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# Critical Reflections on IMF/World Bank/G30 Annual Meetings

The Annual Meetings took place in Marrakech between Oct 9th - 13th October 2023.

Every third year, the Meetings are hosted in one of the member countries. For the first time in 50 years, they returned to Africa, sending a signal of support and confidence to probably the most decisive continent when it comes to achieving the Sustainable Development Goals by 2030. This is as much an honour for the institutions, as it is for the hosting country.

Given only weeks before the Meetings, Morocco was shaken by a devastating earthquake not far from Marrakech, it would have been an easy choice to postpone the venue back to Washington. Thanks to the advanced preparations and effective collaboration of local organizers and IMF/World Bank executives, the Meetings successfully went ahead in Marrakech.

The panels commenced with sincere appreciation for the efforts of the hosts. Considering the backdrop of natural disasters, the ongoing war in the Ukraine, the horrible attacks of Hamas on October 7th, and the urgency of global transformation needs, the Annual Meetings took on a notably focused, serious and solution-oriented tone.

Seven observations at a glance.

## Observation 1

### Annual Meetings Choreography

This week can be imagined as a high-level class reunion among policy makers, central bankers, media, scientists, and private sector participants, discussing relevant supranational development matters on and off stage. The week has plenary sessions, themed workshops and closed-door negotiations lined up in parallel. The G30 are a personal highlight towards the end of the week, with a smaller circle openly exchanging thoughts.

Since Dominique Strauss-Kahn repositioned the IMF again as a relevant supra-national player throughout the global financial crisis, it had the good fortune to be led by Managing Directors - Christine Lagarde and Kristalina Georgieva - both combining a caring attitude with competence and political instinct. The former and perhaps even more so than the latter, has allowed the institution to evolve its toolset, expand its capital base, extend its global reach, and shift is primary focus from offering advice to tangible impact. What was formerly known as technical

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assistance has now become the third main pillar of the fund: capacity building. With an increased local presence around the world, the Fund not only offers advice, performs analyses through their various reports, but also contributes to the local implementation of policy change programs, intending to increase the implementation quality. In short, impact has priority.

The World Banks trajectory has taken a more volatile turn since the GFC. Following a challenging period under David Malpass, the institution has experienced a revitalisation under the new CEO Ajay Banga, who only assumed the position in June 2023. It is like the return of a much-needed financing muscle, complementing IMF efforts.

## Observation 2

### Annual Meetings Intervention Space

Both institutions operated within an environment since the GFC, characterized by a strong momentum for supranational reforms during and immediately after the crisis. Concerted regulatory and monetary efforts together with central banks have bought time and created fiscal space for policy makers to implement structural reforms. That was the unwritten deal between them. While the arrival of those reforms followed the script of Waiting for Godot, the monetary stimuli lost their real economic impact during the last decade - see QE 1-3 as examples. Kicking the can down the monetary road ultimately led to asset price inflation across the global capital stock and an accompanying financial repression for over a decade. Only recently, led by emerging market central banks, monetary policies strongly tightened in a concerted action at an unprecedented pace. Paraphrasing Axel Weber in Marrakech, it is improbable that nothing breaks. Given how fast and high rates were rising, not much has been broken yet. More pain to come.

## Observation 3

### Sustainable Development Goals

The community settled on the commitment of making Sustainable Development Goals globally achievable. From policy makers to central bankers, the civil society and solutions providers, the discussions are about the How, not the If and Why. The COP sequence acts as a set of milestones, offering orientation and reference points along the way. Acronyms like SRI, ESG or CSR were transient trends, serving as transitional stages , until global awareness rose to a firm commitment culminating in the 2015 Paris Agreement, and the emergence of a comprehensive network of both public and private actors. This ecosystem acknowledges the insufficient progress achieved in the meanwhile.

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# Observation 4

## Lacking Private Sector Participation

This insufficient progress is explained by a too limited buy-in of the private sector. The community is aware that funding initiatives via multilateral institutions can stimulate, show-case and de-risk first mover actions, but the financing needs for this global transformation go significantly beyond what balance sheets of multilateral development banks, central banks and governments can deliver. Consequently, one of the main themes on panels were about how to trigger private sector multipliers through their own actions. This is an important change of narrative. Until recently the approach for redeploying capital towards SDGs was via taxonomies, regulation, and other push-based initiatives. The private sector responded with avoidance. Greenwashing was the consequence.

