ARIF
Advocates for the Reform of International Finance

Seventh Meeting
Friday, April 14, 2023

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 meeting. The themes of the gathering were the relationship between development and climate finance; Multilateral Development Bank (MDB) reform and CGD’s reform accelerator project; and the role of the International Monetary Fund (IMF) in the green transition, notably in a time of high levels of debt and inflation.

The Group acknowledged the challenging economic circumstances faced by policymakers in developing countries, including inflation, debt, and slow growth, which are resulting in pressures to make the green transition less of a priority. However, members of the Group emphasized that urgent action is needed to address the climate crisis since delaying such action could have devastating consequences for the planet and future generations.

They also discussed the importance of countries developing a national strategy for the long-term transformation to address climate change. It was emphasized that such a strategy would help minimize perceived or real trade-offs between climate and development, and ensure that the transition to a low-carbon economy is equitable and sustainable. The Group acknowledged that different countries have unique circumstances and would require tailored strategies to achieve their goals. The Group emphasized the importance of having policymakers take action to prioritize climate-friendly policies in their national agendas. Moreover, some members mentioned that it is crucial for climate finance to also consider the integration of nature and biodiversity in mitigation and adaptation efforts.

Members of the group also raised concerns about the allocation of resources for climate action and the trade-off between allocating them to low-income countries (LICs) and middle-income countries (MICs). While there is an urgent need for climate action, especially in mitigation efforts in many MICs, it is possible that already scarce resources may be directed towards these countries, leaving LICs with fewer resources. Additionally, within countries, there may be tensions between allocating resources for climate mitigation or to other aspects of their development agenda, including adaptation. Some argued that the dichotomy between climate spending and development spending is false since without climate mitigation development would be impossible. Others urged that synergies be sought out, especially between adaptation and “traditional” development spending. Yet others argued for giving priority to spending in those countries where mitigation efforts would have the largest effect on emissions and therefore on climate.
The Group stressed that for the transition to a low-carbon economy to be successful and quick, reform of Multilateral Development Banks (MDBs) is essential. The CGD fellows leading the MDB reform accelerator project emphasized the intention to mobilize the analysis and outreach needed to ensure MDB reform addresses today’s global challenges and delivers results for development. Hosted by the Center for Global Development, the Accelerator is a partnership with think tanks from emerging and developing countries to ensure that their perspectives are included in the reform efforts, and their voices amplified. The Group emphasized the critical importance of this partnership, as the participation of thought leaders from the south is essential for the success of the green transition. It was also highlighted that the reform of MDBs is crucial to provide the necessary financing and policy support for climate-friendly investments – and how additionality in financing could ease trade-offs between climate and development.

In addition to the reform of MDBs, members of the ARIF also discussed the crucial role that the International Monetary Fund (IMF) can play in ensuring green growth and tackling climate change. They emphasized that the IMF’s policy conditionality can have a significant impact on the allocation of resources towards climate-friendly investments and that there is a need for a two-track approach to the role of the IMF in the green transition. The first track would focus on identifying quick wins for the IMF and its member countries, accomplished through its policy advice, lending and technical assistance (for example carbon pricing and methane mitigation). The second track would be for the IMF to engage in deeper research on the macroeconomic impacts of the energy transition and the investments required for this to succeed. More outside debate on the role of the IMF in analysing and facilitating the transition is needed.

The ARIF will meet again for the eighth time at the time of the Annual Meetings of the International Monetary Fund and the World Bank in October 2023.