion by acknowledging the effect of climate change in Chad, a highly agricultural and pastoral-focused country. He concluded that droughts are causing displacements and malnutrition in his country.
- The ensuing debate focused on the current refugee crisis, as well as internally displaced populations in countries such as Chad, Democratic Republic of the Congo, and Nigeria, some of which are not considered fragile states. One particular issue exacerbating tensions is the language barrier, as it is even more difficult for refugees arriving in a country with a different language to adapt.
- **Ricardo Leite** MP, Portugal, discussed the importance of building infrastructure and institutions in FCV countries and asked about what measures could be politically in those areas where conflict has taken over.
- **Mr. Devictor** responded that it is challenging to eradicate poverty unless there is a certain degree of peace. Therefore, it raises the questions of what comes first. Investing in stability medium-term does require education, yet how do you balance this with short-term stability? This is based also on partnerships that may be more adapted to certain stability measures. He then underlined that the World Bank is focusing on inclusiveness by using the country partnership framework centered on social outcomes and providing support not only to refugees, but also to those communities involved. The FCV team is working more closely with non-state actors and security partners to reinstate the social contract and prevent radicalization of deprived populations.

Key recommendations:

Mr. Devictor shared with participants **four areas** that will be reflected in the upcoming IDA discussions. These areas are important for policymakers to take into consideration in their parliaments:

- 1. Supporting prevention efforts** by taking into consideration pre-emptive reduction of risks and odds that reflect countries shifting towards conflict;
- 2. With regards to refugee hosting countries, lawmakers should work on externalities** in order to accommodate refugees sustainably for both parties;
- 3. Engaging** with development institutions in order to effectively contribute to areas affected by acute violence;
- 4. Escaping the fragility trap** by developing effective checks and balances on power-holders and developing a sense of common public purpose.



TECHNOLOGY AND INEQUALITIES

Speaker

- **Boutheina Guermazi**, Director of the Digital Development Department, Infrastructure Practice Group, World Bank Group

Moderator

- **Hon. Yunus Carrim**, MP, South Africa, Chairperson, Select Committee on Finance, National Council of Provinces

Boutheina Guermazi started the session by laying out current global trends which define today's political and social context: rising aspirations for better jobs, goods, and services fuelled by the improved communication technology that creates better visibility for people's lifestyles in different parts of the world⁶. Ms. Guermazi encouraged participants to play an active role in holding their respective governments to account, especially when addressing technology and digital equality. She then acknowledged that the growth and development of digital technologies has had a transformative impact on both our social lives and the economy in the last decade, and that governments will need to actively support the digital sector in order to achieve the SDGs.

However, Ms. Guermazi reminded participants that technology and digital equality has also revealed a tense relationship. Although digital tech can be an equalizer, giving people access to content and services, if tools are not equally distributed, technology can create deeper inequalities.

Ms. Guermazi demonstrated **three ways** in which digital technology encourages development:

1. **Inclusion:** makes information instantly available;
2. **Efficiency:** automation and coordination;
3. **Innovation:** achieves economies of scale and platforms.



***Boutheina Guermazi**, Director of the Digital Development Department, Infrastructure Practice Group, World Bank Group and **Hon. Yunus Carrim**, MP, South Africa.*

⁶ View Ms. Guermazi's PowerPoint presentation by clicking [here](#).



The global economy is becoming more data-driven, and modern-day technology such as 5G will widen the digital gap. Therefore, countries need to know how to protect data, monetize it and use it.

“Don’t let the fear of risks prevent you from seeing the advantage of what technology can offer.” – Boutheina Guermazi, Director of the Digital Development Department, Infrastructure Practice Group, World Bank Group

Discussion

In the ensuing discussion, participants explored the following points:

- **Hon. Yunus Carrim** raised his concerns regarding the disparities of technology in developing countries. He considered that technology cannot be seen as either good or bad, because it depends on how it is wielded. You cannot separate the advances from those who are the power wielders, those who determine the regulatory systems and the laws within which the private sector is able to go about. Mr. Carrim argued that unless parliamentarians follow a more humane social system, the gaps will fail to diminish.
- More particular issues concerning Africa were raised, and participants were curious to learn more about connectivity. According to Ms. Guermazi, Sub-Saharan Africa is not as well-integrated in global supply chains as other parts of the world. She gave examples of certain areas in which these countries were able to integrate as quickly as the rest of the world. She emphasized the digital economy, which was brought to African countries in part through the private sector, and which is currently generating considerable employment opportunities.
- The importance of harmonized principals was also discussed. She concluded the session by sharing with participants the importance of moving forward with innovation and the significance of protecting human values such as data and privacy with the necessary regulation.

