

Henry Owen Memorial Award Essay Contest 2023

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The Bretton Woods institutions have played a vital role in managing financial crises and developing new initiatives for many years. The primary objective of the International Monetary Fund (IMF) and the World Bank (WB) is to maintain a well-balanced world economy, and the Bretton Woods System was designed to overcome obstacles towards achieving that goal. However, development finance institutions have had to deal with more complex dilemmas of collective action over the years, presenting challenges to their approach in the international system.

The World Bank has been instrumental in guiding the creation of other multilateral development banks (MDBs). Those new institutions ratify the importance of the World Bank by following similar governance arrangements and requirements for funding projects. This contributes to the diversification of sources that a government may resort to financing new development initiatives, further strengthening multilateral cooperation. In this sense, the direct involvement of the World Bank in the design of new MDBs is improving opportunities for collaboration in the global development strategy.

Unlike the World Bank, there are no immediate substitutes for the IMF in the international financial system, making it harder to coordinate monetary policies worldwide and broaden the institution's agenda. The IMF's major relevance in the international framework has also led to immense pressure on the organization to reform its governance structure, particularly regarding member quotas and voting power. Some East Asian countries that are rapidly growing are currently underrepresented in the Bretton Woods institutions, and there is a call for the IMF to reflect their share in the decision-making process.

To propose a more updated governance system, International Financial Institutions (IFIs) must also be mindful of remedying the gender disparities that currently exist within the organizations. IFIs are already promoting more inclusive financial practices by naming more women to higher positions, such as appointing Christine Lagarde and Kristalina Georgieva as Managing Directors of the IMF over the past few years. Gender diversity has been proven to be correlated with higher profitability margins in the financial market and greater resistance to financial stress. Moreover, this endeavor could also contribute to designing economic policies that take into account the realities faced by women in vulnerable situations throughout the world.

During the 2022 World Bank and IMF Annual Meetings, topics such as debt restructuring and sustainability were addressed. Steps can be taken to provide better policy outcomes in IFIs, such as refinancing unsustainable debts in developing countries, sharing the responsibility with the countries' private sector, and providing faster solutions for debt relief. In order to lead meaningful and innovative measures in development finance, the G20 Common Framework for Debt Treatments must be revised to reflect faster and more efficient debt relief to least developed

countries. Furthermore, the IMF should moderate its conditionality requirements for providing loans to countries and mitigate the financial impact of crises on their economies.

The international financial framework could also focus more vigorously on environmental measures. IFIs could greatly influence multilateral policy ideas by incentivizing the funding of new climate-efficient programs and demanding that certain infrastructure projects meet environmental standards. Considering that least developed countries are more likely to suffer higher impacts from climate change, IFIs could allocate efforts to funding plans for climate adaptation. Strengthening initiatives to promote carbon markets worldwide, working together with other environmental institutions to fund green finance projects, and focusing on a more climate-resilient agenda are some critical measures that IFIs should progressively take into account.

The COVID-19 crisis and the war in Ukraine have exacerbated the challenges faced by international organizations in maintaining the relevance of multilateral arrangements. Hyperinflation, political instability, and high unemployment rates influenced the rise of populism worldwide, contributing to a significant part of the population rejecting globalization. This further weakens multilateral agreements previously made under embedded liberalism assumptions.

To fortify and promote multilateral cooperation globally, IFIs must promote an agenda that favors social safety net support. In this regard, people will be more prone to endorse international cooperation if the general population perceives an improvement in their lives. Compensating for the jobs lost due to the increase of global value chains and allocating financial resources to develop welfare measures are some initiatives that may contribute to strengthening international cooperation and development.