Reimagining the Role of Multilateral Development Banks

The ROCKEFELLER FOUNDATION

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Summary

Seventy-seven years ago, amid another global catastrophe, the world came together to establish new institutions that could rebuild shattered nations and restart the global economy. The goal of what became known as the Bretton Woods Institutions, hammered out during World War II to create a new international economic order, was to improve lives enough to ward off the next crisis.

Today, as the world seeks an end to the Covid-19 pandemic and to start a recovery that averts the next pandemic, we must reimagine that decades-old global economic order and unlock the full potential of its institutions. Just as World War II established these organizations, this crisis now requires us to urgently reimagine them and put them to better use.

With this Roadmap—the third in our series that details how the world can marshal a comprehensive pandemic response and full post-pandemic recovery—we put forth a series of steps to revitalize the world's multilateral development banks, above all the World Bank.

Since 1944, the World Bank and its financial peers have sat at the center of the global economic order, providing vital resources for development. Unfortunately, the World Bank and other regional banks could today be playing a far more creative and significant role in assisting in the global recovery. These banks are the greatest underutilized tools to bring more assets to bear to bridge funding gaps in lower-income countries.

Bank shareholders—that is to say, the world's leading countries—are in wide agreement that we need to go beyond a full recovery from Covid-19 and proceed with a series of historic investments in infrastructure and technologies to address global inequities in a clean and sustainable way. Now, these same shareholders can inject a new sense of purpose into these institutions.

At the G7 meeting last month in Cornwall, leaders urged the MDBs to "increase the speed of their financial support" for the sort of green infrastructure projects that can speed growth and slow climate change. With this Roadmap, we lay out a series of practical steps that would allow the MDBs to increase their lending capacity without diminishing their financial standing. Getting the most from these institutions will require a series of technical solutions, all of which are readily achievable.

Getting there, though, will require the focus and determination of G20 leaders. Political will is crucial, as history has shown that little will happen without it. Reinvigorated multilateralism is the only way we can end the pandemic through a global distribution of vaccines. The same is true of restarting the global economy with long overdue investments in clean energy that can avert another crisis. Accomplishing that requires an ambitious and creative use of the institutions we have, foremost among them the World Bank and the Multilateral Development Banks.

The Covid-19 catastrophe has killed millions, upended entire economies and shaken industries. As in previous crises, the pandemic has also led societies and individuals to reassess old practices and to devise new and often more efficient ways of working and living. That same impulse should apply now as we seek to reimagine the global financial architecture to better serve the world's needs.

Onward,

Dr. Rajiv J. Shah,
President of
The Rockefeller Foundation

Introduction

The world together, every corner of it, has shared the pain of the pandemic. We must now share in orchestrating its end, and in crafting a transition to a just, equitable, and sustainable recovery. It is essential we keep our focus on the aims we had before the pandemic struck.

For that, we need a massive scale up in clean investment over the next decade to fulfill the Paris Agreement and achieve the Sustainable Development Goals. This will require an immediate burst of revitalized multilateralism and creativity centered on rethinking the role of Multilateral Development Banks (MDBs).

Many governments are aligned on the need for a sustainable global recovery in the short-term. There is also widespread consensus around the need to rapidly scale up investment in infrastructure and human capital. But this must be done amid high levels of indebtedness in many developing countries and as an inward focus among large donor nations saps the availability of capital.

The current international financial architecture, with Multilateral Development Banks at its core, provides us with a ready engine to propel us forward at a moment like this. But only if shareholders inject into these institutions a new sense of urgency and purpose and empower them to act more nimbly and invest more boldly.

The MDBs, particularly the World Bank, were designed from the outset to seize historic moments and provide financial support commensurate with the scale of global challenges.

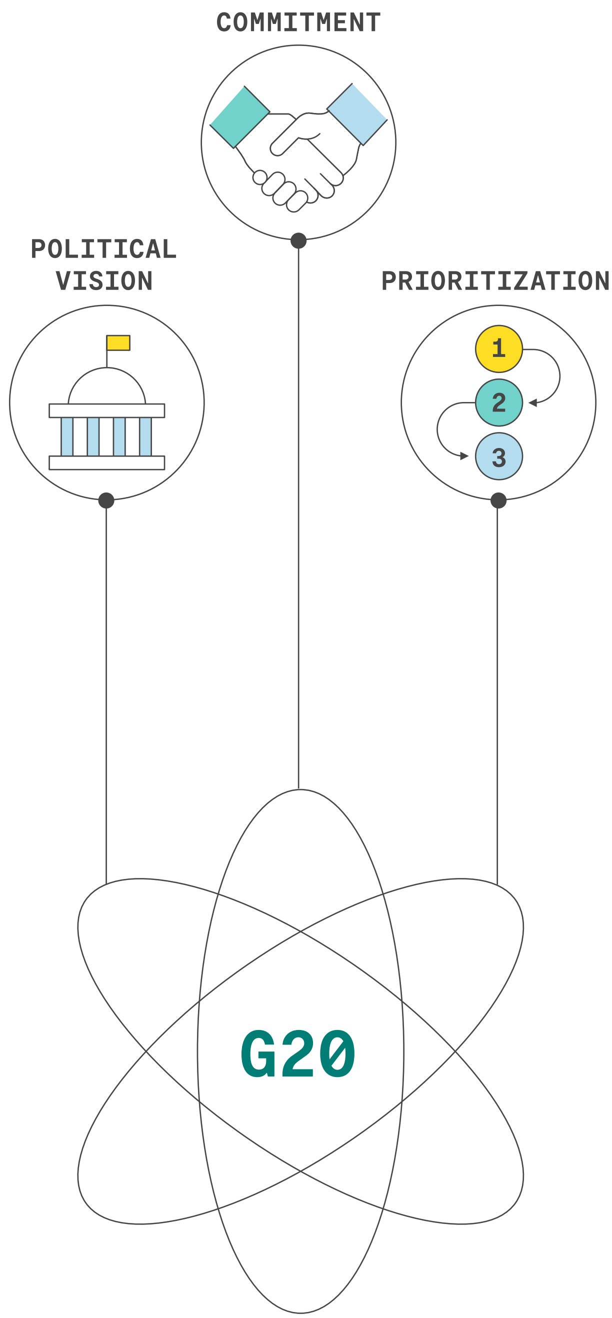
Specifically, the MDBs need increased financial firepower through an expansion of their balance sheets and a stronger orientation around promoting sustainable development and achieving the goals of the Paris Climate Agreement. Their shareholders must see to bringing about these reforms.

The MDBs could decisively shape the speed and character of the global recovery. Despite the massive financing gaps for pandemic response, climate and other global challenges, MDBs have not sufficiently scaled up investments to meet these daunting development and sustainability challenges.
In practice, MDBs are overly constrained by mandates and a focus on protecting their capital base and achieving long-term sustainability. That model needs to be revisited to meet this moment.

We need a new consensus among shareholders around the mission of MDBs against a backdrop of Covid-19, the climate crisis and the SDGs.

In this Roadmap, we set out a practical reform agenda for MDB shareholders to consider, which includes presenting technical solutions to global challenges and the role MDBs can play in addressing them. It should be understood, however, that political vision, commitment and prioritization by G20 leaders is the key ingredient that is missing.

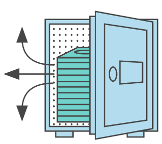
As the world continues its uneven recovery from the biggest crisis in generations, and as it seeks to thwart a deepening climate crisis, the time is ripe for a new approach. There is an opportunity for G20 leaders to come together around a more profound reform agenda, and to present a clear new mandate to these international financial institutions that renews and reinvigorates their purpose.



Reforming the MDB system

This report represents the third iteration of a Roadmap series published by The Rockefeller Foundation this year. Our purpose is to identify and prioritize practical steps that can be taken by G20 leaders in coming months to advance three critical areas of reform needed to end the pandemic and to set in motion an equitable and green recovery.

