

*A high-level roundtable held at Brookings Institution:*

## **The role of multilateral development banks in supporting the post-2015 development agenda**

*Saturday, April 18, 10:00 a.m. – 12:00 p.m.*

### **Summary of Key Points and Emerging Themes**

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- 1. The SDGs and the post-2015 development agenda provide an ambitious frame and are more broadly relevant across the MDBs than were the MDGs.**
  - 2015 will be a landmark year with the opportunities provided by the Addis Financing for Development Conference in July, the SDG Summit in September, and the Paris COP21 Climate Meeting.
  - It is a year that should be remembered not just for three international meetings, but rather for the agreement and resolve on a new global development compact. Expectations are high that a new direction and mindset for sustainable development will emerge as a result of intergovernmental agreements.
  - The SDGs lift the level of ambition on eradication of poverty and well-being for all and broaden the scope to include the growth agenda, infrastructure development, and environmental sustainability, all of which are relevant to the goals and mission of the multilateral development banks (MDBs).
  - Political leadership will be required to also ensure the necessary financing and implementation capacities are in place to meet these ambitious goals.
  - The draft Addis Accord stresses the stepped-up role that the MDBs will need to play in anchoring effective global actions to meet the SDGs.
  - The focus on an enhanced role of the MDBs is timely given the need to boost global investment and growth to avoid secular stagnation. What is constraining growth at this stage is not so much the availability of funds but the need to transform those funds into well-designed long-term investments; this is an area where MDBs are well-positioned to play a key role.
- 2. Promising initiatives are underway in the MDBs to enable them to respond to growing demands and do so more effectively.**
  - Several MDBs have launched initiatives to strengthen and better utilize their balance sheets in order to be able to increase lending and non-lending support.
  - As the joint Development Committee paper underscores, IFIs are uniquely well placed to play a catalytic role in helping countries mobilize domestic resources and crowd in private sector flows. A range of initiatives are underway to strengthen this catalytic role which is evolving from crowding-in banks as project financiers to efforts to crowd in institutional investors.
  - A common theme is enhanced support for sustainable infrastructure. In this regard it is important not just to address the supply side constraints to financing but country specific constraints on the demand side, including the availability of bankable projects, absorptive capacity, institutional capacity to manage complex public-private structures, and debt sustainability.
  - Available evidence suggests that the risk-return profile for infrastructure projects in developing countries compares favorably with investments in other areas.

- There is significant potential to utilize specific comparative advantages of MDBs based on experience and skills across institutions and some promising collaborations are underway, which could be broadened and scaled up.
- MDBs are well positioned to lead in pushing transformation in cities, land use and energy that can contribute to several SDGs including low-carbon development. Other areas that warrant greater attention from the MDBs include growing inequality, agriculture and rural transformation, and technology diffusion and educational system reform.
- Country leadership and ownership remains an important guiding principle for MDB engagement but at the same time there is a need to look beyond the country level at the scale of the global challenge.

**3. Further steps are warranted to ensure that the MDBs are fit-for-purpose and able to respond to the scale of ambitions on the development agenda individually and collectively.**

- While the measures underway will enable MDBs to increase support for priority investment needs, there is a large prospective mismatch between the scale of ambition and level of impact that can be achieved with the resources at the disposal of MDBs. Even with the addition of the newer institutions, fulfilling these ambitions will remain a daunting challenge.
- There are questions about the scale, speed, efficiency, and client responsiveness of the current MDB business model and about growing fragmentation across the system. The country-/region-based model is also not well suited to tackling global public goods and getting the full potential out of the MDBs.
- The current business model is unsustainable if very low real interest rates persist. MDBs can no longer easily cross-subsidize global public goods, like knowledge sharing. They also need new tools and partnerships to unlock private sector capital, including long-term institutional investors.
- The experience of debt swaps and other initiatives suggests that MDBs could do more by acting together; for example, increased collaboration on common but cost-effective standards including new areas such as sustainable procurement, on sharing skills and capacity across institutions could be considered with a view to achieving greater scale of impact.
- These transformations will need political leadership from and consensus among shareholders, taking a global view reflecting both the scale of the development challenge and the ability of traditional MDBs as a group to respond adequately.

**4. How to advance dialogue and agreement on the role of the MDBs?**

- There is merit in further dialogue on the role of the MDBs underpinned by more careful examination of the key issues. This further dialogue should be conducted taking a view across institutions, in view of the scale of global challenges.
- This must rely on the knowledge set of the MDBs, but there is also merit in bringing in outside perspectives.
- A number of options could be considered, from further informal dialogue to more structured processes.