



Viewpoint Note:

MDBs Working as a System for Impact and Scale

Document endorsed by the Heads of the following Multilateral Development Banks:

African Development Bank (AfDB); Asian Development Bank (ADB); Asian Infrastructure Investment Bank (AIIB); Council of Europe Development Bank (CEB); European Bank for Reconstruction and Development (EBRD); European Investment Bank (EIB); Inter-American Development Bank (IDB); Islamic Development Bank (IsDB); New Development Bank (NDB); World Bank Group (WBG)

Washington, D.C., April 20th, 2024

I. Introduction

The world faces multiple interrelated crises that disproportionately set back development prospects for poor and vulnerable countries, communities, and people. We are at an inflection point for development. Challenges are growing in our fight against poverty and hunger, inequality, an existential climate crisis, severe biodiversity loss, skills and gender gaps, coupled with rising debt levels and heightened fragility and conflict. As a result, at the midpoint of the 2030 Agenda, progress towards the Sustainable Development Goals (SDGs) in most developing countries has been slow. The window of opportunity to secure an inclusive and sustainable future requires a renewed sense of urgency and determination.

As Multilateral Development Banks (MDBs), we are committed to strengthening our collaboration and improving how we work as a system to deliver greater impact and scale for the benefit of our clients. The Group of Heads of MDBs (“Heads”) is an informal forum for dialogue and coordination among the leaders of major MDBs. We are building on our well-established cooperation, working closely together in multiple areas, and regularly engaging through expert working groups to share knowledge and collaborate on initiatives. Yet we aim to go beyond business-as-usual to improve how we operate and provide coordinated support to our clients, both public and private, and deliver on regional and global public goods.

Consistent with the [call](#) from G20 Leaders and driven by the ambition of our clients and shareholders, we are enhancing our efforts to evolve, individually and collectively, into a “better, bigger and more effective” MDB system. This Viewpoint Note reports on the progress made on our commitments under the Marrakesh MDB [Joint Statement](#) in October 2023, and presents key deliverables for joint and coordinated actions for 2024 and beyond, taking into consideration the specific mandates, governance structures, and reform initiatives of each MDB. It also provides inputs into the discussions on MDBs under the G20 Brazilian Presidency and other global policy fora.

In 2024, we are deepening our engagement and developing an agenda focused on achieving greater impact and scale in addressing development, climate, and other regional and global challenges. Heads are undertaking more frequent strategic discussions and taking advantage of the synergies with the G20. Building on recent meetings in [Dubai](#) and São Paulo, our key priorities are to enhance our agility and efficiency working as a system, and to deliver concrete results on five areas: 1. Scaling-up MDB financing capacity; 2. Boosting joint action on climate; 3. Strengthening country-level collaboration and co-financing; 4. Catalyzing private sector mobilization; and 5. Enhancing development effectiveness and impact. Deliverables in each area are being implemented by cross-MDB working groups.

We agree to act on joint initiatives to improve development outcomes when there is a clear value added for our clients and shareholders, in line with our respective mandates, areas of comparative advantage and governance frameworks. We will be selective and strategic about when and how we work together considering initiatives that generate significant value for our clients, provide more comprehensive and larger scale packages of support that address regional and global challenges, and tackle coordination bottlenecks. We will continue to work in flexible partnerships that best reflect the various regions, issues, and unique comparative advantages such as business model, client proximity and expertise. This means that not all MDBs may be able or are expected to participate in all the proposed joint areas of work. Moreover, the document does not cover an exhaustive list of everything MDBs are doing together, but a prioritized selection.

II. Progress and Way Forward

1. Scaling-up MDB financing capacity

Recent progress

MDBs are taking forward critical reforms to expand financing capacity by implementing the G20 Capital Adequacy Frameworks (CAF) Review [report](#) recommendations as well as other initiatives.

Collectively, these efforts on balance sheet optimization and financial innovation are expected to generate additional lending headroom in the order of US\$300 billion to US\$400 billion over the next decade, with strong contributions from shareholders and development partners. Related actions, some of which are highlighted below, have already created additional lending capacity.

Leverage targets and risk appetite. MDBs whose charters include lending limits that are binding in the short to medium term are working to amend those provisions, and four MDBs (ADB, EBRD, EIB and WB) have put on the table proposed amendments to their members according to each institution's charter-mandated process. In addition, at least three MDBs (AfDB, ADB, and WB) have adopted changes to their risk capital models and policy limits that will contribute to additional lending capacity. Some MDBs' (AIIB) Articles of Agreements already provide flexibility to amend statutory lending limits.