1.
The issuance, reallocation, and leveraging of Special Drawing Rights (SDRs) by the International Monetary Fund to provide additional liquidity and ensure equitable global access to vaccines

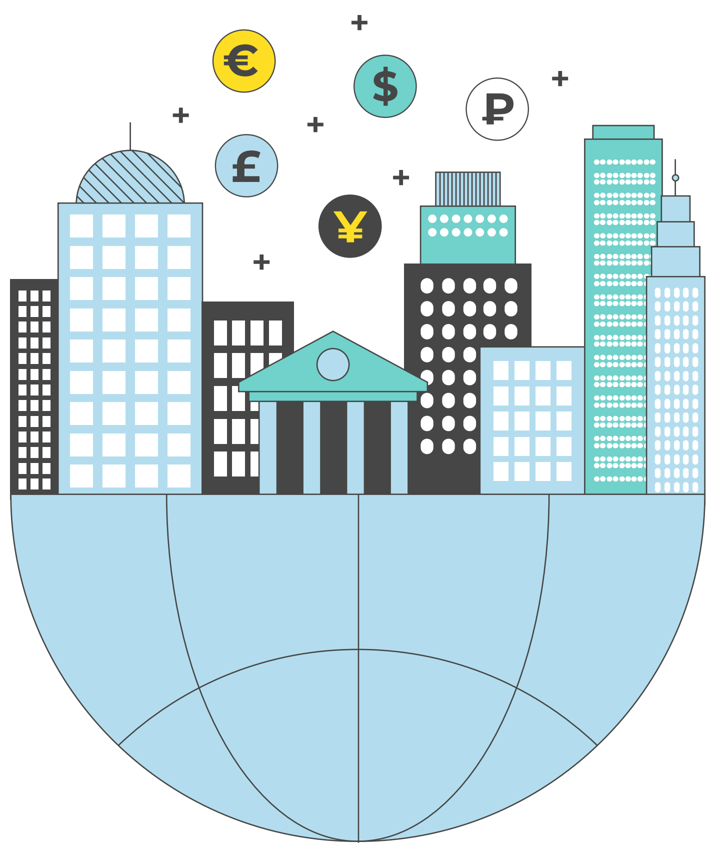


2.
Unleashing the full lending and technical power of the World Bank and other Multilateral Development Banks for a recovery based on the Sustainable Development Goals and the Paris Climate Agreement

3.
Leveraging private capital at scale through new, innovative investment vehicles and platforms to complement public investment

In the first and second iteration of this series, we focused on Goal 1, given the urgent need to end the pandemic by ensuring equitable global access to vaccines.

We started there because it is vital to end the pandemic and to bring a renewed sense of multilateralism to generate political momentum for achieving a climate-neutral and equitable recovery in the lead-in to COP 26. We are encouraged that the call for the recycling of at least $100 billion in SDRs has been taken up by political leaders and was included in the G7 communique (see section 1 below), but definitive action is now needed. Operationalizing this commitment must remain top of the political agenda at the G20 Finance Ministers’ meeting in July.



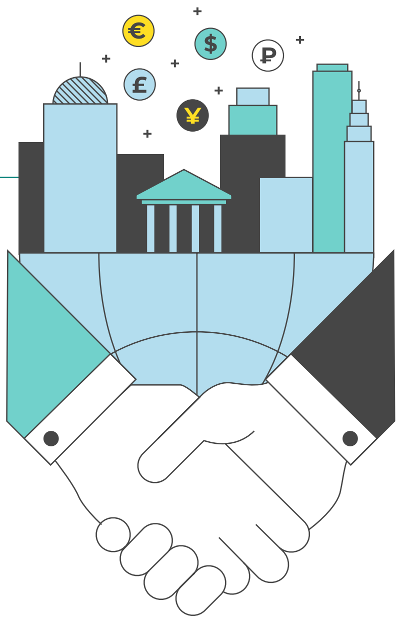
A global recovery timeline

Month	2021 POLITICAL CALENDAR	PROPOSED ACTIONS	Goal
July		Accelerate new mandate for MDBs focused on SDGs and Paris Agreement	Goal 2
	G20 Climate & Energy Ministers G20 Finance Ministers	Call for independent capital adequacy review	Goal 2
		Agree on $100 billion in SDR reallocation for pandemic response and associated modalities	Goal 1
August			
September	UN General Assembly		
October	World Bank Fall Meetings		
November	G20	Sign off on new capital adequacy approach for MDBs	Goal 2
	COP26	Advance at least one country-lead energy transition financing package	Goal 2
	COP26	New blended finance instruments	Goal 3
December			

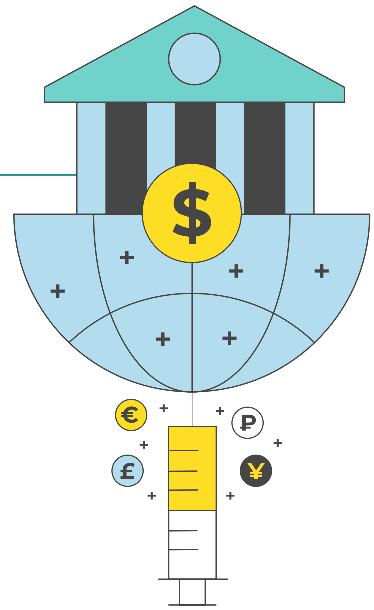
We now move to the important topic of MDB reform. Presented here are a series of practical reform priorities that can be set in motion this year, focused on areas we feel are implementable and can garner the political support in the near-term.

We are calling on G20 Finance Ministers to:

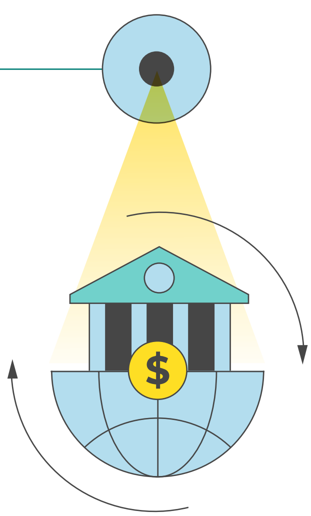
1 AGREE ON A CLEAR NEW MANDATE FOR MDBS BASED AROUND THE SDGS AND PARIS ALIGNMENT



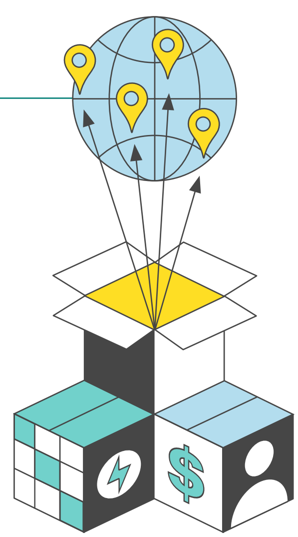
2 RAPIDLY ADVANCE REPLENISHMENTS FOR IDA AND OTHER MDBS IN NEED OF FRESH EQUITY INJECTIONS



3 COMMISSION AN INDEPENDENT CAPITAL ADEQUACY REVIEW OF MDBS IN PARTNERSHIP WITH THESE INSTITUTIONS, WITH A VIEW TO BETTER ALIGNING POLICIES WITH THEIR EXTRAORDINARILY STRONG FINANCIAL TRACK RECORDS



4 ADVANCE A SERIES OF ENERGY TRANSITION FINANCING PACKAGES FOR KEY EMERGING ECONOMIES, FINANCED BY MDBS AND PRIVATE ACTORS, AND ADVANCE AT LEAST ONE PILOT PACKAGE PRIOR TO COP 26



