Recommendations Submitted to the Independent Expert Group for Strengthening the MDBs, under the G20

By the Special Committee on Financial Issues of the Civil20, June 2023

The SDG Agenda, the sovereign debt crisis and the climate crisis will need brave leadership from not just individual governments of both the global north and the south, but also groups such as the United Nations, the G20, G7 and others, to closely negotiate tough decisions that can have enough impact on the triple inequality – of wealth, carbon and power. For this, the Multilateral Development Banks (MDB) are unique in that they bring with them the firepower and balance sheet size to back big-budget funding needs on the back of the above tough decisions that need to be made. Given their multilateral ethos, they are also uniquely placed to fund solutions for global public goods in a systematic and in a least-conflicted manner. However, their history and their organizational decision-making mechanisms may make these institutions too unwieldy to deliver solutions in time to have high impact for the entire planet. An inability to deliver this imperative will be catastrophic – as this would see a global rise in humanitarian and ecological disasters, and the emergence of more regional efforts that will likely prioritize regional interests over solving for problems of a global nature, and distinctly 'zero-sum' interactions between countries that will leave the planet and its people worse off. This also will indicate a decline in the global relevance of the MDBs themselves. Such a scenario is imminent given many countries are being pushed towards choosing between two divergent paths – whether to collaborate, including via multilateralism and its rule-based frameworks, or whether to embrace 'economic decoupling' in order to achieve greater risk mitigation for themselves[1].

To avoid the above situation, the Civil20 shares its views below on how MDBs can take on this challenge, and these views add to the many views already shared by stakeholders across the globe.

Advanced nations must cede more ground to make SDRs work for the rest of the globe

Among the MDBs, the Bretton Woods Institutions, namely the International Monetary Fund (IMF) and the World Bank, are the largest and most powerful, with their larger backers being the wealthier, more powerful advanced nations. In particular, the Civil20 calls for a focus on the issuance of Special Drawing Rights (SDRs) under the IMF. It has been known that the country quota for SDRs is not proportionate to population of the countries involved, both India and China for instance have low voting shares compared to their populations. Quotas are not just the capital-base of the IMF, they also determine member states' voting shares, share of SDR issuance, maximum lending access and, crucially, the costs of borrowing. The Civil20 supports the call already made by many voices[2] to change

[1] "The stark de-risking choice facing economies", Mohamed El-Erian. Financial Times, May 25, 2023

[2] "Reforming the IMF", Mona Ali. Phenomenal World, May 13, 2023; "Reallocating Special Drawing Rights (SDR) for Vulnerable Countries", webinar co-hosted by Center for Global Development and the Foundation for Studies and Research on International Development, July 2021

IMF's Articles of Agreement to say that SDRs can be issued on a more regular basis and not just for exogenous shocks; that this be done with no conditionalities, and that the SDR issuance be delinked with the quota system. In addition, the IMF's Board can be replaced with a voting system that involves all member States.

Revamping the ambition of MDBs to make them fit-for-purpose to take on the global polycrisis

While there have been several calls requiring concerted efforts on the part of MDBs and allied institutions to bring in the SDGs into their board-level strategy-setting and evaluation mechanisms, the World Bank's Evolution Roadmap only acknowledges the need to evolve its mission to strengthen development impact in its 2023 Roadmap[3]. The leadership at the MDBs, and especially the World Bank and the IMF must lead the way in bringing about this very important shift within their own organisations as a pre-requisite to modernizing governance, representation and operations. This would be a vital prerequisite, through demonstration, for other MDBs to follow suit, though not a bottleneck. This reorientation must be guided by an honest acknowledgement of the tradeoffs involved in the current approach (in the case of the World Bank, poverty reduction and economic growth without the need to meet the SDG Agenda), and the new tradeoffs that will need to be acknowledged, the levels (of the new tradeoffs) accepted, and with such a reorientation introduced (poverty reduction through sustainable development versus solving for global public goods)[4].

