16th May 2022

Dear Federal Finance Minister Christian Lindner,

CC G7 Finance Ministers

Your urgent leadership towards a data-driven modern-day Marshall Plan for People and Planet

In these historically tough times, when all tools of global policy must be maximised, we are writing to remind you and the other G7 Finance Ministers of your responsibility as the biggest group of shareholders of the IMF and World Bank. So we ask you please to honestly ask yourselves this question: are you doing everything possible, in close cooperation with the G20 and others, to direct these institutions, and the wider family of multilateral development banks, to respond adequately to our concurrent crises of covid, unequal recoveries, climate and conflict? Are they delivering on their core mission of ending extreme poverty, delivering on our shared Sustainable Development and Climate Goals? Are they helping the supporters of global cooperation counter the further fragmentation of our world through geopolitical rivalry?

The answer seems to be: “no”. This letter contains proposals to help you make this a “yes”.

The international financial institutions are not currently designed for multiple, multi-country crises, financing Global Public Goods, and underpinning a global cooperation architecture that builds bridges between countries of different development levels and trajectories or geopolitical alignment. The IBRD, for example, is funded to respond to one mid-sized crisis each decade. They are not equipped to tackle the climate crisis, prevent and prepare for future pandemics, tackle entrenched hunger and poverty, and address fragility and debt crises - all at the same time. Secretary Yellen has clearly articulated the need for change to reach scale in her remarks at the time of the Spring meetings.

The buck for this stops with the major shareholders: you. So, starting with this week’s G7 Finance Minister meeting, you now have the historic opportunity and power to really drive change.

The case for more urgent action via these global financial entities is overwhelming. Fossil fuels are burning up our future – not just through “carbon emissions”, but also through “corruption emissions” and “conflict emissions”. This fossil fuel fragility - of our global economy, polity, society, and ecology can now be replaced with resilience. Your finance ministries and these global institutions you hold key responsibility for can now articulate an historic plan to tackle the fallouts from conflict and covid in the short term while scaling long term investments into a strategic win-win data-driven Marshall Plan for People and Planet: a green jobs boom which helps prevent climate catastrophe.

The strategy would immediately reinvigorate, not replace, the Bretton Woods Institutions. In this strategy, global public and private finance will partner with country and local level leadership, so global finance better supports both local finesse and the global common good. This strategy answers the urgent partnership plea from emerging economies for more *voice* in decision making and more *velocity* and *volume* in terms of investment flows.

Investment levels need to be raised by well over one trillion dollars each year for the next decades in low and middle-income economies. This level of financing should support country platforms producing a strategic pipeline of projects focusing on human capital, sustainable infrastructure, adaptation, resilience, nature conservation and agriculture, forestry and land use.

Here are the short-term priorities to help jump-start the process towards constructing an historic scaled financing plan:

- **Immediately meet your goals of reallocating 100b of your SDRs** (or fiscal equivalents) as promised, then exceed this. These SDRs must support African and other emerging countries with mechanisms that stabilize the balance of payments and reduce borrowing costs for essential sustainable investments. This will require ensuring the Resilience and Sustainability Trust is actually usable by developing economies and/or using SDRs outside the confines of the IMF.

- **Reduce and restructure debts** of countries who are committed to an ambitious green transition through a radically improved Debt Common Framework, with debt standstill or emergency liquidity upon application, and tackling the structural issues - such as lack of transparency, clear timelines, and borrower capacity - to improve debt resolution mechanisms.

- **Increase the quality and quantity of aid and concessional finance**. No humane or self-interested high-income country should be cutting aid at this time and every international financial institution should be stretched creatively– testing the limits of capital adequacy, affirming callable capital counts, allowing alternative capital funding and non-voting shares (so philanthropies and ESG funds can play their part), and ensuring nothing is wasted on "20th century practises."

Beyond the short term we urge you to launch an empowered political process to re-invigorate these institutions and deliver on a strategic global financing plan. Key goals are:

- **Stronger national coordination** between strengthened national level platforms for change and global sources of public and private finance. At the national level country-owned platforms must be strengthened to produce strategic pipelines of sustainable infrastructure and human capital projects. These must be connected to clear and independently verifiable SDG & climate Key Performance Indicators.

- **Stronger global coordination** The G7's new partnership to ""build back better for the world" & emerging "carbon clubs", the G20's "Recover Stronger" plan & Compact with Africa, the Glasgow Financial Alliance for Net Zero, the EU's Global Gateway and a "greener" evolution of China's Global Development Initiative must all be better aligned to support this growing pipeline of strategic projects. For this to happen G7 initiatives like the "carbon clubs" need to be designed from the very beginning in an inclusive way that give countries beyond the G7 a relevant say.

- **Ambitious leveraging of public capital to mobilize all other forms of capital**, including through tried-and-true mechanisms such as substantial but conditional capital increases to MDBs that are fully aligned with the SDGs and Paris Agendas. Publicly discussing, then regularly sharing, the methodologies by which Credit Rating Agencies review the credit ratings of the MDBs would also help reduce inefficiency in leveraging the MDBs capital. The G7 and other shareholders should work towards a *doubling* of capital for entities like the World Bank if the above steps are taken - so that these more efficient financial entities can then go even further towards making all our futures safer, more sustainable and inclusive.

- **Strengthening universality and reciprocity in global cooperation**: massive scaling-up of the funds for global cooperation needs to go hand-in-hand with much more ambitious efforts to transform the G7's economies themselves in line with the SDGs and the climate goals in ways that are also conducive to emerging and low-income economies. To this end, the universality of the International Finance Institutions and the reciprocity of global cooperation need to be enhanced, holding also G7 countries accountable on their domestic policies and furthering mutually transformative cooperation. The global common good cannot be furthered by a "20th century approach" by which only one part of the world has the problems and the other the solutions.

Taken together these steps can help lead and leverage the additional trillion dollars a year required. This will amount to a new financing framework, a grand bargain between historic emitters and low-income low emitters, who must also step up their own resource mobilisation, investment and accountable delivery efforts. Such a strategy would more equitably balance: the benefits of higher levels of investment in human, natural, and climate change related capital, with the risks of higher debt levels in the short to medium terms; the interests of creditors and debtors; the interests of emerging and advanced economies; and of current and future generations.

The longer you, individually and collectively, delay your leadership responsibility, the higher the price tag will be in terms of costs born now and by future generations –with more wars, famines, conflicts, pandemics.

Amongst you are leaders who can rise to this moment in history. We need you all to be.

We look forward to your further leadership and ongoing exchanges for urgent change.

Yours,

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