Callable capital. While two MDBs (IDB and EBRD) incorporate callable capital into their capital adequacy policies, and one MDB (WB) has an internal income-based CAF that is based on callable capital, work is ongoing by some MDBs to articulate the process for a call on callable capital. The goal is to potentially seek greater recognition by Credit Rating Agencies (CRAs) of the value of callable capital thereby enabling greater lending. Five MDBs (AfDB, ADB, EBRD, IDB, and WB) are responding to shareholders to clarify when a call could be made, as well as the procedures for capital calls and their payments. This work includes reverse stress testing exercises across those MDBs and shareholders providing input on how they would meet calls if such calls were to be made. In parallel, some MDBs are working on proposals to enhance callable capital in ways that could further increase its value.

Hybrid capital and Special Drawing Rights (SDRs). Some MDBs are developing or have already developed a diverse set of hybrid capital instruments, and one MDB (AfDB) has already issued to the capital market, and another MDB (WB) has shareholders already committed to purchase. Joint efforts are ongoing to work with CRAs to review and enhance rating methodologies. A hybrid capital-based solution to channel SDRs through MDBs (led by AfDB and IDB) has met the requirements to be considered a reserve asset under applicable statistical guidelines in the view of IMF staff and has received strong support from many countries. Other MDBs are developing similar solutions (WBG and ADB). A proposal to authorize the use of SDRs for the acquisition of hybrid capital instruments issued by MDBs was discussed informally at the IMF Board on March 6, 2024, with formal consideration expected to take place after the IMF/WBG Spring Meetings 2024.

Guarantees and insurance. MDBs have a robust pipeline of guarantee structures and other risk-sharing and risk-transfer solutions that will support increasing lending capacity and private sector mobilization, while scaling and replicating successful models. Progress is being made to pursue new Guarantees and Exposure Exchange Agreements (EEA) for several MDBs' sovereign-guaranteed lending operations. MDBs are also pursuing balance-sheet optimization through credit-risk-insurance transactions to scale up the transfer of risks embedded in loan portfolios to third parties, thereby reducing portfolio concentration and/or recycle capital at a faster pace. Development and issuance of novel financial products, such as asset securitizations, is laying the groundwork for the emergence of new asset classes within the MDB sphere. Another innovative

financing model developed by some MDBs (ADB, WB) involves leveraging guarantees from partners on a first-loss basis to accelerate billions of dollars in much-needed climate finance or other thematic priorities. Furthermore, the progress made in the availability of Global Emerging Market Risk Database (GEMS) Consortium statistics can help contribute to the consolidation of the asset class.

Engagement with Credit Rating Agencies (CRAs). Continuous and strengthened interactions of MDBs with CRAs, including two roundtables that took place in 2023 between MDB Chief Financial Officers (CFOs)/Chief Risk Officers (CROs) and CRAs, have resulted in tangible progress. This includes the publication of a discussion [paper](#) on Supranational Rating Criteria by a major CRA proposing changes in line with the issues raised by MDBs, such as: (i) increasing weight to risk-based metrics; (ii) clarifying and improving the treatment of hybrid capital instruments; and (iii) enhancing the value assigned to portfolio-based guarantees and credit risk insurance. If adopted, these changes could sustainably support MDB efforts to increase lending capacity.

Box 1: Snapshot of recent examples*

AIIB and **WB** collaborated to utilize AIIB's capital surplus to issue US\$1 billion guarantees against sovereign backed loans made by the WB's International Bank for Reconstruction and Development (IBRD), providing relief against capital constraints, enabling IBRD to provide fresh lending, as well as diversifying and enhancing AIIB's portfolio, which would in turn enable it to increase lending to low-income borrowers.

IDB developed a methodology to extend EEAs to highly rated Development Finance Institutions (DFIs) with preferred creditor status, but that are not rated triple-A. The first such EEA, an exchange with another such institution, will be signed by April 2024 which will increase lending capacity by US\$1.75 billion over the next decade and mark the expansion of a valuable instrument to the MDB community. This follows over US\$7 billion in previously executed EEAs with existing partners (**ADB**, **AfDB**, and **WB**) over the last decade, bringing the new total to US\$8 billion. In addition, the **ADB** has signed one with the **AfDB** in 2023 for US\$1 billion.

AfDB launched the first of its kind sustainable hybrid capital transaction by an MDB at the end of January 2024 in the form of a US\$750 million perpetual maturity bond, callable at the Bank's discretion after a period of 10 years that will enable between US\$1.5 billion and US\$2.2 billion of additional lending capacity. The three major rating agencies have provided full equity credit, given its deeply subordinated capital structure, senior only to paid-in capital.

