

ARIF

Advocates for Reform of International Finance

Ninth Meeting

Friday, April 19th, 2024

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 gathering was centered around the International Monetary Fund (IMF) on its 80th anniversary and the recently established “Fund for the Future” team, which includes Rex Ghosh and Sarah Sanyah, both of whom were in attendance. Discussion involved the IMF’s mandate as it relates to climate and the Fund’s capacity to deal with increasingly challenging economic circumstances for LMICs during a time of frequent global shocks. Whether the IMF is doing everything it should be doing on climate and other innovative areas remained a focus for the group, as they debated the meaning of the IMF “staying in its lane” and how it should set priorities going forward.

Some members of the group raised concerns about extending the Fund’s reach and interpretation of mandate. Given political instability and economic difficulties globally, it was suggested that while the climate issue, particularly curbing GHG emissions, should take on greater prominence in the Fund’s work, there are more immediate threats to global macroeconomic stability that need attention and where the Fund has a clear responsibility. Furthermore, the Fund’s important work with low-income countries, which are not significant emitters, will require a different climate focus. And a question was raised about whether the Fund has the appropriate financial tools to incorporate climate change in its global and national surveillance. The group considered the importance of social issues, notably gender, in the broader context of the Fund’s work and how the Fund could address multiple priorities.

However, many in the group urged climate should be prioritized by the IMF to address systemic risks and looming challenges from failing to meet global emissions targets and/or making the huge investment required to achieve it. It was emphasized that the climate crisis is “not a repeater game”, in that failure to act now would have profound consequences for humanity. In this context, the issues of how the IMF uses its convening power and its Article IV surveillance were brought to the table. Some mentioned that there is an opportunity to link the problems of

debt and climate change together and confront balance of payments issues through support from the General Resources Account (GRA), rather than specialized trust funds like the RST.

It was proposed that the IMF, World Bank and the five regional banks cooperate on a holistic review of global climate plans every two years for increased transparency and trust in these institutions. The review would analyze the IFI's climate methodology and implementation, the results of which would be shared with the public. Members stressed that the IMF and the World Bank have an important role to play from a surveillance perspective while regional development banks can give some reassurance to the concerns around "greenwashing".

There was consensus among the group that institutional fundamentalism poses a problem for the IMF and other global development institutions. The IMF should not feel constrained by a narrow interpretation of its mandate and instead adapt with new approaches to growth and structural economic change. Some members argued for a review of the Resiliency and Sustainability Trust (RST) and a broadening of the IMF's analytical scope that would call for the development of new staff skills. Others argued that irrespective of the core mandate, the Fund will not be able address global challenges unless it changes its managerial structure. Members also raised the potential benefits of centering growth in the IMF's mandate to elicit more structural change. The impacts of increasing women's participation in the labor force and technological innovation were cited as areas with high growth potential.

To close the meeting, the "Fund for the Future" team reflected on the group's comments, noting that all the issues discussed must be thought about in the context of the IMF, the World Bank and the role both play in the global development system. The team emphasized historical differences between the institutions and the need to take stock of past reforms to avoid repeating past mistakes. The ARIF group will be in touch with the "Fund for the Future" team going forward to provide input on potential areas of reform.

Members of the ARIF suggested that CGD and its partners consider doing a set of case studies on what climate sensitive Article IV reviews might look like in a variety of countries with varying levels of emissions.

The ARIF will meet again for the 10th time during the Annual Meetings of the International Monetary Fund and the World Bank in October 2024.