The current state of play for MDBs

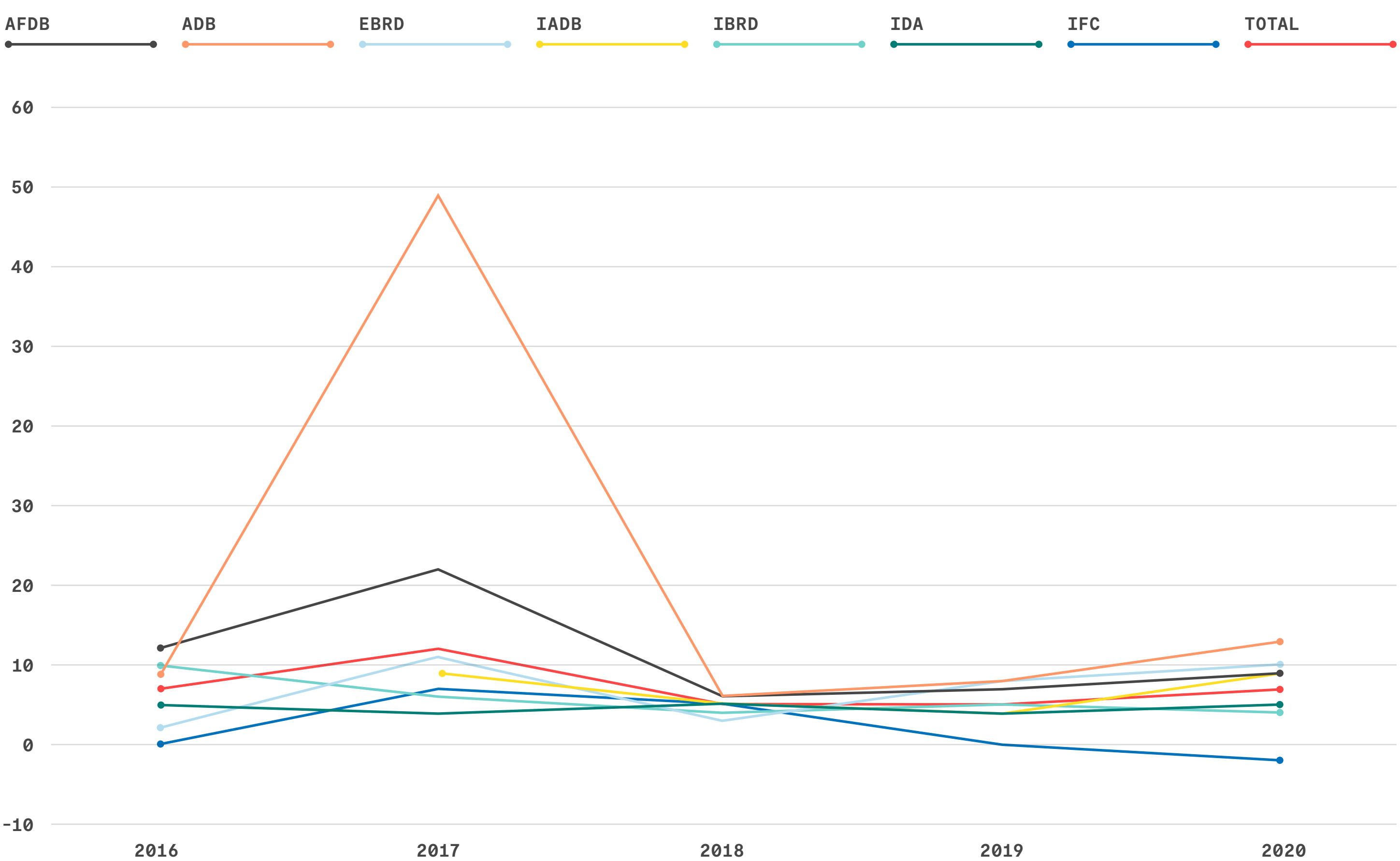
The economic challenges faced by vulnerable and emerging economies in the wake of the pandemic are well known. Many developing countries have inadequate social safety nets and limited fiscal space to respond to the economic crisis brought on by Covid-19, much less position themselves for future investment and growth. Sub-Saharan Africa's pandemic-related fiscal support, for example, has amounted to 3 percent of GDP, compared to about 24 percent of GDP for developed countries.[1]

In the near term, we need a globally coordinated plan to increase investment to restore the fall off arising from the Covid-19 crisis and to reboot the economies of low and middle-income countries (LMICs), with an eye to short term multipliers and employment.

Despite this, there was no notable increase in lending across the MDB system in 2020, even though the global economy faced the biggest downturn in decades.[2] While some MDBs, such as IDA, have increased disbursements and accelerated its replenishment, lending from the best performers has risen by much less than during the 2008-2009 period, despite the far larger impact of the pandemic on developing countries.[3]

Across the main regional development banks and World Bank Group, purpose-related exposures have increased incrementally over recent years. Growth since the onset of the pandemic, however, was low within this historical context, especially considering the depth of the crisis.[4]

Increase in total purpose-related exposure (loans, equity, guarantees) per MDB (% annual)



The challenges faced by MDBs are even greater in the medium-term, particularly when it comes to climate change. Limiting global warming to under 1.5°C will require rapid and far-reaching changes to all aspects of society and would require global investments in the low-carbon economy to more than triple by 2030 to around $4 trillion a year.[5] Achieving the UN's 17 SDGs will require an even greater scaling up of investment.[6]

Within the context of these enormous needs, the main MDBs are focused on avoiding pressure on their capital base and credit ratings. The paradigm is encapsulated in the World Bank's justification for refusing to participate in the Debt Service Suspension Initiative (DSSI), announced by the G20 in April 2020, which notes:

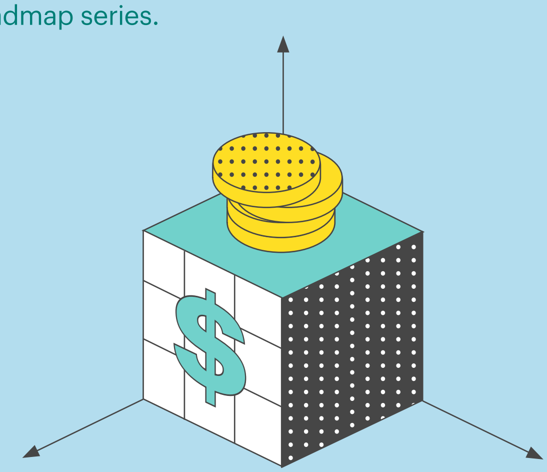
The central plank of the main MDBs' low funding costs, particularly those of IBRD and IDA, is their triple-A rating, which in turn depends on their preferred creditor treatment. For the model to be sustainable, these low interest rates have to cover MDBs' funding costs in capital markets plus their administrative costs; they could not cover the risk – and funding costs – of an MDB if it were a less preferred creditor.[7]

Mobilizing private sector capital

One area of almost universal acceptance[9] is that MDBs must play a more catalytic role in relation to mobilizing private capital at scale without distorting the market, particularly in low-income countries. After all, the total combined balance sheets of all MDBs is in the region of $2 trillion, compared to approximately $100 trillion in assets under management by the world's 500 largest asset managers and institutional investors.[10]

This can take the form of increased innovation and activity in risk mitigation, increased project preparation and upstream project development, credit enhancement or by making greater use of blended finance structures and public-private partnerships. While the role of MDB engagement with the private sector is widely discussed, the levels of mobilized capital remain modest in practice, and the performance in lower-income countries is particularly poor.[11] It is against this backdrop that the G7 leaders again urged MDBs to "mobilize increased finance including from the private sector"[12], but G7 shareholders offered little guidance to MDBs around how they were to achieve this objective and the role they would play in shaping reform.

The topic of mobilizing private capital is one we will return to in the next iteration of this Roadmap series.

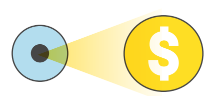


Previous reform efforts have fallen short

The issue of MDB reform is not new. Before Covid-19 hit, healthy debate swirled around the need to reform or reset the MDB system. An Eminent Persons Group on Global Financial Governance was established in 2017 to review the MDB system. A multitude of potential MDB reforms have been proposed by various stakeholders. These proposals have targeted issues such as the coherence of the system, operational efficiency, governance models, transparency and accountability, business models, strategy, the mix of instruments deployed, the need for a greater focus on mobilizing private capital (see text box), among others.[8]

The current crisis has turned a theoretical topic into an urgent diplomatic priority requiring a concrete plan of action. Shareholders must demand more from the World Bank and the rest of the MDB system if we are to end this pandemic and achieve ambitious global climate goals that they themselves have set.

In the following sections, we identify two reforms that we feel should be prioritized this year, and activated by G20 leaders:



More headroom
Advancing capital increases and reviewing the capital adequacy policies of MDBs institutions to free up additional headroom for mobilizing additional investment

Targeted investment
Advancing a coordinated country-centric approach to promote energy transition investments in key geographies

Options for increased lending: A Capital Adequacy Review

While not a silver bullet by any means, increasing the scale of MDB lending is a critical aspect of the wider reform agenda. The go-to option to increase MDB lending is to raise fresh equity capital from shareholders, which is a vital aspect of allowing MDBs to perform their increasingly demanding functions. It is essential that shareholders move forward with a commitment to bring forward the next replenishment of IDA and that replenishments of the African Development Bank (AfDB) and IBRD are also advanced.