MIGA is taking an active role in helping **MDBs** free up financing capacity. In 2023, MIGA introduced a new credit enhancement guarantee instrument, which allows MDBs to transfer single loan and portfolio risks from their balance sheets, with the possibility for MIGA to crowd in private sector risk takers by placing transferred risks in the private reinsurance market. Currently, discussions are ongoing with several MDBs on identifying eligible single loans and portfolios.

* The examples in the boxes throughout the Note illustrate some of the recent initiatives and do not reflect the full extent of MDB collaboration in the countries of operations.

WBG's International Bank for Reconstruction and Development (**IBRD**) developed a hybrid instrument that is offered at IBRD's funding cost level, hence not affecting loan pricing for borrower countries. The coupon is paid to the investor or can be forgone and directed to benefit development purposes. Furthermore, shareholders will have the option to redeem this investment to pay for the shareholder's new paid-in capital commitment if and when there is a future capital increase.

EBRD has an extensive program of Insurer Mobilization, under which the primary tool is the Unfunded Risk Participation. EBRD introduced the program in 2014, which opened the market to insurance companies with unfunded credit risk appetite. Since its inception, EBRD has signed over 180 URPs covering more than 100 individual projects. Due to the broad credit appetite of insurers, URPs are used to cover a variety of sectors, tenors, and transaction structures.

EIB Group has substantial experience with risk sharing and transfer techniques for its operations. Outside the EU, the EIB benefits from the EU Neighborhood, Development and International Cooperation Instrument (NDICI), at the heart of which lies a guarantee encompassing several investment windows, under which EIB can access guarantee coverage for operations with sovereign counterparts or for activities with commercial sub-sovereign counterparts for an approximate amount of EUR26.7 billion.

NDB successfully executed in December 2023 its debut syndicated term loan of US\$2 billion, which received commitments from a diverse group of financial institutions. The facility enables NDB to diversify its funding sources to new markets and broaden its investor base for future debt issuance. This in turn will support NDB's growing portfolio of infrastructure and sustainable development projects across its member countries.

IFC signed the platform Managed Co-Lending Portfolio Program (MCP) FIG III in September 2023 which is mobilizing US\$3.5 billion in credit insurance capacity from 13 global insurance companies, supporting more than US\$7 billion of new IFC medium- and long-term lending to commercial banks and non-bank financial institutions over the next six years. MCP FIG III is IFC's largest ever mobilization at a single point in time.

Looking ahead

We aim to continue expanding MDB lending capacity and minimizing the impact on long-term costs, coordinating on initiatives while recognizing each MDB's unique institutional mandate, governance frameworks, priorities, and timelines. We will do so through further optimizing balance sheets and undertaking systematic financial innovations, speaking with one voice to CRAs on common issues, and continuing work on exposure exchange agreements, guarantees, and credit enhancements, among others.

Key deliverables

- **CAF Review implementation.** To track, measure, and increase transparency on CAF Review implementation across MDBs, we will take stock of the substantial progress achieved up to 2024, updating reporting templates in collaboration with the G20.
- **Callable capital review.** The MDBs involved in the review (AfDB, ADB, EBRD, IDB, and WB) have just finalized and are making public their reports with the conclusions of the reverse stress testing and

clarifications on the processes and procedures for how a potential call on callable capital would be met by shareholders.

- **Enhanced engagement with CRAs.** MDBs will advance on the engagement by (i) taking stock of the progress achieved to date in their joint engagement with CRAs, (ii) defining the outstanding and critical issues to be tackled going forward to improve rating criteria, including informed by the callable capital review, and (iii) outlining the approach that MDBs will adopt to work on these issues going forward.
- **Comparison of MDB capital adequacy and related policy frameworks.** MDBs are developing a common template for capital adequacy and related policy metrics to facilitate comparison across MDBs and share information in a systematic way. MDBs will finalize the MDB ratios comparison during Q2 2024, covering capital, liquidity, and other relevant metrics in a comparable format.

2. Boosting joint action on climate

Recent progress

MDBs progress on joint commitments on climate since the 28th Conference of the Parties (COP 28) of the United Nations Framework Convention on Climate Change (UNFCCC) include:

Paris Agreement alignment. MDBs are operationalizing the six building blocks framework on Paris Agreement Alignment [launched](#) at COP 24 and have met, or are on track to meet, respective timelines to align with the goals of the Paris Agreement. As part of this work, MDBs are now in the process of implementing the [Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New Operations](#) into their new financing flows. Several MDBs have developed and disclosed guidance that adapts and refines the joint MDB approach to suit their mandates and policies. MDBs continue to work together to share knowledge and experience, to harmonize approaches with each other and the broader finance community.

