

Dia 18.04 | 10h00 às 13h00 | G20 - 2ª Reunião de Ministros de Finanças e Presidentes de Bancos Centrais

Remarks by H.E. Minister of Finance Fernando Haddad

Ladies, Gentlemen, Ministers, Presidents of Central Banks and leaders of international organizations; good morning.

Thank you very much for your contributions to the excellent session on sustainable finance last night. Today we will discuss how to mobilize resources, especially the role of multilateral banks and strengthening the international financial architecture.

In 2015, countries committed to achieving the SDGs and to limiting temperature rise to 1.5 Celsius above pre-industrial levels.

However, at the midpoint for implementation of the 2030 Agenda for Sustainable Development, more than half of the SDG targets have seen weak or insufficient progress while nearly a third are stalled or reversing.

Approximately 700 million people live in extreme poverty. The number of people afflicted by hunger surged by 200 million in less than a decade. Our countries are facing challenges in transitioning towards low-carbon and environmentally sustainable economies at the necessary speed and scale. **This scenario can be exacerbated without adequate development and climate finance.**

MDBs play a critical role in building a just world and a sustainable planet. In addition to providing countercyclical financing, leveraging resources, and mitigating risks, MDBs contribute knowledge and experience to the design of innovative development solutions.

To drive transformative development, however, Multilateral Development Banks need to intensify their efforts and work together effectively and at scale. The banks are progressing in this direction through initiatives such as

balance sheet optimization, innovative portfolio guarantees, and hybrid capital solutions. The collaboration among these institutions is also strengthened through the Group of Multilateral Development Bank Presidents. However, more needs to be done.

The 80th anniversary of the Bretton Woods institutions and the UN Summit of the Future in September 2024 usher in renewed efforts to transform and strengthen the MDBs, both individually and as a cohesive system, positioning them as pivotal players in the 21st-century financial architecture.

This involves revamping governance structures to amplify the representation of developing countries; implementing operational models to facilitate access to lending; enhancing financing capacity; and developing evaluation tools to maximize developmental impact. These measures collectively aim to foster better, bigger, and more effective MDBs, as called for by G20 Leaders in 2023.

At the heart of these efforts is the assurance that MDB support is demand-driven and aligned with national development priorities, delivering tangible benefits to beneficiary countries. That involves enhancing these institutions' capacity to effectively and at scale respond to development challenges, focusing on areas where they can add systemic value.

Reforming global governance institutions stands out as a key priority under Brazil G20 Presidency. Building on the work of previous presidencies, we are developing, in an inclusive and collaborative manner, a **G20 Roadmap to promote better, bigger, and more effective Multilateral Development Banks.**

To achieve this ambitious agenda, the Brazilian Presidency of the G20 has established dedicated sessions within the G20 Working Group on Reform of the International Financial Architecture and strengthened collaboration with Multilateral Development Banks through the Group that brings together their Presidents.

In this context, I would like to highlight the G20 Presidency and the IFA co-chairs note on the way forward for better, bigger, and more effective MDBs, presenting the progress made thus far and outlining a framework for the development of the G20 Roadmap. The note outlines the progress achieved so far and delineates a framework for the development of the G20 Roadmap throughout this year.

I would also like to express gratitude for the significant contribution from the banks themselves and the Heads of MDBs Group, particularly through their "viewpoint" document, which provides instrumental contributions to the G20 Roadmap.

The G20 Roadmap towards better, bigger, and more effective MDBs is intended for submission and approval by the 4th FMCBG in October 2024, following deliberation with G20 members, MDBs, and G20 engagement groups over the course of the year. The G20 Presidency will also advance these proposals through key forums addressing global governance reform, including the Finance in Common and the United Nations Summit of the Future.

Among the key components of the G20 Roadmap is the encouragement of ambitious commitments to MDB replenishment and the enlargement of concessional windows. Furthermore, we are advancing discussions on MDB general capital increase and the possible creation of a mechanism to review the capital needs of these institutions, ensuring they remain capable of fulfilling their mandates and achieving more ambitious global objectives.

Maintaining momentum on MDB capital adequacy framework and balance sheet optimization is another key component of the G20 Presidency. First launched under the Italian presidency and continued under the leadership of Indonesia and India, **the G20 CAF reform has already born impressive fruit in terms of additional MDB lending capacity, but a substantial medium-term agenda of further reforms remains outstanding.**

While implementation of the G20 CAF reform holds potential to increase financing capacity of MDBs, it is key to preserve their sound banking principles and ability to finance development. To this end, the exploration of innovative financing instruments to expand MDB balance sheets deserves attention.

In this regard, I welcome the G20 note on SDR channeling options and invite G20 members to continue their efforts to further study and consider this mechanism as a potential instrument to significantly leverage MDBs financing capacity.

The implementation of the CAF and the innovations in financing that have emerged in recent years influence the indicators and financial risk analysis undertaken by credit rating agencies. Therefore, it is crucial for the G20 to incentivize discussions on the role of credit rating agencies, including considerations for MDB risk assessment and how new proposals such as callable capital, hybrid capital, and portfolio guarantees may be reflected in agencies' methodologies.

The G20 Presidency remains attentive to measures aimed at establishing an architecture for MDBs to mobilize private capital and crowd-in private investments, including efforts to promote local currency financing at scale and reduce the overall FX risk exposure among borrowers in developing countries.

In this regard, I welcome MDBs innovative experiences in this field, including IDB and World Bank support to Eco Invest Brazil and the ecological transformation of the country as well as the new World Bank Portfolio Guarantee Platform.

In conclusion, as we strive to fulfill our Leaders' mandate for better, bigger, and more effective MDBs, it is incumbent upon G20 countries to unite in concerted efforts to champion meaningful reforms within the international

financial architecture. **This necessitates advancing our proposals through pivotal fora while ensuring that the G20 Roadmap translates into actionable decisions within the MDB Boards.**

With the substantial representation of G20 members in these forums, our collective commitment will pave the way for sustainable development and prosperity on a global scale.

Thank you very much.