Key recommendations:

- Policymakers should **push governments towards reforms that** can provide equal access to technology.
- The **role of government policies is essential in order to effectively regulate and channel private sector investment.** Members of Parliament should facilitate private sector and government engagement through law-making.
- Lawmakers should **actively engage with the government to ensure that innovative technologies are being used effectively and efficiently.**



TAXATION AS A TOOL FOR REDUCING INEQUALITIES

Speakers

- **Ruud de Mooij**, Division Chief, Tax Policy Division, Fiscal Affairs Department, IMF

Discussant

- **Senator Percy Downe**, Canada; Vice-Chair, Parliamentary Network on the World Bank & IMF

Moderator

- **Hon. Vjosa Osmani**, MP, Kosovo, Board Member of the Parliamentary Network on the World Bank & IMF

Senator Percy Downe opened the session and shared Canada's current tax avoidance problem. He revealed that in Canada, an estimated 40 million USD is lost due to tax evasion. Senator Downe also expressed his concerns with regards to overseas tax evasion. Although the Canada Revenue Agency is able to oversee domestic revenue, overseas revenue is becoming increasingly difficult to control, undermining confidence in the tax system.

“In some countries aggressive tax avoidance is legal. Tracking down these tax evaders requires special tax lawyers and accountants, and we need to renew the political will to enable these in our governments.” –
Senator Percy Downe, Canada; Vice-Chair, Parliamentary Network on
the World Bank & IMF

Ruud de Mooij explained that state tax capacity is an indicator of its general viability. Today, many low-income and emerging countries are struggling to collect adequate revenue. On average, tax constitutes only 16% of GDP in the developing world. In contrast, according to the OECD, the average tax to GDP ratio in OECD countries was 34.2% in 2017⁷, almost double in comparison to developing economies. As he pointed out, the necessary increase in tax should be determined by required expenditure, and the tax capacity of 16% is by no means enough to meet the Sustainable Development Goals. Raising domestic tax revenue is therefore vital to accelerating economic development in low and low-middle income countries.

⁷ View the Revenue Statistics 2018 report [here](#).



Mr. De Mooij reminded participants about the misconception that progressive tax policies are solely linked to advanced economies and not developing economies. He advised that, in advanced economies, this can actually reduce inequality by one third. In low-income countries and emerging market economies, fiscal policies seldom contribute to reducing inequality.

Mr. De Mooij also spoke about the misconception of regressive taxes, claiming that regressive or proportional taxes are inefficient. A tax is progressive if it takes a rising proportion of income (or expenditure) as one moves from poor to rich; a regressive tax represents a higher burden (relative to income or expenditure) on the poor than the rich⁸. He asserted that not every tax needs to be progressive and he emphasized the importance of revenue mobilization to enable public expenditures.

“Trust in government is vital and transparency contributes to building this trust.” – Ruud de Mooij, Division Chief, Tax Policy Division, Fiscal Affairs Department, IMF

During the session, Mr. De Mooij also focused on several topics including:

- **Personal income tax:** this has been growing in emerging market countries;
- **Taxation of high wealth individuals:** in developing countries these are easy to evade and hard to enforce. Property taxes are not currently exploited fully, it is easier to identify properties for enforcement of such a tax on high wealth individuals. This issue is often a matter of political will;
- **Taxation of multinational companies:** they are under severe strain from international spill over. In developing countries, 1.3% of GDP is foregone due to tax avoidance. In low income countries, there are tax exemptions to encourage private sector growth leading to a deliberate revenue loss, given that corporate tax revenue is about 16% in developing countries;
- **Global initiatives to save corporate tax:** global coordination is vital in order to adequately tackle this issue. Developing countries need to participate in this debate, and simplicity is critical.

⁸ Read *The Effects of Taxation and Spending on Inequality and Poverty* by clicking [here](#).





Hon. Vjosa Osmani, MP, Kosovo, Board Member of the Parliamentary Network on the World Bank & IMF, Ruud de Mooij, Division Chief, Tax Policy Division, Fiscal Affairs Department, IMF and Senator Percy Downe, Canada; Vice-Chair, Parliamentary Network on the World Bank & IMF

Discussion

- Various points were raised by parliamentarians in the debate that followed:
 - Tax evasion, particularly by multinational corporations;
 - Tax distribution in countries such as Iraq, Morocco and Congo;
 - Taxes on the digital economy.
- Responding to these concerns, Ruud de Mooij pointed out that the IMF works extensively on tax evasion, notably through its collaboration with the OECD. He drew attention to the various tax administrations and the significance of third party reporting, which also help mitigate tax evasion.
- Mr. De Mooij affirmed that evidence suggests that tax incentives tend to be ineffective. Overall, in terms of efficiency, he explained that it is important for parliamentarians and decision makers to have a comprehensive overview, with the help of the World Bank and the IMF, on the cost of providing tax exemptions. He outlined a different approach, where we create space for innovation and the importance of protecting human values such as data and privacy. Mr. De Mooij stressed that regulation should address risks such as exclusion, data, and cybersecurity.
- The IMF gives advice on tax policy design and follows up with legal experts that draft tax laws, for quality design and better law compliance. Many multinationals avoid taxes without breaking the law. The solution is not about enforcing rules, but to change the rules. Applying transfer guidelines can be very complicated and leads to inequality. Rules can be created to cap certain costs by limiting interest and royalties, as well as service and management fees to headquarters.