Policy Support and the Joint MDB Long-term Strategies (LTS) Program. MDBs continue to share their experience in supporting client countries, sub-national entities, and private sector clients in climate policy development and delivery. Country-led climate strategies, such as Nationally Determined Contributions, LTS, National Adaptation Plans are central to achieving ambitious long-term climate goals and guiding near-term investment decisions in both the public and private sectors. A new MDB-led LTS Program, hosted by the World Bank's Climate Support Facility, will facilitate the provision of coordinated support by MDBs to develop countries' LTS and underpinning sectoral and subnational climate policies and plans. MDBs are finalizing the initial set of countries based on client demand, primarily for technical assistance for lower-income countries. The LTS Program needs more financial resources from partners.

Climate finance. In 2022, MDBs jointly committed US\$61 billion for low- and middle-income economies, up 20% from 2021 and close to US\$100 billion in all economies of operation. In low- and middle-income countries, adaptation finance accounted for 37% of this, and combined total climate co-finance reached US\$46 billion, of which US\$15 billion was private capital mobilization. MDBs expect their 2023 climate finance figures and co-finance figures to exceed the 2022 joint data.

Innovative approaches to climate finance. MDBs are implementing new innovative climate finance approaches. These include results-based instruments that reward greater ambition, external guarantees to increase lending capacity for climate action, policy-based guarantees to support debt conversion to generate trust funds for climate and biodiversity action, sustainability-linked and thematic bonds, contingent mechanisms to access emergency finance in response to disasters, insurance products that transfer risk associated with disasters, and contractual disaster clauses that postpone payments on principal during natural disaster recovery.

Box 2: Snapshot of recent examples

In Türkiye, the Government, with [support](#) from **EBRD** and in collaboration with the **WBG**, launched the low-carbon pathways (LCPs) initiative in March 2024, focusing on decarbonization in the steel, cement, aluminum, and fertilizer sectors. The LCPs aim to stimulate investments in low-carbon manufacturing technologies, energy efficiency measures, and circular economy solutions. It also supports infrastructure development, providing guidance on issues such as logistics, grids, carbon storage, renewable energy, and green hydrogen.

In Barbados, on a pilot basis, **EIB**, with support from the European Commission, and **IDB** [are](#) joining forces to co-guarantee a Debt for Climate transaction of US\$150 million each. The policy matrix supporting this operation will enhance the climate governance as well as foster climate and water policy conditions. The savings will be allocated to resilient investments, the main one being the upgrade of the South Coast Water Treatment plant, and required infrastructure for water reuse in the surrounding agricultural areas.

In Kenya, the Global Center for Adaptation (GCA) and the **AfDB** are discussing the establishment of a project preparation facility focused on adaptation in collaboration with other development partners, including the **World Bank**, **EIB**, and the **GCF**. The facility will focus on translating national adaptation plans into investment opportunities of US\$5 billion of public and private finance by 2030.

To support the new asset class of sustainability-linked bonds, **IFC** and other MDBs collaborated with the International Capital Markets Association (ICMA) to establish the Sustainability-Linked Bond Principles to help create accountability and transparency in the market and to support the new asset class of sustainability-linked bonds. IFC also supports private sector companies create stronger, more sustainable supply chains through its Global Trade Supplier Finance (GTSF) Program.

In support of the Just Energy Transition Partnership (JETP) in Indonesia, **ADB** and **WB** co-led the engagement with the Indonesian Government to develop its Investment Plan the Climate Investment Funds Accelerating Coal Transition (CIF-ACT) window for a US\$500 million allocation of concessional finance aimed at mobilizing an additional US\$4bn from a range of partners including the private sector for Indonesia's energy transition.

MIGA issued US\$98.3 million in guarantees to facilitate the refinancing of six solar FiT projects through a climate-certified bond issuance, the first of its kind in Egypt's renewable energy sector. MIGA's guarantees in combination with an **EBRD** subordinated liquidity facility, among other transaction

features, gave the bonds an investment-grade rating, facilitating the take up of the bonds by institutional investors.

NDB worked closely with the United Nations Development Programme (UNDP) and contributed to the establishment and testing the UNDP SDG Impact Standards for Bonds as well as the SDG Finance Taxonomy (China). In line with the newly established standards and taxonomy, NDB issued the first-ever SDG bond in the China Interbank Bond Market.

