

ARIF

Advocates for the Reform of International Finance

First Meeting

Thursday, February 4, 2021

Summary of Discussions

On behalf of the co-hosts (LSE, The Brookings Institution and CGD), CGD President Masood Ahmed welcomed the participants to the virtual meeting. In his introductory remarks, Ahmed commented on the formation of the ARIF in the space of many other groups focused on the international finance and development agenda. Ahmed invited the group to discuss what the ARIF's comparative advantage could be in this space. By focusing on a few key actions in the international development agenda, the ARIF could look for points of leverage and coordinate intervention to push forward those key points. For example, in the case of issuing SDRs, the group could take a stance on issues such as would the increase be straightforward or tied to an agreement on how certain countries should use the increase, when that agreement should take place, etc.

Participants expressed support for the formation of the ARIF and highlighted its timeliness. The issues the EPG and others had identified are now of greater urgency and scale given the pandemic and its effects. Coming out of the COVID-19 crisis requires focus not only on the short-term recovery but also the long-term trajectory, including the need to build equity to avoid drastic humanitarian consequences and the need for new infrastructure without locking in carbon. While the friends of EPG meetings facilitated informal and robust arguments on many issues, participants see now as the time to move toward advocacy in a clearer direction. This could include developing greater effectiveness by working together and complementing each other in the think tank space.

Considering the international context, the group highlighted the two crises of COVID-19 and climate change and the international system's inadequate response. At the time of the meeting, six emerging and developing countries (EMDEs) had gone into debt default, over 30 experienced credit rating downgrades, and the majority of countries experienced economic outlook downgrades. At the time of the time of crisis and need for increased spending, the international system has retrenched and not provided the response economic logic would require, providing far less than the needed \$2.5 trillion.

The group had a wide variety of ideas for what the advocacy agenda of the ARIF should cover and emphasized the need to conduct advocacy research to drive reform on these issues. Some participants highlighted the need to respond jointly to the COVID-19 and climate crises, addressing key elements in the process, including pandemic and health response, jobs and human welfare, climate and biodiversity, and inclusion and social cohesion. Others saw the need to focus on what is immediately important, including short-term financing and macroeconomic returns. Relevant issues also carried over from the Friends of EPG's previous work, including the EPG's ability to get existing resources out, how to stretch MDB balance sheets and make full use of resources, the issue of country platforms, and SDR allocation or reallocation.

Issues of health, pandemics, and global public goods were addressed for the short- and long-terms. Participants raised that the volume of financing for the global commons has been grossly inadequate, not just for the WHO but for all of global health. As a result, the group needs to convince finance ministers and leaders to act and provide funds for these causes. The issue of vaccine distribution was raised, especially in that developing countries have fallen behind. Some encouraged a focus on the COVAX mechanism and encouraging MDBs to focus as on this as well. The pandemic's impacts on education and thus inequality and poverty also raised concern.

The group maintained that a focus needs to remain on the design and practice of institutions in the system, particularly what did not work well in the COVID-19 response. The group also explored the role of the IMF, its instruments, and how to scale the MDBs as a system, particularly involving the private sector for sustained transformation. Particularly, how can climate change be integrated into the Fund, what are the tools and analysis it has and needs, and how can it be fit for purpose? Second, on the question of debt relief, what does debt mean in the context of the current crisis and how does the international community share the burden in debt relief and debt issuances? Members also suggested looking into how to better leverage private sector financing and how to bring in the new reality of public development banks.

The group considered questions of tactics and strategy in tactics, and centered on the need for alignment in research, communication, and coalition building issues to have an impact on public policy. What are the actions the ARIF needs to take? Who do we influence? How do we influence?

Some participants saw the first step as speaking up and putting items on the international political agenda, especially through pressure for reform as the pandemic fades and the sense of urgency diminishes. The group also stressed the need for incentives for leaders and finance ministers to act. Research and communication need to be put forward for leaders and ministers to act on a situation, and these efforts must take place before meetings and reach the right stakeholders. In advocating for more money, the advocates need to set clear policy priorities for this money to ensure it is not wasted on bad structures or policies. Some members suggested that the ARIF coordinators provide messaging for ARIF members to share with key stakeholders at events.

Participants expressed that the level of coordination around the international agenda is not as strong as it could be, and saw opportunities to advocate to IFIs, the G20, the G7, finance ministers and country leaders. Members pointed out the need to strategize around major events, the April 22 US Climate Summit, the Virtual G7 event in February, and events on the IFI agenda. As the Italian G20 Chair prepares for its term, members of the ARIF could make themselves available to think about issues and help establish priorities. Members also emphasized the opportunity to take use commissions, such as WHO's and the G20's, as opportunities to drive the same messaging. Participants pointed to the need to bring in and collaborate with different types of stakeholders, including the private sector and philanthropists.

A choice will also need to be made about the positions the ARIF will take. On the one hand, it can be incremental in its propositions and make compromises. On the other, the group is free to say anything, including stances that no one else believes but the group does. Additionally, the group must consider whether to pursue low or high hanging fruits, self-impose limitations, and how to best be strategic and ambitious.

The meeting ended by establishing the need to push forward two tracks. First, the set of questions on which points are important to keep pushing, researching, and making available. For example, how do you bring about investment in countries which are constrained by debt problems? How do we bring systemwide change to the MDBs? Second, providing guidance to policymakers under pressure to answer a certain range of questions and bringing forward better versions of changes. Can the group advocate to get the best and ambitiously realistic outcomes?