

Press Release: Task Force 5 T20 India 2023 Side Event

Building Bridges to Sustainable Finance: The Reform Agenda of International Financial Institutions

NUSA DUA, BALI, 10 June 2023. Held as the side event of the T20 India, the Task Force 5 Side Event finally commenced on June 8 and until June 9. Various world-leading thinkers, policymakers, and experts were gathered at the Westin, Nusa Dua, Bali—where the event took place. The main theme of Task Force 5 T20 India 2023 side event “**Building Bridges to Sustainable Finance: The Reform Agenda of International Financial Institutions**” The side event was conducted on a closed roundtable discussion on how the international financial system and institutions can be directed toward greater efforts for sustainable finance, and how the G20 can promote such reform.

The Task Force 5 T20 India Side Event 2023 was attended by experts from leading research institutes and universities worldwide, representatives of international financial institutions, and related policymakers from G20 countries as well as from other developing and emerging countries. The Public discussion was Chaired by Andrea Brugora, research fellow of ISPI Geoeconomics Centre, the session brought three panelists, namely Chatib Basri (Senior Lecturer of the University of Indonesia), Ashima Goyal (Emeritus Professor of Economics of Indira Gandhi Institute for Development Research), and Matthew Agarwala (Economist of Institute for Public Policy, University of Cambridge).

Brugora opened the session with the current paradox that the global economy is facing. On one side, every country's think tank and organization agree on the urgency of the reform of international financial institutions, and on the other hand, reforms proceed with an unclear timing and agenda. This is a difficult situation considering many elements that should be addressed, such as global stability for which the global financial architecture, micro macro-prudential regulations, and debt distress. This transpires into the need for Multinational Development Banks (MDBs) and International Financial Institutions (IFIs) to push funding in good directions, especially toward sustainability. In order to do so, the role of private finance is crucial. But optimization of public money should be spurred to attract private money as de-risking instrument.

Basri also highlighted the need to reform IFIs. Specifically, there are five things that the IFIs need to touch upon. First, there is a need to discuss further the role of capital flow management by not discouraging the capital inflow coming to EMDEs while smoothing the volatility. Second, Increase the availability of financing resources. This is the most ideal way, but kind of difficult given the current political tension and economic situation. Third, improve a financial model with balance sheet optimization. IFIs also need to come up with the idea of innovative financing

for de-risking to attract private finance. Fourth, improve the operating model. BWIs need to come up with a country-based model to complement the one-size-fits-all model. It will be very difficult for BWIs to tailor every policy, so the ideal way is to strike a balance between country-based and regional, and global models. Lastly, pushing the global cooperation. Global

cooperation is highly needed to solve current global issues but is hampered due to the current geopolitical tensions. To solve this, we need to find the common denominator, common issues that can bring everyone to sit together at the table to solve the problem together. For example, health issues.

Agarwala continued to discuss the need of reconsidering our economic model as our economic model over the past century, which has been to maximize GDP growth and returns on income, is no longer fit. In the 21st century, we have, alongside those improvements in the human condition, a release of one and a half trillion tons of CO2 into the atmosphere, we have pushed a million species to the brink of extinction, and in just the past 50 years we have seen a 70% decline in the populations of amphibians, birds, mammals, fish, and species all around the world. Combined, the climate, biodiversity, and inequality crises that we face threaten to wipe out that century or so of economic gain. Matthew pointed out that IFIs and MDBs need to change in the context of moving beyond GDP towards inclusive wealth, credit risk assessments must incorporate natural capital, reward investments in mitigation, resilience, and adaptation, and move away from Western dominance. We need to increase the voice and the power of developing countries in IFIs and MDBs.

Goyal addressed the need for one huge idea for people to accept something new. Sustainable finance for development has been debated for many years in many ways that this financing can be enhanced, but it hasn't happened. But today, there's enough momentum built up among all stakeholders. Enough to push this discussion, and the T20 is adding to this momentum. Every country group is suffering from fiscal space limitations. So, the idea of using capital more efficiently, balance sheet optimization, and financial innovation are all acceptable. These country groups are all shareholders driven. If all G20 members agree, this will happen fast. So, we need deadlines and a big push for this. We have the advantage of a series of emerging market G20 presidencies in a row (Indonesia, India, Brazil, and South Africa). This is a long-term idea that we need to flank.

Based on the discussions among panelists, it can be concluded that there is a need to combine global perspectives with country-specific solutions. It is obvious that T20, G20, T7, and G7 are very important platforms to pressure and guide this process.

To see the full coverage of the event, please watch our recorded live stream on YouTube: **LPEM FEB UI & CSIS Indonesia**