Launched in 2023, **IDB CLIMA** is an innovative financial approach that [rewards](#) borrowers for achieving nature and climate objectives. The reward is provided in the form of a grant, in the amount of 5% of the IDB loan principal. The first nine pilot countries are Barbados, Belize, Brazil, Chile, Colombia, the Dominican Republic, Paraguay, Suriname, and Uruguay.

Looking ahead

We will continue to expand our support to countries and other public and private clients in delivering on the Paris Agreement through policy change, climate finance, and innovative financial instruments. We reaffirm our commitment to socially inclusive, gender-responsive, and nature-positive climate actions. Our work requires dedicated support from our shareholders in scaling up concessional resources for technical assistance, climate finance, and private capital mobilization.

Key deliverables

- **Common approach to measuring climate results.** Following the announcement at COP28, MDBs have strengthened their technical collaboration and are pleased to announce our first common approach to measuring climate results. The MDBs' common approach aims to foster consistency and comparability across MDBs in climate results measurement and to contribute to international efforts to establish standardized frameworks for assessing climate progress and guiding future climate action. MDBs will continue their collaboration to work on and refine the common approach, including developing a set of common indicators, on mitigation, tracking emissions from their financing operations, and on adaptation, where possible, tracking beneficiaries of their interventions that enhance resilience. We will report progress by COP 29.
- **Climate finance results and projections.** MDBs expect to publish the 2023 Joint MDB Report on Climate Finance by July 2024. We will also engage in the UNFCCC-led process to establish a New Collective Quantitative Goal and commence consultations for post-2025 projections of MDB Climate Finance.
- **Progress towards COP 29.** MDBs plan to provide at COP 29 a further update on progress on all aspects of their joint climate and implementation work of Paris Alignment, as well as on other joint climate commitments such as their support for the Early Warnings for All initiative.

3. Strengthening country-level collaboration and co-financing

Recent progress

MDBs have recently committed to elevating country-level coordination and MDB co-financing to a new level through a systematic approach, respecting each MDB's mandates and business models.

The purpose is to maximize synergies and complementarities on the ground by combining expertise and financial resources. In some cases, partnerships have been formalized in agreed sectors and/or regions of engagement.

Country platforms. As part of MDBs working as a system, MDBs are engaged in discussions and supporting governments in the design of country platforms, which have significant potential to bring together key stakeholders to achieve better results around a country-led development program, typically with a multi-year thematic or sectoral focus. Recent calls to strengthen this approach include 'The Triple Agenda', Vol. 2 [report](#) by the G20 Independent Experts Group (IEG).

As country-led and owned mechanisms, individual platforms must be designed with full respect to national sovereign priorities and tailored to the specificities of each country in accordance with their development needs. Country platforms can integrate a mutually reinforcing combination of policy reform, investor appetite, external support, and coordinated finance and technical assistance to accelerate investments at scale, including through private sector mobilization. At the core is a shift from a short-term project view to a longer-term programmatic perspective that focuses on scaling up impact and systemic changes and minimize fragmentation.

MDBs are building on lessons from various joint experiences, including the Climate Investment Funds (CIF) investment plans where they have been collaborating for over a decade, as well as the more recent Just Energy Transition Partnerships (JETPs), Country Forest Packages, and ongoing pilots. Many operational aspects are yet to be defined and require careful consideration of alternative approaches and active engagement with host countries.

Harmonization and Mutual Reliance in Procurement. In response to the Paris [Declaration](#) on Aid Effectiveness, MDBs have harmonized their standard bidding documents by 2010. Building on this milestone, in 2015 the first two MDBs agreed to rely on each other's procurement policies. In 2017, MDBs agreed on a mutual reliance approach based on mutual recognition of procurement policies and procedures. Since then, MDBs have progressively incorporated mutual reliance provisions into their respective procurement policies and have entered into, or are in the process of entering into, specific agreements with their major MDB co-financing partners. As a result, several MDBs have introduced changes in their procurement frameworks and rules to allow for such mutual reliance and have entered into Mutual Reliance Agreements (MRAs), resulting in reduced transaction costs and greater efficiency in the procurement aspects of project implementation to benefit member countries. Increasingly, MDBs are explicitly including the possibility of signing MRAs in their core operational policies, providing a blueprint for moving forward with harmonization commitments across the MDB system. MDBs are also making progress on previous commitments for the strengthening and use of country systems.

In addition, MDBs have made progress in harmonizing procurement procedures and practices, such as tender documents, identification and treatment of abnormally low tenders, sustainable procurement, use of e-Government Procurement platforms, and supply chain risk management, among others. MDBs have also agreed to promote and implement principles-based procurement policies.