Key recommendations:

- Parliamentarians should **push governments to link taxation policies to the country's development policy;**
- Policymakers need to consider **a comprehensive tax policy reform** that includes a legal as well as a regulatory framework;



MANAGING DEBT TO FIGHT INEQUALITIES

Speakers

- **Marcello Estevão**, Global Director, Macroeconomics, Trade & Investment, World Bank Group

Discussant

- **Hon. Vjosa Osmani**, MP, Kosovo, Board Member of the Parliamentary Network on the World Bank & IMF

Moderator

- **Hon. Elijah Okupa**, MP, Uganda, Member of the Committee on Commissions, State Authorities and State Enterprises

Marcello Estevão made the case for managing debt efficiently. He outlined the importance of debt financing with regards to development and how it has become a challenge for many nations, especially IDA countries. Since 2014, growth has weakened among commodity exporters, and budget deficits have widened, pushing up debt levels. One quarter of low-income developing countries now have debt of over 60% of GDP, increasing their risk of debt distress. Mr. Estevão urged parliamentarians to implement reforms that bolster their countries' resilience to economic shocks.

He illustrated how the World Bank and the IMF work together to support the efforts of low-income countries to achieve their development goals without building up excessive levels of debt. He also spoke of the current development programs carried out by the World Bank and the IMF that aim to attain faster return on investment. Achieving the SDGs requires significant investments in infrastructure, human capital, and climate change resilience; however, governments in developing countries are often limited in their



Marcello Estevão, Global Director, Macroeconomics, Trade & Investment, World Bank Group and Hon. Elijah Okupa, MP, Uganda, Member of the Committee on Commissions, State Authorities and State Enterprises



ability to mobilize domestic revenues or private investment.

“Countries need clear fiscal rules. Parliaments are the eyes of the people on what their government is doing, and they should make sure the rules are abided by.” – Marcello Estevão, Global Director, Macroeconomics, Trade & Investment, World Bank Group

Discussion

- Participants agreed that as policymakers they must advocate for prudent and sustainable approaches to debt management and transparency. From their point of view, shaping national legislation that will strengthen debt management capacity and ensuring debt sustainability analysis is integrated into macroeconomic planning are critical. Overall, they agreed that policymakers require reliable debt information and transparent records.
- Low-indebted countries that want to create a credible commitment with regards to debt management must follow best practices such as a debt office to manage liabilities. With a good capacity to manage debt and few liabilities present, borrowing can be simpler.
- Mr. Estevão reiterated that governments need to be prudent when borrowing and reminded participants of the importance of being informed before making borrowing decisions in order to safeguard economic stability. When used wisely, debt can help governments invest in productive infrastructure or support social spending.

Key recommendations:

- Lawmakers should **urge governments to strengthen their debt management skills and promote sustainable borrowing practices;**
- Policymakers should **hold governments to account in order to promote policies that require creditors to conduct due diligence according to G20 principles, plan for debt restructuring, and collaborate with other creditors.**
- Parliamentarians should **encourage governments to strengthen public debt transparency by disseminating debt data, publishing public debt analysis and encouraging creditor outreach.**



CONCLUSION

The 2019 Global Parliamentary Workshop shed light on the different development constraints impacting regions and countries worldwide. It highlighted the importance and value to policymakers of the expertise provided by researchers at the World Bank and the IMF. Parliamentarians were invited to use instruments such as Parliamentary Network national chapters in order to establish closer contact with World Bank and IMF offices in their countries and take advantage of their resources and know-how. Finally, all participants were invited to the upcoming 2020 Global Parliamentary Conference, which will tackle some of the main development challenges our societies are facing today.

Sessions focused on digital technologies; debt management; fragility, conflict and violence; IDA; taxation; and trade. Policymakers learned strategies and shared knowledge in order to eradicate inequalities in these fundamental areas of development.

“While our work is global, our focus must be granular and must be local. You’re just about the most important censors we have for how our work affects the people you serve.” – Sheila Redzepi, Vice President, External and Corporate Relations, World Bank Group

The meeting concluded with several remarks from Vjosa Osmani, Board Member of the Parliamentary Network on the World Bank and IMF. Ms. Osmani encouraged parliamentarians to:

- **Develop inclusive growth agendas that tackle inequality.** Ms. Osmani advised policymakers to support the IMF and the World Bank in programs that allocate resources to fight inequalities;
- **Increase cooperation and democracy** by bringing countries together in trade cooperation, which can become an engine of growth and job creation;
- **Play a key role through parliamentary oversight** in fiscal policy and debt management;
- **Build and sustain spending on Human Capital** by taking into account technological innovations;
- **Continue to support the International Development Association (IDA)**, in particular, the IDA19 Replenishment priorities. In doing so, they are not only assisting individual low-income countries, but also contributing to inclusive growth and global stability.



“Radical change towards a more inclusive economy will be difficult. Our trick is to be able to cross the river, stone by stone. What that pathway looks like in different countries is unsure, but there is a real premium on working together to share ideas, to share experience, and crucially, to share an agenda.” – Liam Byrne MP, UK and Chair of the Parliamentary Network on the World Bank and IMF

