

July 19, 2024

Dear G20 Finance Ministers,

NEEDED NOW: YOUR FINANCIAL LEADERSHIP FOR PEOPLE AND PLANET

Your upcoming meeting in Rio de Janeiro will take place as warning signs are flashing red. While global growth and inflation seem to be stabilising after four years of overlapping crises, these headlines are masking an alarming divergence of fortunes and growth in global inequality for the first time in three decades. Advanced economies are rebounding yet many developing and vulnerable economies are languishing and facing an historical reversal. One in four developing economies is expected to remain poorer than it was on the eve of the pandemic in 2019. On the 80th anniversary of the founding of the Bretton Woods Institutions an historic opportunity remains, however, to upgrade our global financial system, unlock 2-3% of global GDP in additional investment for win-win solutions for people and planet, reduce inflation, fight inequality, avert a worsening climate crisis and achieve the sustainable development goals. You have the tools and clout to ensure deeper recovery and prosperity for all. We urge you to:

1. Set the stage for a successful IDA21 replenishment:

IDA is one of the most important providers of affordable finance for 75 of the poorest and most vulnerable countries, playing an instrumental role in the fight against extreme poverty and inequality, supporting food and health security, pandemic preparedness, sustainable energy access and a just energy transition. IDA donor contributions need to increase by at least 25% in total to meet a minimal goal.

An early pledge for IDA should go hand in hand with support for the new Global Alliance on Hunger and on Poverty. All G20 members should join the Alliance and make new and ambitious commitments to the fight against hunger and for social protection at home and abroad. In line with the Alliance's objectives, IDA21 should double down on ensuring food and nutritional security, as well as reinforce support to agricultural adaptation, social protection, and to engaging citizens in IDA countries to track results and empower local actors.

2. Leverage the full potential of Special Drawing Rights:

The African Development Bank and Inter-American Development Bank hybrid capital mechanism, the first of its kind, will quadruple the value of SDRs and provide precious financing to address rising global challenges, including climate and food security. G20 countries should support the AfDB-IDB mechanism, either through SDR channelling or guarantees, and encourage others to step up. In addition, the G20 should announce a new Working Group on SDR Rechanneling, bringing together representatives from central banks, the IMF and independent experts, with a political mandate to devise technical solutions which unlock more rechanneling options, particularly for countries which have previously been unable to channel SDRs through MDBs. If much more ambitious SDR channelling is not agreed soon, a new issue of SDRs will need to be explored. We also urge the G20 to work with the IMF to prioritize and fully leverage the Resilience and Sustainability Trust to unlock additional financing for climate action and pandemic preparedness.

3. Accelerate MDB evolution:

Sustained hard work has led to commendable progress on making the MDBs fit for purpose—from expanding mandates to tackle global challenges, to unlocking billions in additional lending capacity over a decade, to boosting operational efficiency. Several G20 countries have committed to support innovative financial tools at the World Bank that could generate \$70 billion additional. Existing efforts are expected to unlock \$300-400 billion in lending headroom over the next decade. But the job is not done. We can't let complacency set in and stall momentum. The G20 should actively work with MDB management and rating agencies to give more value to callable capital in risk assessments. Additionally and in parallel, the G20 should endorse a system-wide review of MDB capital needs. All the MDBs must work together better as a system, in support of country priorities and platforms for action.

4. Deal with debt:

Hundreds of millions of citizens are right now paying the price of deadly debt service levels, in terms of lost health, education, humanitarian and lifesaving services. We must reverse negative financing flows and speed up investment into development and climate resilience, particularly in the most vulnerable countries. The IMF review of debt sustainability analyses must take into account these investment imperatives. All MDBs and bilateral creditors should implement debt treatment, cancellation where it is needed, and explore legislation to bring private creditors to the table in a

more timely and systemic way. All new and restructured loans must be transparent, open to citizens for scrutiny and trackable against country-owned SDG KPIs.

Debt pause clauses are a great way to quickly free funding when an external shock strikes, such as the most recent hurricane Beryl. We welcome the development of Climate Resilient Debt Clauses as mentioned in the G7 Finance Ministers' communiqué in May. As a next step, G20 countries should ensure that all creditors implement pause clauses for small island developing states and low-income countries, in case of natural disasters but also famines or major epidemics.

5. Make progress on international taxation:

In today's world, with an accelerating climate crisis, it is no longer conceivable that those polluting most are not taxed adequately. We welcome the Brazilian leadership on a global standard to tax billionaires under coordinated principles. All G20 members should vigorously support these efforts and lay out a path to agree to such a standard, by Rio. In addition, the G20 should support the efforts made by the Global Solidarity Levies Task Force.

These steps will help rebuild trust by delivering for partners in the Global South who are struggling now. We urge you to provide leadership to reverse this divergence of fortunes, and to seize this opportunity to usher in a new era of international cooperation.

Thank you for your continued support, and best wishes for a successful, solutions-focused meeting.

Sincerely,

ONE

Global Citizen

Accountability Lab

ACET

Amy Dodd, independent consultant

Bankers without Boundaries

Caribbean Policy Development Centre

Chris Humphrey, ODI

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Demos Helsinki

Development Initiatives

Don't Panic

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FollowTheMoney-Connected Development

G20 for Impact

Germanwatch

Glasgow Actions Team

Global Public Investment Network

Japan NGO Center for International Cooperation (Janic)

New York University, Center on International Cooperation

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Pandemic Action Network (PAN)

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Resilience Action Network Africa (RANA)

Sharing Strategies

The International Institute for Environment and Development Think Equal