Box 3: Snapshot of recent examples

In Egypt, the Government [launched](#) its Energy Pillar of the Nexus-Water-Food-Energy (NWFE) at COP 27, with the support of **EBRD** as lead partner, as well as **EIB**, **AfDB**, **AIIB**, and other organizations (AFD, UK, IFU, NII), which aims to develop 10GW of new renewable energy capacity and retire 5GW of inefficient fossil-fuel plants. The initiative combines US\$1.5 billion of public, donor and international financial institution resources, while mobilizing US\$10 billion from the private sector.

As part of the Feed Africa Strategy, the **AfDB** [partnered](#) with **IsDB**, IFAD and other development partners on the organization of the Dakar 2 Summit to discuss Country Food and Agriculture Delivery Compacts. The Country Compacts outline production targets for key agricultural staples, a road map to reach those targets, and enabling policies, including smallholder farmers' support, rural infrastructure, innovative financing amongst other policies. A total of US\$72 billion was mobilized for food security and agricultural transformation led by the Country Compacts. As real country-owned platforms, these Country Compacts serve as strategic umbrella for achieving shared goal of food security and resilience in Africa.

In North Macedonia, the Government [launched](#) a just energy transition investment platform at COP 28 with the support of **EBRD** as lead partner, as well as **EIB**, **WBG**, **CEB**, and other partners (CDP, CIF, KfW), to implement a low-carbon and just transition, to phase out coal. The Government set out the aims of the platform, a vehicle for investment and policy development, to also deploy 1.7 gigawatts of renewable energy by 2030, grid and storage investments, and measures to support communities affected by the transition.

CEB, **EBRD**, **EIB**, and **WB** have [agreed](#) to harmonize procurement practices for public sector investment financed by the MDBs in Ukraine. The Memorandum of Intent was signed in October 2023 and responds to a request from the Ukrainian authorities. The four MDBs are working with the authorities to find a common ground to allow further use of the national e-tendering platform within the scope of respective MDBs' procurement policy.

In Bangladesh, the **ADB**, **IMF**, **WB**, **IFC**, **AIIB**, and other stakeholders [partnered](#) to support the country-led climate and development platform, the Bangladesh Climate Development Partnership (BCDP). This is a cross-sector, multistakeholder and multi-year partnership to drive climate actions at scale and with urgency to support low carbon and climate-resilient development essential to achieve Bangladesh Vision 2041. The BCDP platform promotes a whole of government approach to actively achieve climate outcomes.

IDB and the **WBG** [launched](#) a four-year partnership to enhance results for people in Latin America and the Caribbean (LAC). The agreement focuses on three areas: to boost support net-zero-deforestation efforts in the Amazon; to improve the Caribbean's resilience to natural disasters; and to close the digital-access gap, especially in education, across LAC. In addition, MIGA, the political-risk insurance arm of the **WBG**, and **IDB** Invest agreed to collaborate to mitigate political risk in the region.

IsDB and **WBG** [unveiled](#) a new partnership to drive impact and improve the lives of people in the Middle East and North Africa, to support better management water, energy, and food resources in

the face of ongoing threats from climate change and fragility; empower women and young people with skills; and drive cross border trade and cooperation.

AIIB through its co-financing and partnering with other MDBs such as **ADB**, **WBG**, and **EBRD**, has promoted the use of a single harmonized policy framework for procurement, environmental and social policy, and notably, the reliance on a single independent accountability mechanism to review compliance under a co-financed project.

MDBs co-finance projects using harmonized procurement frameworks. For example, in Indonesia, the **ADB**, **WB**, **AIIB** and **IsDB** are [partnering](#) to upgrade and strengthen the primary healthcare and public health laboratories, with a project approved in 2023.

Looking ahead

We aim to simplify and accelerate access to financing for our clients by making joint multi-year offers to governments, increasing cooperation and coordination among ourselves, and reducing transaction costs. We will achieve this while maintaining projects' high standards and quality, including with respect to safeguards and assessments.

