



Five Imperatives for IFIs in the New Era of Economic War

IEO/IMF Webinar - May 2022



Retooling IFIs for New Challenges

IFIs must be able to nimbly navigate the new global economy shaped by sanctions. Existing IFIs must acquire new capabilities, including compliance and regulatory functions and sanctions-specific economic and operational expertise.

It may be necessary to establish a dedicated institution mandated to extend financing to countries in which targeted sanctions are being applied, in which sanctions are having indirect effects, or in which sanctions have recently been lifted.



1. Preserve the Global Economy

IFIs are the backbone of the global economy. The credibility of globalisation based on the free flow of goods and capital is at stake as the greater use of sanctions risks creating two or more economic blocs.

IFIs ought to proactively defend the globalised economy by providing financing for projects that help maintain the integrity of global supply chains and minimise the effect of sanctions on global commodities prices.



2. Protect Investments

IFIs have spent decades making investments in lower and middle-income countries with the aim of increasing general economic prosperity. But the development of these countries is complicated by the increased use of sanctions. Factors such as high commodities prices and bank de-risking can impede development.

IFIs ought to intervene to protect their return on investment by supporting the resilience of countries in the new global economic environment shaped by sanctions.



3. Address Externalities

The application of sanctions can create significant costs for third countries which can be considered a kind of externality.

If IFIs are mandated to help third countries mitigate the negative economic consequences of sanctions programmes, then the funding of the IFIs in accordance with this mandate might offer one means by which countries that apply sanctions are forced to internalise the cost of sanctions programmes. This may help delimit the use of sanctions.



4. Engage in Reconstruction

Countries that are targeted by "economic war" experience infrastructural and institutional degradation that can be understood as a kind of "economic war."

Successful sanctions relief requires not only the lifting of sanctions, but also an active effort to remediate harms and rebuild infrastructure and institutions within a reconstruction paradigm. IFIs have a critical role as providers of reconstruction (and reparations) financing in the initial period when most banks will be reluctant to engage.



5. Coordinate for Global Crises

The increased use of sanctions jeopardises the ability to coordinate global responses to sudden crises, such as pandemics, or ongoing crises such as climate change.

IFIs ought to position themselves as platforms that can quickly, reliably, and apolitically mobilise funding and technical expertise to deal with various global challenges despite the many sanctions programmes that may be in place that might otherwise impede those responses.



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