Part of this private sector avoidance is also visible at the Annual Meetings when it comes to how many and which private sector participants do attend. We are a minority, rather consisting of the usual suspects, where preaching to the converted takes place. This seems to be a general pattern of the community. When participating at the 10th Forum on Green Finance and Investment early October, private sector participants were a rare exception.

I felt like an Englishman in New York.

The discussion about how to trigger private sector multipliers is rather about sending imperatives to the private sector, than talking with the sector. There is no lack of private sector associations that were launched in recent years. PRI, GFANZ, IIGCC, AIGCC, Ceres, to name a few. Their purpose is to establish and exchange best practices and lobby on their behalf. What has not changed so far is the lack of multiplier due to a lack of buy-in.

# Observation 5

## Ownership & Front Office

The explanation for O4 can be found in the top-down attempt of redeploying capital towards SDGs via regulation and standardization. This approach has proven to be insufficient. It led to a subsystem of - by now - consolidated service providers that deliver data, scoring models and reporting solutions for the private sector to comply with these standards. The approach itself was in line with the general zeitgeist of re-regulation since the GFC. It led to costly, while dysfunctional check-list exercises for middle and back offices.

Therein lies a misunderstanding. The global transformation towards SDGs constitutes a rare structural inefficiency of global scale. Amend this opportunity with geostrategic considerations and technological progress and capital

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deployment turns into uncertainty management. It is evident that the mindset of choice for such environment is an entrepreneurial one and not the one of accountants, compliance officers or risk managers in the middle and back offices. Whether we meet SDGs by 2030 is decided by the buy-in of front offices.

The IMF understood the essential relevance of idiosyncratic ownership already in their capacity building activities. Ownership has been another theme of the Annual Meetings. A capacity building project that lacks domestic ownership will likely fail. It requires skin in the game to support intrinsic motives in their occurrence. This understanding should be expanded when aiming to activate the multiplier effect through the front office: incentivize them to develop the skills and tools necessary to exploit the SDG-linked opportunity. Market forces need to take over when it is about efficiently integrating profit and impact motives.

## Observation 6

### Overdue Market-Based Solutions

Front offices can be further supported by designing an environment of market-based policy solutions. Some were discussed at the Annual Meetings.

- **Carbon Pricing >** Long overdue. Provide a clear and reliable price path for front offices that can be worked into asset pricing models.
- Transition Plans & Management > instead of making them bureaucratic, have them written like business plans with a value proposition for investment decision makers in front offices and their clients.
- **Domestic Money Markets >** in order to turn MDB initiatives into lasting effects, domestic capital markets need to be developed. Example. The EBRD Treasury department is focused for years on establishing liquid money markets in emerging member countries. Based on those, a yield curve can be built either in cash or derivative markets. Altogether it creates a more resilient domestic foundation for financial services, less dependent on FDIs and temporary MDB initiatives. Such concepts deserve concerted actions of supranational stakeholders to make them succeed.
- **Regulatory Harmonisation >** use the difference reviews of regulatory initiatives (IASB/ISSB, CSRD, Articles 8-9) and synchronize them to enable supranational actors, front offices and real economic actors (corporations) a full look-through of their intended and achieved impact.
- **Facilitating Strategic Competition >** the US was lagging on Sustainability matters for decades, while the EU took the lead, also due to a pragmatic calibration of emission levels per sector or letting the market decide what equity multiple a listed company should trade at. In a remarkable turnaround through the Biden administration, with the passing of the IRA, the US is back on top driving progress. This strategic competition of countries/regions expressed through their industrial

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policies, with resource allocation delegated to market forces, can be supranationally facilitated to accelerate the diffusion of knowledge and the redeployment of capital.

## Observation 7

### Geostrategic Elephant in the Room

One can also imagine the Annual Meetings as a diplomatic exercise in a high security environment. This can lead to moments where potentially conflicting aspects are addressed in a soft-spoken manner. Throughout the week one question stood like an elephant in the room. SDGs empower individuals as they apply a humanistic understanding of humankind. The closer we get in meeting these goals, the more demanding people might become. The desire to develop one's talents to full potential does conflict with the power-logic of autocratic regimes. Is autocratic leadership willing to accept individual desires that come with increased SDG convergence? Ignoring this elephant might be history repeating itself, as we have seen mission-based banks assuming economic interdependence minimizing the risk of wars, until Russia attacked the Ukraine. Avoidance is not an option.

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