Key deliverables

- **Common understanding and way forward on country-led platforms.** MDBs will jointly analyze the various proposals and discuss next steps, including for some MDBs to implement platforms on climate adaptation, energy transitions, and nature, among others. MDBs will assess needs and demands from client countries and how these demands fit with the different proposals, recognizing there is no one-size-fits-all approach.
- **Alignment of Procurement Approaches.** To increase co-financing and efficiency, and maximize the impact of our operations, the MDBs will work together during 2024 towards (i) implement procurement practices that [support](#) sustainable procurement, sustainable infrastructure, and the climate change agenda; (ii) further promote the adoption and use of alternative procurement arrangements across MDBs to facilitate the use of MRAs; and (iii) develop a framework to demonstrate better Value for Money in procurement.
- **Collaborative Co-Financing Portal.** Several MDBs (WB, AIIB, AfDB, ADB, CEB, EBRD, EIB, IDB, IsDB, NDB) launched a digital portal to facilitate and accelerate co-financing of public sector projects in April 2024. The first of its kind, the Portal is managed by the WBG, with an initial 70+ projects across several participants. The Portal seeks to help fill financing gaps, improve coordination, facilitate better alignment of MDB financing behind country priorities, and increase transparency. At the initial stage, data will be limited to public sector projects already in MDB pipelines. The Portal covers projects seeking co-financing from MDBs and other financiers, from preparation to downstream finance.

4. Catalyzing private sector mobilization

Recent progress

MDBs are intensifying their upstream engagement with governments to address regulatory and other barriers to private sector investment, incubate robust project pipelines and provide crucial early-stage investments. Instruments aimed at unlocking potential policy bottlenecks and fostering enabling conditions for private sector are critical as MDBs continue to aim to catalyze more private sector engagement in emerging and development markets. MDBs mobilized more than US\$65 billion of private finance in low- and middle-income countries in 2022, a 12% increase from 2021.

Global Emerging Markets Risk Database (GEMs). GEMs is one of the world's largest credit risk databases for the emerging markets operations of its member institutions, comprising 25 MDBs and Development Finance Institutions (DFIs) and founded by EIB and IFC. Progress with GEMs is bringing greater transparency to statistics on credit risk to overcome a key constraint to private investment in developing economies. Harmonization of methodologies and data quality controls over the last few years has enabled the Consortium to now provide default and recovery statistics for public dissemination. GEMs is expected to help investors better understand the risk profile of emerging market debt, and provide an important benchmark for risk and pricing models.

The GEMs Consortium has been publicly disseminating default frequencies through the GEMs website since 2020. In March 2024, for the very first time, the GEMs Consortium [published](#) recovery rates for private and sub-sovereign lending from 1994 to 2022. Together with the existing publication of default statistics, this new publication represents a significant step forward in the commitment to make GEMs statistics publicly available.

Scaling up local currency finance and hedging instruments. MDBs need to increase capacity to lend in local currency to development projects to mitigate instability risks arising from excessive foreign currency exposure. Such lending would be free from foreign exchange risk, both for the lender and for the borrower. There are different approaches to enhance the capacity to lend in local currency, and their relevance varies according to the unique context of each institution.

Most MDBs do lend in local currency, but in many cases the amounts are relatively small or focused in countries with more developed financial markets, and modalities tend to be inflexible, with predominance of 'back-to-back' hedging, mix of onshore and offshore products, and synthetic instruments. Few institutions have appetite for the multiple risks related to operating onshore. While currently indispensable, these approaches do not necessarily contribute to the development of local markets, and thus do not offer a sustainable long-term solution. A few major MDBs have created currency liquidity pools, with the aim to bridge market gaps between desired maturity of lending and maturity of liquidity available in local currency, but efforts remain largely uncoordinated.

MDBs are continuously innovating and developing tools to crowd in private sector capital into emerging market assets and offer currency protection to projects. Several MDBs are also working to advance hedging instruments to promote local currency use. There is a need to offer innovative financial solutions and credit to encourage investments and offer currency protection to projects in developing countries. Exchange risk is a factor that hinders investments in emerging markets, contributing to the current deficit in investment in sustainable infrastructure and other large-scale green projects.

Box 4: Snapshot of recent examples

AIIB and **EBRD** are jointly developing a concept for sharing local currency liquidity pools, which can be done through a dedicated onshore vehicle, code-named Delta, or through MDBs developing liquidity pools to support both their own and other smaller DFIs local currency financing operations. Delta would act as a local currency treasury, sourcing and managing liquidity pools and managing the related risks for the benefit of all its shareholder MDBs and DFIs, thus enabling them to offer genuine local currency finance with flexibility. An important added feature of the vehicle is the combination of policy dialogue and onshore market activity. Delta would be replicating globally the EBRD approach to local currency financing combining liquidity pools with policy work to develop local markets.

AfDB has developed, along with other MDBs including **EIB** and **IsDB** and regional DFIs, the transaction platform, the African Investment Forum (AIF), which has become the premier investment platform in Africa. AIF convenes institutional and private investors, project sponsors, heads of government, and multilateral institutions to facilitate investments to transformative projects across Africa. Since it was launched in 2018, the AIF has mobilized nearly US\$180 billion in investment interest.

