Press Release: Task Force 5 T20 India 2023 Side Event
Reorienting International Financial Institutions to Meet Emerging Development Financing Challenges

BALI, 10 JUNE 2022. On the heels of the T20 India, the Task Force 5 T20 India, the Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia (LPEM FEB UI), and the Centre for Strategic and International Studies (CSIS) Indonesia hosted the Side Event titled “Building Bridges to Sustainable Finance: The Reform Agenda of International Financial Institutions” that held on 8-10 June 2023. Aligning to the main purpose of the Side Event that is discussing the need for reforms and action plans to implement the reform, the Side Event developed a Policy Brief Dissemination: Reorienting International Financial Institutions to Meet Emerging Development Financing Challenges as one of the agenda of the event. The dissemination aimed to discuss and provide extensive inputs to the T20 Policy Brief on how to enhance the agility of International Financial Institutions (IFIs) in swiftly responding to crises, while also improving funding mobilization for development, strengthening assistance and capacity building for least developed countries (LDCs) and developing nations in project preparation, with the support of the G20.

The dissemination invited prominent speakers worldwide from renowned think tanks, international organizations, and government representatives. Key figures shared their time to deliver their opinions were Teguh Yudo Wicaksono (Head of Mandiri Institute, PT Bank Mandiri), Yose Rizal Damuri (Executive Director, Center for Strategic and International Studies Indonesia), John Kirton (Director, G7 Research Group and G20 Research Group), and Sandra Paulsen (Coordinator, Institute for Applied Economic Research).

During the opening session, Teguh Yudo Wicaksono underlined the pressing need for a stronger social safety net to address vulnerabilities faced by marginalized groups and fragile countries. He highlighted the limited agility of IFIs and Multilateral Development Banks (MDBs) in responding to crises and called for their adaptation to effectively tackle the complexities of the modern world. Yudo also expressed concerns about the current state of debt and credit ratings, proposing that credit ratings be considered global public goods, with IFIs and MDBs playing a vital role in their development. He suggested exploring a new credit rating system, such as Jeffrey Sachs's proposal, focusing on long-term debt sustainability and growth prospects for fair and balanced assessments of countries, particularly from the global south.

The policy brief was presented by Dr. Yose Rizal Damuri, on behalf of the authors. Dr. Damuri underscored the need for comprehensive reforms in IFIs, citing challenges and potential solutions. He referred to previous discussions on reform, such as the concept of a new international financial architecture and "Bretton Woods 2.0," raised in the first G20 leaders meeting in 2008. While some progress has been made, significant steps are required to address structural and operational issues, promote inclusivity in decision-making, and tackle challenges like the COVID-19 pandemic and climate change.
The key recommendations included in the policy brief are as follows:

1. Expediting IFIs reforms and their functioning beyond “Business as Usual”
2. Decouple lending decisions from sovereign ratings
3. Continues for innovative financing tools and mobilizing private capital
4. Encourage greater regional perspective.

Dr. Damuri also emphasized the importance of G20's role in supporting these reforms by setting objectives, involving middle economies, and elevating the role of Think20 and Think7 in generating innovative ideas.

John Kirton stressed the need for urgent improvements in the agility of IFIs to address crises, particularly the climate crisis, and argued that the responsibility for driving these reforms lies with G20 leaders. He called attention to the historical failures of IFIs in implementing necessary reforms and urged the G20 to take immediate action during the Delhi Summit, specifically regarding the reforms of the IMF and World Bank. While acknowledging previous successes in compelling IFI reforms, Kirton emphasized the inadequate attention given to climate change and called for a more innovative approach to overcome this crisis. His remarks highlighted the crucial role of G20 leadership and urged prioritization of climate action and comprehensive IFI reforms at the forthcoming G20 Summit in Delhi.

Sandra Paulsen pointed out the need for a comprehensive approach to combat climate change, highlighting that carbon pricing alone is insufficient. Brazil recognizes its contribution to carbon emissions and is taking steps to address the challenge by announcing a new industrialization process and making changes in public administration to prioritize environmental sustainability. Brazil is exploring initiatives like green bonds, carbon market regulations, and sustainable finance taxonomy. Paulsen stressed the importance of securing funding and creating incentives for development while leveraging Brazil's natural capital and biodiversity. Brazil remains committed to its responsibilities and hopes for positive international developments to allocate resources needed to achieve ambitious goals.

To see the full coverage of the summit, please watch our recorded live stream on YouTube: https://www.youtube.com/watch?v=hgKpUE8hInE&t=2988s