Fresh equity will allow the MDBs to increase grant making and concessional lending to developing countries, particularly in the case of IDA. Our focus below on getting more out of the existing resources of these institutions should not detract from this urgent agenda.

However, there are challenges associated with raising new donor capital. These reflect the financial weakness of some key donors, but also the complex interplay between developed countries that are unwilling to dilute their voting power vis-à-vis emerging countries, who in turn are demanding a louder voice in line with their improving economic position in the global order. Though impactful and most certainly warranted, we consider new replenishments challenging in the short term.

We therefore should also explore whether MDBs could increase lending beyond what is made possible by fresh injections of capital. Many key shareholders and other stakeholders agree that MDB capital adequacy policies, particularly those serving middle-income countries, are too conservative and that MDBs could safely lend more without threatening their extremely robust AAA bond ratings.

MDB credit ratings and outlook (2021)

	RATING	OUTLOOK
AFDB	AAA	Stable
ADB	AAA	Stable
EBRD	AAA	Stable
IADB	AAA	Stable
IBRD	AAA	Stable
IDA	AAA	Stable
IFC	AAA	Stable

Source: S&P (2021)

This proposition has been substantiated by analysis from independent experts.[13] One study by Standard and Poor (S&P) aggregated the exposures to 19 rated MDBs up to the point at which the risk-adjusted capital (RAC) ratio would decline to such a degree that S&P would need to lower the long-term issuer credit rating. The analysis concluded that MDBs could effectively expand their assets by about $1 trillion at their current rating levels, all else being equal.[14]
Another independent analysis found that the major MDBs could expand lending by at least $750 billion (160% above current levels) while maintaining an AAA rating. A working paper by the Bank of Italy concluded that applying an alternative rating methodology and opting for an AA+ credit rating (instead of triple-A), MDBs could more than triple their spare lending capacity, from $415 billion to $1,370 billion, with a relatively limited impact on funding costs.[15]

While we are not advocating for these institutions to forgo their AAA status, all these assessments suggest that significant funding is being left on the table.

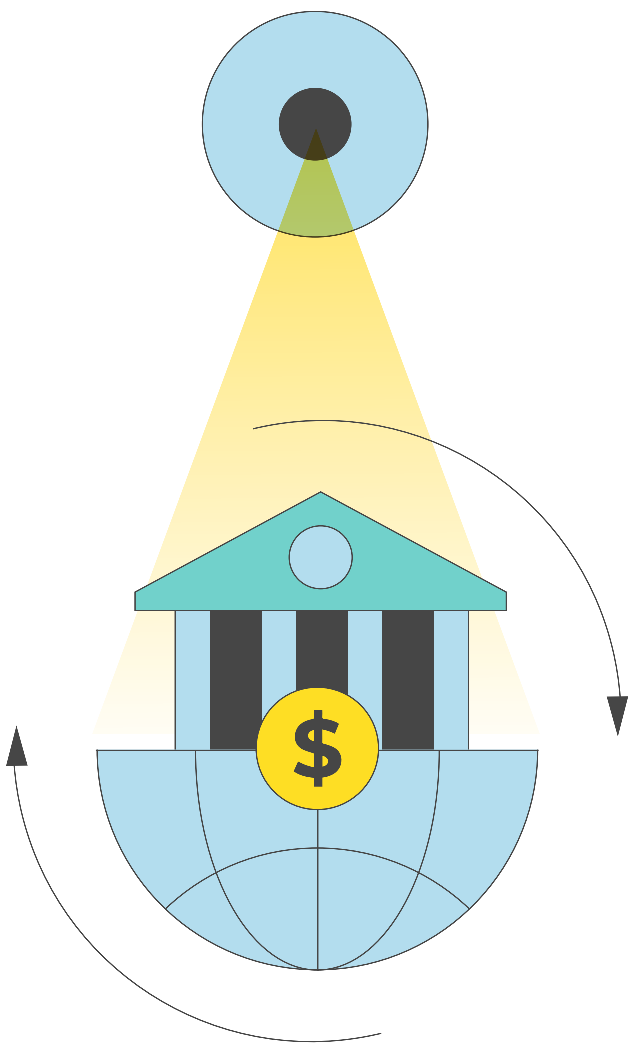
Furthermore, results from stress tests undertaken by S&P underpin the financial strength of the main MDBs. The results of these stress tests suggest that there would "not be significant rating pressure" on MDBs under any of their three scenarios explored. In short, MDB capital positions are robust and could withstand significant credit pressures.

The logic is compelling. Still, these findings are contested, not least by the institutions themselves.[16] Ultimately, there is no agreed method for evaluating how much MDB capital is "adequate" for a given level of lending, and there is a lack of transparency and limited public data available on the balance sheets of key MDBs. Each of the three ratings agencies has its own approach to evaluating the risks faced by these institutions and donor support via instruments such as 'callable capital' further complicates an understanding of MDB balance sheet capacity.

It is for this reason that we are calling for the G20 and G7 to raise the paid-in capital of the MDBs while simultaneously commissioning an external, independent capital adequacy review of the MDBs.[17]

It has been argued that such a review should focus on the unique characteristics of MDBs that make them fundamentally different from commercial financial institutions, and assessing the implications of these characteristics for how capital adequacy is calculated.[18] The review could help shareholders better understand the financial capacity and capital needs of the MDBs as a system, and provide credible external benchmarks on how to evaluate MDB capital adequacy, including agreeing on common approaches to complex issues like callable capital, concentration risk, preferred creditor status etc.[19]

The focus could be on coming to an agreed position on how capital adequacy policy should be approached across the MDB system rather than making recommendations for individual institutions. It should, furthermore, assess the costs and benefits, particularly as it relates to borrowing costs and lending rates, of maintaining an AAA rating for MDBs.



A credible review must rely on actual data, which shareholders would therefore need to request from the MDBs themselves. Three options for who could conduct such a review have been proposed by ODI:[20]

The Basel Committee on Banking Supervision: this body is the market leader in capital adequacy and would have high credibility in financial markets

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The G20's Financial Stability Board (Standing Committee on Supervisory and Regulatory Cooperation): this body has strong representation from national financial authorities and would have a better understanding of the unique remit of MDBs, but has less expertise in reviewing capital adequacy specifically

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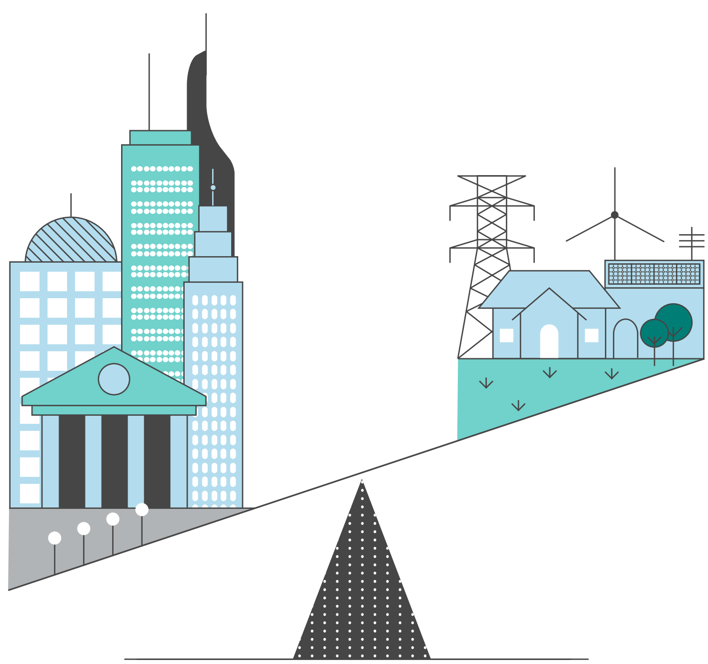
An independent panel of experts: such an entity may not have the standing of the other two bodies and its findings may not have the same weight, but it could be politically more palatable to key stakeholders

Whatever the approach, it is essential that the review be undertaken independent of (but in close partnership with) the MDBs and based on full and transparent access to data. Internal assessments conducted with consultants paid for by the MDBs themselves should be avoided. We are therefore calling on the G20 to push forward an independent review of capital adequacy at the Venice finance ministerial meetings. This could allow the review to be completed by the 2021 fall meetings of the World Bank and IMF.

