

## FOREWORD

### WHY THE NEED FOR REFORM?

We were asked by the G20 Finance Ministers and Central Bank Governors in April 2017 to recommend reforms to the global financial architecture and governance of the system of International Financial Institutions (IFIs),<sup>1</sup> so as to promote economic stability and sustainable growth in a new global era; and to consider how the G20 could better provide continued leadership and support for these goals.<sup>2</sup>

At the heart of our review is the future of the open and competitive world order that has brought a large part of humanity out of poverty, raised living standards across nations, and provided the foundation for unprecedented global peace over the last 70 years. That open order remains critical to every nation's future. But the system of international governance and cooperation that underpins it is fraying. Left on its own, there is a real risk of drift into a fragmented world, with policies in different parts of the world working at odds with rather than reinforcing each other, and with all nations ending up losing.

— “ —  
***Our central challenge is to create a cooperative international order for a world that has changed irreversibly: one that is more multipolar and decentralized in decisions, yet more interconnected.***

— ” —  
 in decisions, yet more interconnected, and with challenges ahead that are much larger and more pressing than we have seen in decades.

We cannot return to the past. Our central challenge is to create a cooperative international order for a world that has changed irreversibly: one that is more multipolar and decentralized

Getting national policies right is at the core of achieving inclusive societies and mutual prosperity. But international and national initiatives should reinforce each other in a way that creates a stronger future for all. An open, competitive and well-coordinated international order will enable win-win outcomes for nations. Its weakening will lead to lose-lose outcomes, as global growth and opportunities for new jobs are eroded over time, and as financial stability and the global commons become more fragile. Equally, cooperative internationalism will survive only if it helps the broad base of nations achieve inclusive growth.

The reforms that we propose in our report strengthen and add resilience to global financial governance for this new, cooperative international order. The present system lacks the coherence, joint capacity and effectiveness to support its most fundamental goals in global development and financial stability. It must be brought up to date with the realities of a new era.

We can achieve this by implementing decisive reforms to make the system work as a system. These reforms are within our reach.

They do not require new international bodies. They instead require that we take bold and defined steps to ensure that today's institutions – global, regional and bilateral – work together as a system. They require that we build trust and transparency among these different institutions, and leverage their combined strengths, so that the system as a whole delivers greater and more lasting development impact and reduces the frequency and damage of crises.

Our proposals build on various reforms that had been underway among the IFIs, and seek to take them further. But they also require a much greater sense of urgency and recognition among

- 1 The IFIs refer to the IMF and the Multilateral Development Banks, comprising AfDB, ADB, AIIB, EBRD, EIB, IDB, IsDB, NDB and the World Bank Group.
- 2 Information about the G20 Eminent Persons Group on Global Financial Governance and its terms of reference can be found at the end of this report.
- 3 Over the last 15 months, the Group had eight plenaries and extensive interactions in between.

their shareholders of the need for consistency and joined-up efforts among the IFIs and all other stakeholders so we raise our whole game.

We need a step change in the pace and scale of reforms to enable the growth, job opportunities and sustainability that are critically needed in the next decade. The consequences of failure will not be simply economic. We also need further reforms to avert major, systemic crises; and to make it possible for developing countries to finance sustainable current account deficits, where they are fundamentally needed at their stage of development, without the recurring bouts of instability that set back growth.

As an Eminent Persons Group, our task was to provide an independent assessment of the changes needed. We focused especially on system-wide reforms, rather than those in individual institutions. Our mandate also excluded issues to do with the capital and shareholding structures of the IFIs, which we believe are of central importance but are covered by other ongoing reviews in the G20 and the IFIs.

Importantly, we were guided by the request that our proposals could be acted upon by the G20 and the IFIs in coordination with the other bodies integral to the international monetary and financial

system. In this regard, besides drawing on our Group's collective experience in policy-making, our discussions benefited greatly from consultations with a broad range of national authorities, the IFIs, many other thought leaders from civil society, think tanks, academia and philanthropies, and private sector experts. These diverse interactions helped us arrive at proposals which we believe can be implemented within a reasonable time-frame, but which taken together should have a transformational impact.

The ambition is in the doing. Some of the reforms should be early wins in international coordination. Most are achievable within a few years, with focused effort. Some others go beyond current thinking. We urge that they be considered with an open mind, and developed further or adapted if necessary to enable their implementation.

We have deliberated intensively as a Group,<sup>3</sup> supported by our very able Secretariat under the leadership of Siddharth Tiwari. We thank the G20 for the opportunity to review these important issues. We present our report with sober awareness of the challenges facing the international community, but also with hope for the collective resolve needed to take us into this new era of cooperative internationalism, with benefits for all.



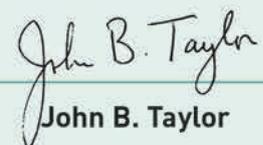
**Tharman  
Shanmugaratnam  
(Chair)**



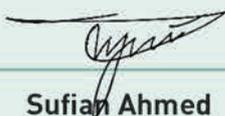
**Jacob A. Frenkel**



**Ngozi  
Okonjo-Iweala**



**John B. Taylor**



**Sufian Ahmed**



**Otmar Issing**



**Raghuram Rajan**



**Jean-Claude  
Trichet**



**Ali Babacan**



**Takatoshi Ito**



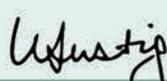
**Fabrizio  
Saccomanni**



**Andrés Velasco**



**Marek Belka**



**Nora Lustig**



**Nicholas Stern**



**Zhu Min**