

*ARIF**Advocates for the Reform of International Finance***Sixth Meeting**

Friday, October 14, 2022

Summary of Discussions

On behalf of the co-hosts (The London School of Economics, The Brookings Institution, and the Center for Global Development), CGD president Masood Ahmed welcomed the participants to the virtual meeting. The themes of the gathering were the reform of Multilateral Development Banks (MDBs), with a particular focus on the recent Capital Adequacy Framework report prepared for the G20; the need for more coherent international financing of global public goods (GPGs) and more traditional development activities; and, more generally, the evolution of multilateralism.

The Group acknowledged that after considerable effort to articulate the scale and urgency of the global economy's challenges, particularly climate change, there is finally widespread agreement on the need to reform the MDBs and growing convergence of views on what needs to be done. The [Call to Action](#), prepared jointly by think tanks and endorsed by prominent leaders in development, advocates that: (1) the World Bank update its mission to include climate mitigation and adaptation, which would also entail scaling up operations across all clients; (2) MDB financial power be increased by reform of their financial frameworks, mobilization of private capital, launching green capital increases, and rationalizing increased concessional finance; (3) there be a reform of the terms and conditions of financial support to encourage countries to access MDB resources for activities related to global challenges; and (4) needed organizational and operational changes to support these objectives be made. The Group found this agenda realistic and achievable in the next year or two.

They emphasized that there is a need to move from a consensus on ideas to action and that the Annual Meetings was an opportune moment for a call to action.

Some members of the Group called for a more fundamental rethinking of the architecture of the MDB system so that it would be more adapted to the new challenges the world is facing, in particular, the provision of a wide range of GPGs, including but not limited to pandemic response. That said, members expressed concern that some may view the GPG agenda as separate from, and worse displacing, development efforts; some members underscored that health, more broadly, education, and social support should continue to be supported by the MDBs.

A critical short-term element of MDB reform is the implementation of the recommendations of the [Capital Adequacy Framework](#) (CAF) report prepared for the G20. Two of the authors of the report presented the proposals: (1) strengthening the role of shareholders in defining the risk

tolerance of the MDBs; (2) giving more credit to callable capital; (3) expanding the use of financial innovations that make more capital to support lending; (4) engaging with credit rating agencies and investors to promote more accurate risk assessment for MDBs; and (5) increase access to MDB data and analysis, as currently, every MDB has a slightly different way of dealing with, measuring, and reporting capital making it is difficult or shareholders to understand MDB risk, capital utilization, and capital needs. This report finds that the implementation of these recommendations collectively by the 15 MDBs that were reviewed could drive hundreds of billions of dollars of additional lending over the medium term. The Group welcomed the CAF report and noted that it would be discussed during the G7 meeting in Japan and at the G20.

The Group also discussed the support for multilateralism, which they saw as weak as it has been in 40 years. The Group acknowledged that the world is currently facing multiple immediate crises with the rifts between countries growing. But these crises have further aggravated the economic and social situation in many low- and middle-income, and multilateralism is the only way out. These tensions will play out in the coming months as the international community tries to advance this agenda. Thus, groups like the ARIF will need to support multilateral institutions strongly while pressing for needed reforms.

The ARIF will meet again for the seventh time at the time of the Spring Meetings of the International Monetary Fund and the World Bank in April 2023.