The Civil20 also calls for the World Bank and other multilateral lenders to implement core recommendations of the G20 Capital Adequacy Framework in order to significantly ramp up their lending capacity. In particular, mobilization of private sector funding will need a significant rethink, and while the reluctance to let go of their 'low-risk, highly-rated' status is understandable, using their balance sheet and rating strengths to build books using significant originate-to-share and originate-to-transfer mechanisms[5], through the provision of credit and other enhancements, is perhaps the only way to get to the level of funding that is needed to be unlocked for many components of the SDG Agenda that already have proven solutions but are in need of support to overcome the initial viability / feasibility hurdle for commercial capital to pursue them on their own.

Implement Steps to provide the Social and Solidarity Economy a 'Seat at the Table'

Economic growth and development today can no longer afford to not be devised without passing the sustainability test. For this, much greater investment in achieving and maintaining social cohesion is needed. The civil society organisations (CSO) have been acknowledged through the past many decades as being important to the agenda of MDBs. However, baring very rare instances, the manner in which CSOs have been required to be involved, has overwhelmingly been as observers in the planning stages, and as service providers who do not really have decision-making responsibilities or voting powers. CSOs are also the second most important last-mile stakeholders shaping outcomes

[3] The report titled "Evolution of the World Bank Group – A Report to Governors" released on March 30, 2023, and prepared for the April 12, 2023 Development Committee Meeting of the World Bank builds on this to a very limited extent.

[4] A brief discussion on the topic can be found in "For the World Bank to Address Global Challenges, It Needs to Address Trade-Offs Head On", Ranil Dissanayake, Blog series of the Center for Global Development, April 12, 2023

[5] "The time is now: what the World Bank's (R)evolution Roadmap should look like", ODI, May 16, 2023

when it comes to achieving the SDG Agenda (the most important being the communities themselves). No government or private sector corporate can claim to have as much sway over the implementation of outcomes for the SDG agenda as the CSOs.

The UN has indeed defined the social and solidarity economy. The SSE not only uplifts the most vulnerable in our societies but also rebalances the social, economic, and environmental objectives which serves the long-term viability and flourishing of all societies. The UN's General Assembly Resolution in April 2023 on the Social and Solidary Economy sets the stage for a much better future for CSOs as active economic actors and decision-makers in the economy. A simple way to articulate the functions for CSOs in achieving the 2030 Action Agenda, adopted from a Technical Paper[6] of UNDESA, is in a) *Implementation* via regulation (as watchdogs), b) *Representation* (as voice for people, especially those 'left behind'), and c) *Realisation* of sustainable development outcomes through service delivery. Taking guidance from such a framing, the MDBs can device a high-level independent panel through which CSOs are required to take part when new projects and programs are being envisaged so that their role gets expanded much beyond that of being service providers.

In line with many recent trends[7] that place more power and ability to the communities in deciding how they would like to shape their sustainable development outcomes, the World Bank and IMF can consider adopting a much more nuanced approach to the choice of outcome metrics for their various projects and programs. For instance, in 2018, the UNRISD commenced a four-year project to address these issues. The project's aim was to develop methodologies and indicators to meaningfully measure and evaluate the performance of a broad range of economic entities in relation to the vision and goals of the 2030 Agenda. The learnings[8] from this effort can be used for this purpose to transform the declared intent of focusing on sustainability into real outcomes for the World Bank and IMF.

[6] UN Dept of Economic & Social Affairs publication "How should civil society stakeholders report their contribution to the implementation of the 2030 Agenda for Sustainable Development?", 2019

[7] See "Donor Statement on Supporting Locally Led Development", US AID, Announced on December 13, 2022 at the 2022 Effective Development Cooperation Summit in Geneva.

[8] "Authentic Sustainability Assessment: A User Manual for the Sustainable Development Performance Indicators", UNRISD, November 2022