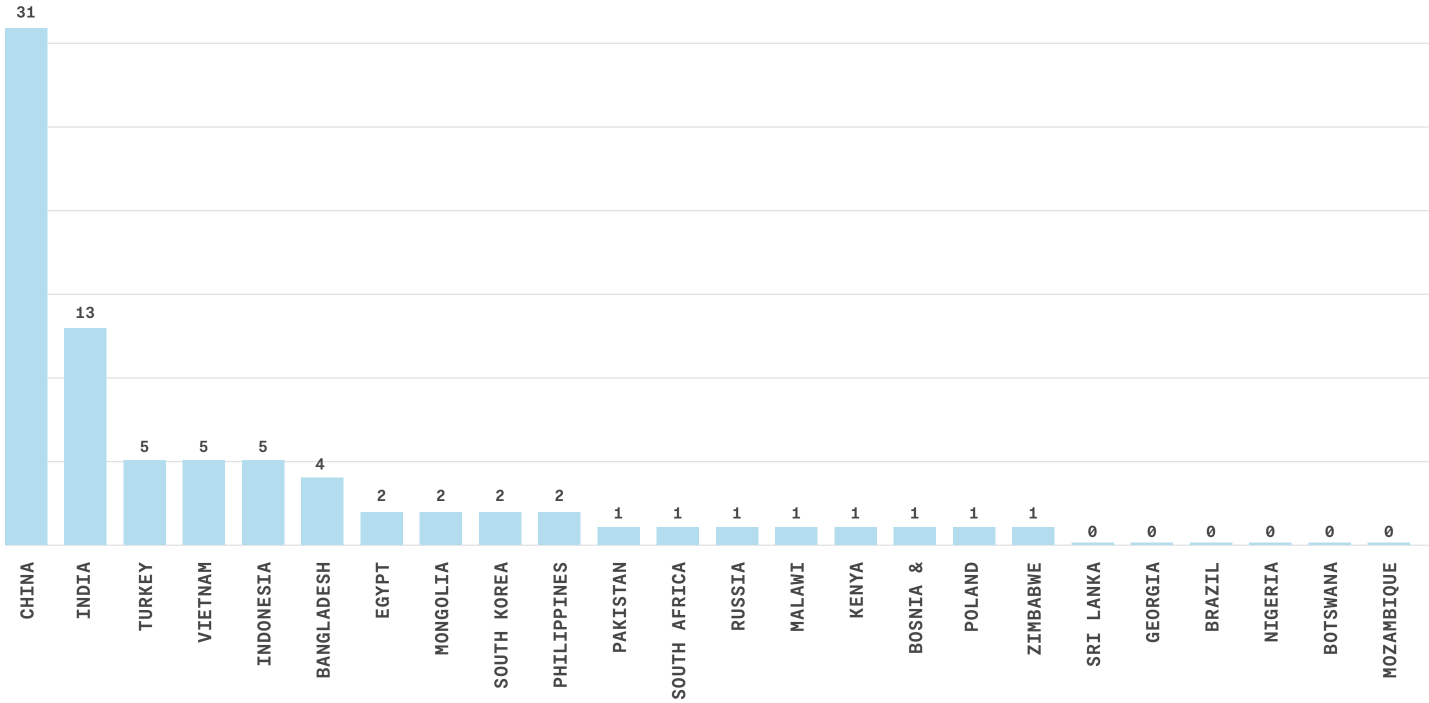
Directing Capital to Energy Transition Financing Packages

Freeing up additional investment capital by itself is not enough. It is important to consider how this additional capital can fit the needs of low and middle-income countries and best be directed to the right projects to drive progress against the SDGs and Paris Agreement.

To take one key pressing area of need as an example, limiting global warming to under 1.5°C will require rapid and far-reaching changes to all aspects of society. The G7 summit illustrated that a growing coalition of advanced countries are committed to stepping up the pace of climate action to keep the 1.5-degree scenario within reach. However, halting the climate emergency requires particularly urgent action in developing economies, which collectively now account for two-thirds of global emissions.[21] According to Global Energy Monitor, in 2020 there were 500 GW of new coal plants in the pipeline across these countries, which together would emit 85 billion tons of CO2 over the coming decades if built—ten times the emissions of the EU and US combined in 2019.[22]



Lifetime emissions from announced, planned and under construction plants in emerging economies (Billion tonnes CO2)



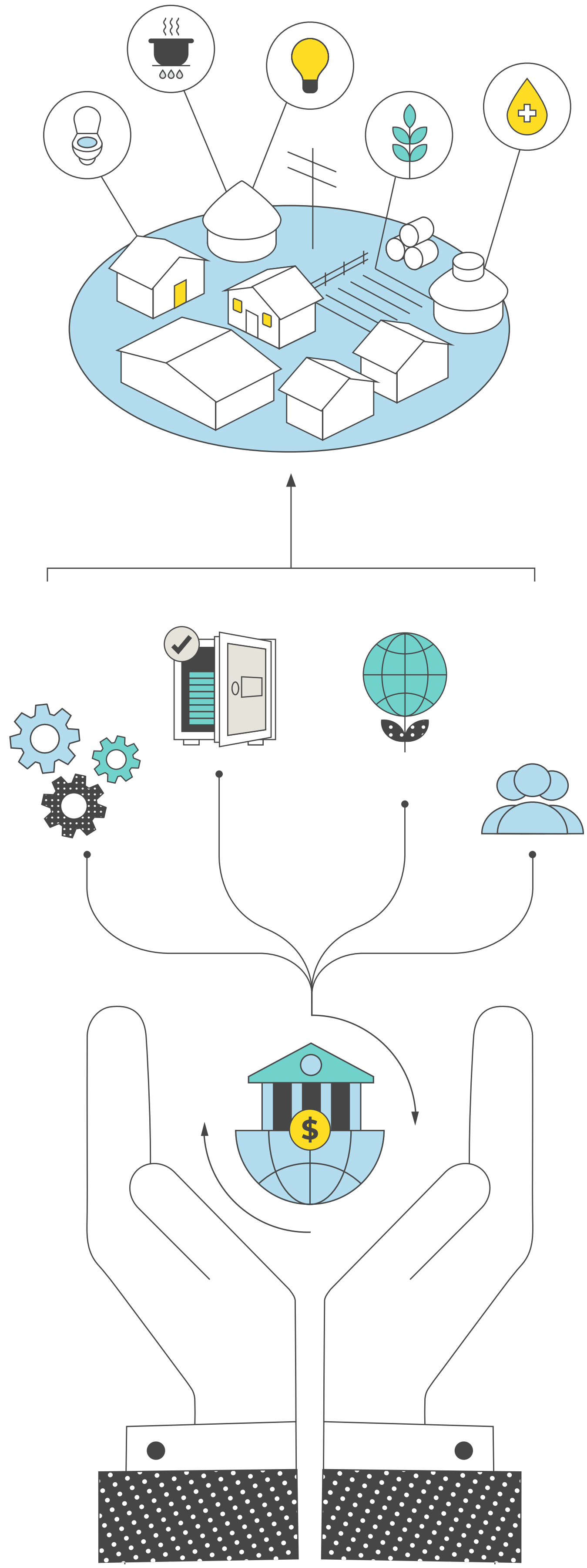
Displacing this pipeline and transitioning to a clean energy future requires a new collaborative approach and significant financing. But when it comes to net-zero pathways, emerging countries are rightly asking: "Net zero, by when, for whom, and with what investment capital?" The onus is on the international community, and in particular advanced economies and the MDB system, to provide answers to these questions.

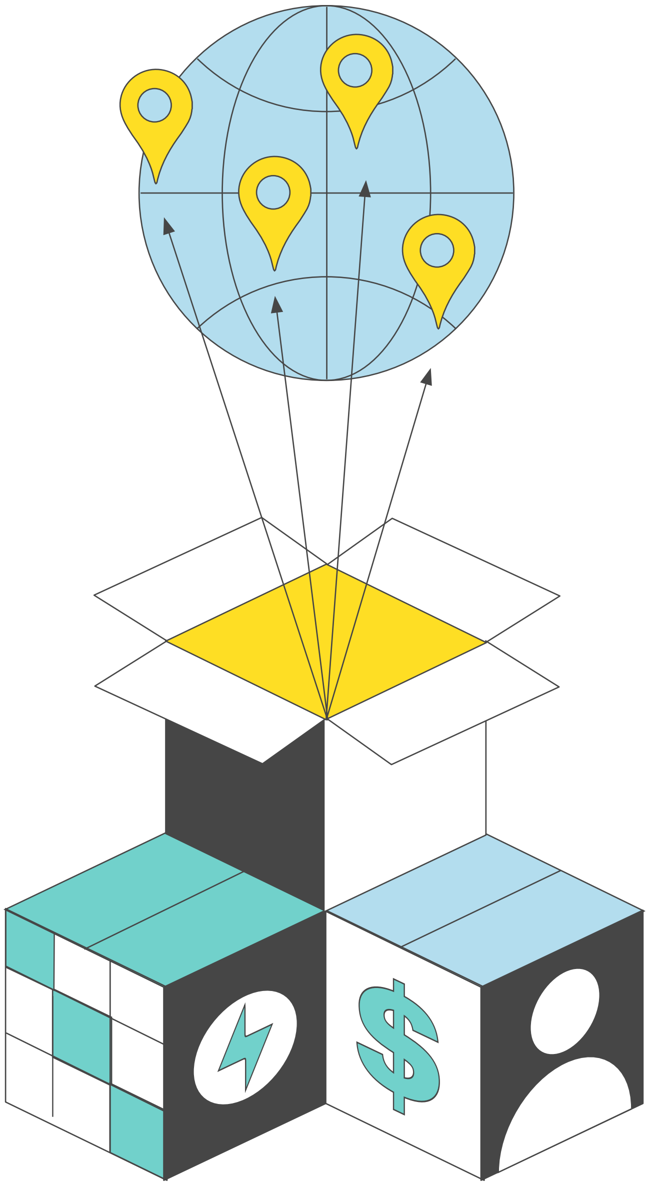
COP 26 is a critical moment in the 2021 diplomatic calendar. It will provide a first test of the ratchet mechanism agreed to in Paris, whereby all countries—developed and emerging—are expected to increase their ambition to close the emissions gap. The US has emphasized bilateral diplomacy to scope out country support packages for more ambitious low-carbon transition transactions. In advance of the G7 meeting in the UK, the White House proposed a Build Back Better World initiative, including a commitment to "collectively catalyze hundreds of billions of dollars of infrastructure investment for low- and middle-income countries in the coming years".[23] Similarly, the UK's Energy Transition Campaign has been having dialogues with key countries to explore what they need to commit to the energy transition.

The G7 agreed to establish a Task Force to formalize some of these efforts and to identify commensurate sources of finance. However, the Communique was light on details, leaving more questions than answers. The onus is therefore on the G20 and G7 to support the development and acceleration of country-lead investment plans to support transitions to clean energy. Individually and as an ecosystem, MDBs have the potential to be instrumental in supporting these country-level investment plans and closing the clean energy investment gap, however, to date they have not been able to leverage their full potential and respond adequately (see text box).[24]

Paris Alignment for MDBs

Several MDBs have set long-term climate strategies,[25] but these tend to insufficiently address the scale of financing needed to meet decarbonization objectives. In December 2017, a group of MDBs announced a vision to align financial flows with the objectives of the Paris Agreement, which was followed with the formation of a working group to develop methods and tools to operationalize this effort under six key building blocks.[26] The World Bank Group is currently finalizing its Climate Change Action Plan which lays out how its constituent parts will act on climate change mitigation and adaptation from now through 2025. However, no MDB has set a date to achieve zero emissions at the portfolio level, nor have many implemented actions to truly align investment strategies with the Paris Agreement. A notable exception is the European Investment Bank (EIB), whose "Climate Bank Roadmap" sets an ambitious vision for Paris Alignment in the period to 2025.[27] It is for this reason that G7 leaders have yet again called for MDBs to "scale up" climate finance and "to come forward with fully Paris aligned plans in advance of COP 26".[28]





Pilot one energy transition financing package pre-COP

Within this context, we are calling on G20 Finance Ministers to identify at least one country-level pilot transition package to advance under the Build Back Better initiative in advance of COP 26. Pushing an initial transaction for a country to increase its Nationally Determined Contribution or its net-zero plan could demonstrate how a more integrated financing model could work and be scaled up over time. It would be a critical test case for how MDBs, the private sector and emerging economies could function together to co-develop new financing structures and approaches to achieve our shared climate objectives.

For several years now, there have been conversations around the scale of climate finance required for energy transition in key emerging economies, and some coordination around possible financing of major clean energy infrastructure projects. Major economies that continue to employ some of the largest coal-fired power station fleets globally—including India, Indonesia and South Africa—have been the focus of discussions at various fora, but again, with little concrete action taken to date.

In the case of South Africa, for example (see text box), an analysis was conducted in coordination with government stakeholders and with the ambition to mobilize public and private capital as a part of the solution to phase out coal, which provides for 77% of the primary power consumption in the country.[29] These ambitious agendas have largely failed to gain traction or to raise the funding required to be implemented, thus preventing progress on crucial projects needed to achieve global climate objectives.

The South Africa Just Transition Transaction highlights the public/private approach that needs to be embraced to accelerate decarbonizaton in key emerging markets. MDBs should be leading the charge in pushing these proposals forward, not just with their funding but also with their ability to mobilize the private sector. MDB engagement could include support for required project development activities, concessional funding into capital structures, guarantees to support investor participation in these projects, among other interventions. MDB shareholders need to ensure they have the flexibility and mandate to engage and drive these solutions, leveraging all their various tools and capacities to ensure that available financing fits the needs of MDBs' target markets.

South Africa Just Transition Transaction

Coal plants operated by Eskom, South Africa's main electricity utility, are responsible for almost 45% of South Africa's emissions, despite technically feasible and cost-effective pathways for accelerating coal plant closures between now and 2040. Eskom's current debt crisis threatens the South African economy at large and impacts delivery of a just energy transition, including mitigation action. Without a comprehensive solution to Eskom's lack of financial sustainability, there is no credible means to accelerate decarbonisation without exacerbating the precarious financial state of the utility. Recent bailouts (R105bn ($7.4 billion) for 2019 and 2020) are still insufficient to return Eskom to financial health, even with planned tariff increases. Eskom is thus unable to meet a sizable portion of its current debt obligations (totaling ~R400 billion/$29 billion) without further bailouts.

The Just Transition Transaction that has been proposed within this context offers a solution to Eskom's debt that is premised on accelerated coal phase down, measured as a negotiated value per ton of carbon abated compared to the reference/business as usual emissions. The design can effectively lead to mitigation of around 1.5Gt of CO_2 compared to the current policy trajectory.

The proposal, developed in part by Meridian Economics, is premised on the provision by donor governments/major economies of $5 billion in concessional public finance that could and should be sourced via MDBs. According to Meridian, this funding could effectively crowd in a further $10 billion in private commercial finance that would otherwise be too expensive and risk-averse to be invested in a financially insolvent, coal-dependent utility such as Eskom. The $15 billion in capital could be provided in return for a commitment to accelerated decommissioning of Eskom's coal plants. Part of the financial support package would be used to seed a Just Transition Fund to support worker transition costs and to pursue regional diversification opportunities in the coal region.

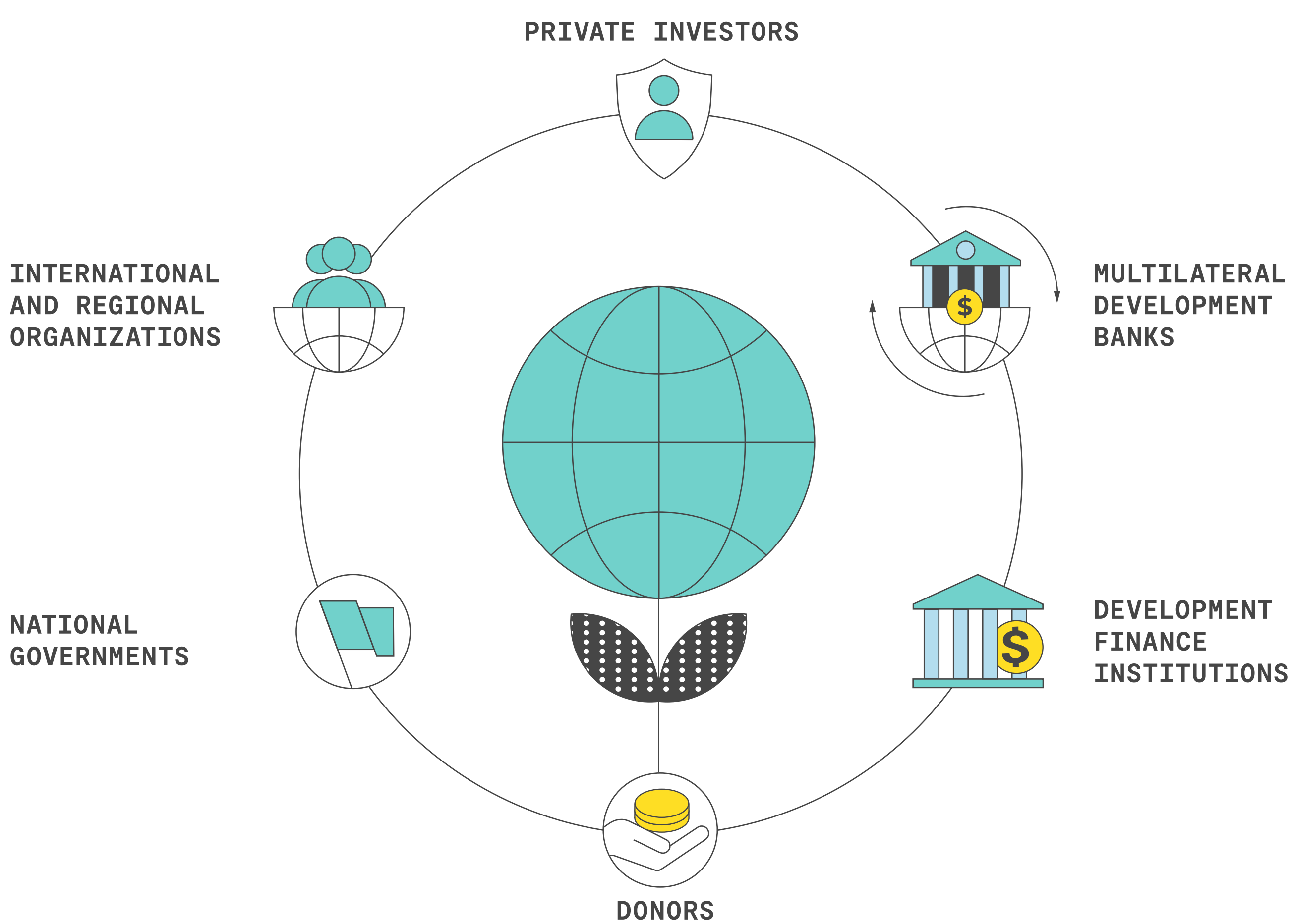
Establish an institutional fora to negotiate energy transition "deals"

The G20 must consider how these country-lead, energy transition transactional conversations can be put on an institutional footing and how MDBs can help drive them forward.

Many would argue that fora already exist for these conversations. For example, the Climate Investment Funds housed at the World Bank were created to provide a platform to bring together the technical components and financing required for impactful country deals. It is true that periodically a country will ask donors to coordinate and co-finance a suite of reforms and projects; or a group of donors will convene to create a platform of sorts to focus on a particular region or technology. But these ad hoc endeavours lack an institutional home, and are often driven by well-meaning technical experts or consultant representatives.

We need a systematic approach and top-down political buy-in to accelerate the structuring and funding of these packages at the pace and scale the climate crisis demands. We are aware of various initiatives to bring greater coordination to public, private and other actors seeking to invest in clean infrastructure in emerging economies, some of which are focused on providing an institutional setting for these conversations.

Within this context, the G20 should aim to create a forum where governments who chose to embrace a net zero pathway can meet with MDBs, private investors and other potential partners to accelerate the implementation of these strategies. This forum could provide a structured platform for partners to negotiate a financing package commensurate with that country's overall need in a coordinated, structured and efficient manner. MDBs should play a leading role in these structured dialogues by committing deeper technical expertise, proposing innovative financial solutions and mechanisms, and de-risking private investment in various ways.



Goal I

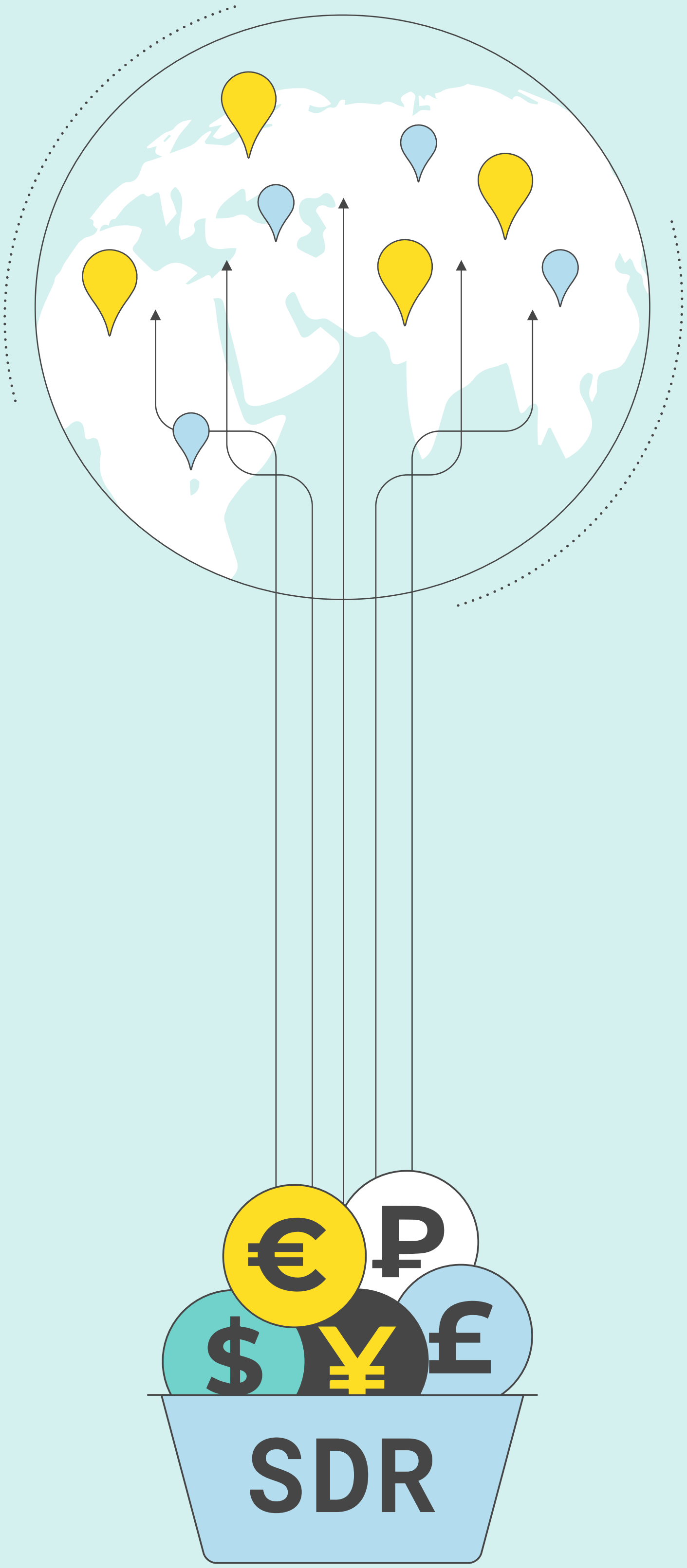
New SDR issuance by IMF and recycling for pandemic response

In early June, The Rockefeller Foundation published One for All: An Updated Action Plan for Global Covid-19 Vaccination, a follow-on to our first report in April 2021, which focused on financing solutions for Covid-19 response. In it, we offered a five-point action plan to scale equitable vaccination around the world. We urged countries with a vaccine surplus to share more and to invest more in expanding production capacity at home and abroad. We called for wealthy countries to invest in building the support systems to deliver and administer vaccines in developing countries.

Here, we provide an update since we issued that action plan.

We urged the G7 and other donors to step up so that COVAX raises its $9.3 billion by June allowing it to unlock 1.8 billion doses of vaccine. Since the publication of that report, considerable progress has been made in filling the short-term financing need. However, according to GAVI, at least $1 billion more is needed in 2021 to procure doses in addition to our own estimate of an additional $25 billion required in 2022.[30] The continued spread of the COVID virus in unvaccinated populations threatens to keep the global economy choked for the foreseeable future and poses threats to current progress in containing the pandemic. If we cannot stop the virus in its tracks there will be no global recovery. This challenge is a major test of international solidarity and of the ability for the international community and international financial institutions to respond.

Stopping the spread of this pandemic requires that all countries have equal access to Covid-19 vaccination. But currently, there is a major disparity in vaccine distribution. According to the latest numbers from Our World in Data, nearly 34 percent of North America, over 29 percent of Europe, and about 14 percent of South America have been fully vaccinated, as



compared to nearly 9 percent of Asia and just over 1 percent of Africa.

More than 80 percent of shots have gone into arms in high- and upper-middle income countries leaving the pandemic to spread unchecked in lower-income countries and at risk of continually reigniting a global Covid-19 spread and continued mutations in the virus.

The inequity and the lack of a strong global vaccination campaign extend beyond a health crisis. Our interconnected global economy stands to lose as much as $9.2 trillion if governments fail to ensure developing economy access to Covid-19 vaccines.[31]

Large swaths of the world remain unvaccinated and the risks posed by this patchwork approach have become increasingly obvious. The emergence of dangerous new coronavirus strains has exposed dramatic inequities in global access to vaccines. In India, where just over 3 percent of the population is fully vaccinated against Covid-19, the virulent B.1.617 variant has been devastating. This variant is now becoming increasingly prevalent in countries such as the UK.

In addition to funding COVAX, the Access to Covid-19 Tools Accelerator (ACT-A), which encompasses diagnostics, therapeutics and broader health system costs, needs to be fully funded through 2022. To fund this longer-term need, we called on political leaders to ensure that at least $100 billion in Special Drawing Rights (SDRs) from the International Monetary Fund are reallocated by wealthier countries for pandemic response, and we set out three modalities for reallocating these SDRs for consideration by Finance Ministries.

There are positive signs of political momentum that must be built upon. The G7 leaders' communique stated that G7 countries are considering options "to magnify the impact of this general [SDR] allocation for countries most in need, especially in Africa, including through voluntarily channeling SDRs and/or budget loans."

It is now time for the G20 to embrace this approach and push forward an actionable solution as soon as possible. The next vital steps include:

The IMF board to formally approve the $650 billion SDR allocation in August

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All advanced economies to make specific commitments to reallocate a proportion of their SDRs (or equivalent budget loans) in line with achieving the $100 billion target

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The IMF to come forward with modalities through which SDRs can be directed to pandemic response in 2022, inclusive of channeling funds to ACT-A, COVAX and to support with in-country health systems costs

We are calling on G20 Finance Ministers to accelerate these dialogues and to provide political momentum and a navigable pathway towards funding equitable access to vaccines for all and an end to the pandemic in all countries by the end of 2022.

To this end, G20 Finance Ministers must:

Endorse the IMF's new allocation of $650 billion in SDRs in August

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Support the recycling of SDRs in line with achieving $100 billion target

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Commit to recycling, among individual G20 countries, a proportion of their SDR allocation (or equivalent amount from budgetary resources) for Covid-19 recovery

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Call for IMF to design modalities to ensure that a portion of the $100 billion in reallocated SDRs flows to vaccine procurement and associated pandemic response costs to enable an equitable global recovery

Conclusion

Since April, when our initial Roadmap report came out, leading nations and global institutions have shown resolve in taking the necessary measures to eradicate the pandemic while also moving forward on the still bigger challenges that predated Covid-19 and that will linger long after.

On the pandemic front, we are making progress but still face vast discrepancies in vaccine distribution and in the financial support countries have committed to buttressing their economies and alleviating distress. The bigger push to assure a just, equitable, and sustainable recovery will require a fresh burst of global cooperation and a rethinking of the role of our Multilateral Development Banks. Resolve among G20 countries to focus on this issue will help assure that we emerge stronger from the Covid-19 crisis and better equipped to live up to our commitments to improve our social fabric and the planet’s own health.

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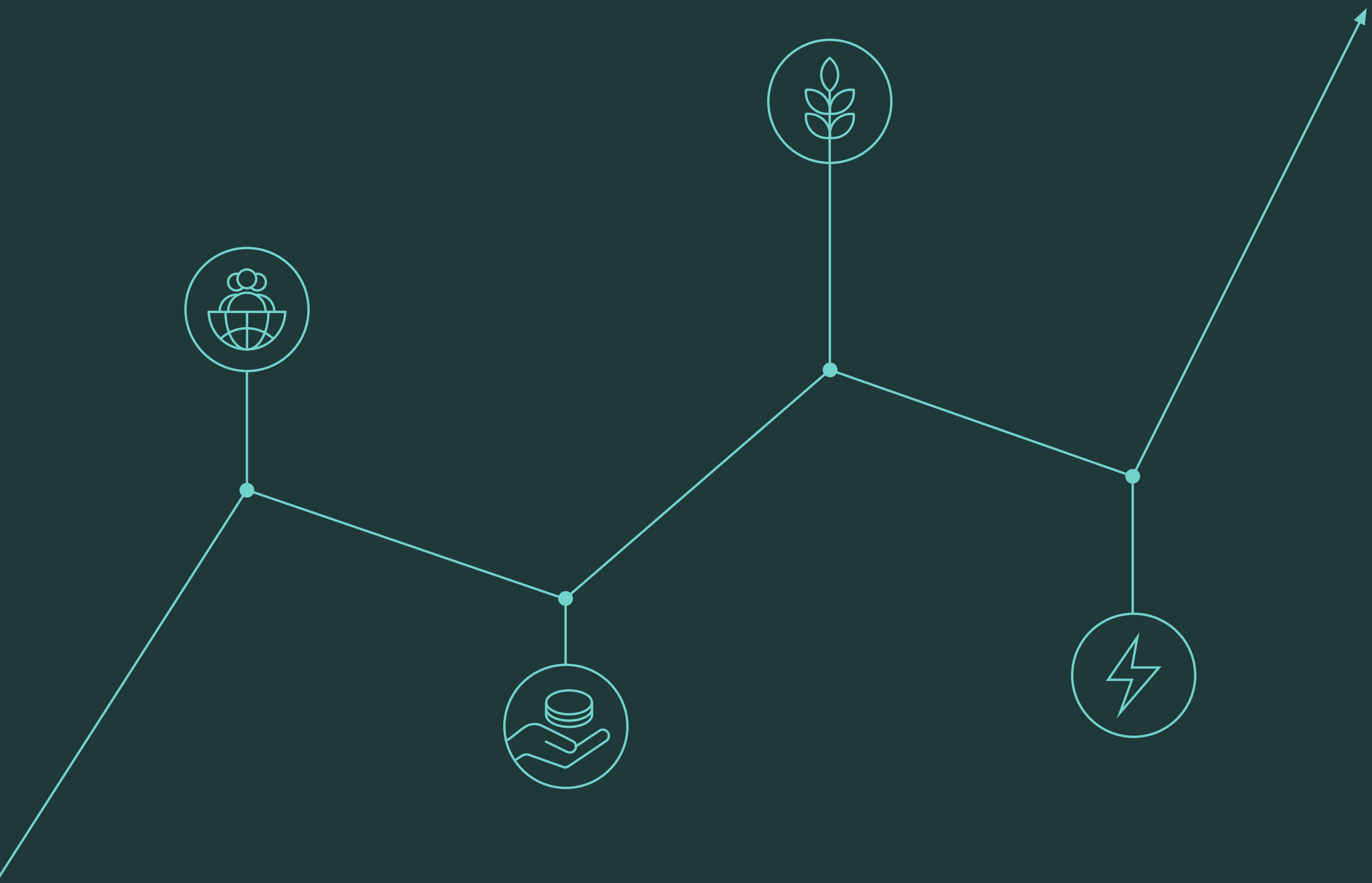

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