Several MDBs including **ADB**, **AfDB**, **EBRD**, **IDB Invest**, and **IFC**, have [pioneered](#) partnerships with a leading manager of emerging market focused private credit fund that provides institutional investors access to investment opportunities of the development finance asset class, by investing in private-sector loans arranged by MDBs and DFIs.

IDB is [supporting](#) the ECO-Invest Program, a Brazilian Government initiative designed to attract external private investments for the country's ecological transformation by improving macroeconomic stability and predictability, alongside other reforms. The IDB helped design and provides technical assistance for a derivatives pipeline that could secure up to US\$3.4 billion in foreign exchange coverages. Additionally, the IDB is offering up to US\$2 billion in financing to enhance four credit lines to boost the country's ecological transition.

WBG is [working](#) in collaboration with the Private Sector Investment Lab on a package of innovative and scalable solutions to address the need for local currency financing as well as for more affordable hedging options, to facilitate private investment, especially for the green transition. One of the solutions is a Multi-Layer FX Risk Sharing Facility, where the FX risk would be allocated across different stakeholders, including the private sector, the government (for PPP projects), and the WBG. Other ideas build on IFC's suite of existing onshore and offshore solutions to provide local currency financing including local currency bond issuances in domestic and offshore markets and unfunded product such as guarantees and risk sharing facilities in local currencies.

IFC is engaging with market stakeholders to advance the Warehouse Enabled Securitization Program (WESP), with the first test securitization planned by the end of calendar year 2024, initially containing IFC assets, with the possibility to broaden the originators to MDBs and other DFIs over time. This will scale an originate-to-distribute model that can provide baskets of investments to institutional investors.

ADB [created](#) local currency funding pools in six currencies (AMD, CNY, IDR, INR, PHP and PKR). Such pools improve time-to-market of local currency financing solutions but can prove challenging to

deliver when corresponding asset liability management (ALM) hedging tools are unavailable to manage the corresponding interest-rate gaps.

EIB Group is expanding its offer of local currency solutions, as they represent an important driver to unlock investment, promote growth and improve resilience to external shocks. It is deploying local currency lending hedged back-to-back or managed via treasury operations, synthetic local currency lending with a hedging swap counterparty as well as via third-party resources. The EIB Group has also developed a deliverable local currency solution for back-to-back hedging with local central banks.

Local currency financing represents 22% of **NDB's** cumulative approvals. Notably, nearly two-thirds of NDB's financing to projects in China is denominated in RMB, and more than one-third of the bank's lending to South African borrowers is denominated in ZAR. NDB has also established borrowing programs in other member countries and is proactively exploring opportunities to mobilize and provide financing in other local currencies.

Scaling guarantee issuance to crowd in private investment, the **WBG** Guarantee Platform will be launched on 1 July and housed at MIGA and bring together guarantee products and experts from the World Bank, IFC, and MIGA. The Platform will offer a simplified menu of products, and public and private sector clients will have access to the guarantee solutions available.

Looking ahead

While MDB funding plays a crucial role in advancing the SDG Agenda, it is insufficient to meet the scale of development needs. By leveraging proximity to clients, financial innovations to mobilize private capital, and capacity building to improve the enabling environment, we can help fill the financing gap to catalyze private sector investment.

Key deliverables

- **More GEMs statistics public dissemination to be leveraged by private investors.** Following the publication of default statistics since 2020 and of recovery rates for private and sub-sovereign lending since March 2024, an in-depth market study will be completed in 2024 to assess what additional statistics would be useful within the constraints of client confidentiality, recognizing the demand for more disaggregated data by country and sector. Once finalized, this study will help fine-tune GEMs statistics in a manner most relevant and helpful for private capital mobilization.
- **Further harmonization of metrics and reporting on direct and enabling private sector mobilization.** MDBs are committed to strengthening the existing joint MDB methodology, and against which MDBs have been reporting since 2016, to measure private capital mobilization with the aim to capture new and emerging products and efforts across the MDB community. Through revising the methodology, MDBs are also working towards more comprehensive reporting on mobilization efforts, including a harmonized methodology to measure private capital enabled by MDB-supported investments and policy reforms.
- **Scaling local currency and hedging solutions to boost private investment.** MDBs will launch a dialogue with a view to identifying scalable solutions that facilitate the deployment of larger amounts

of private capital through local currency lending and foreign exchange hedging solutions. This initiative will begin by taking stock of different initiatives related to this challenge across MDBs with the objective of compiling critical information for subsequent in-depth MDB discussions on the scalability of different solutions to different needs and contexts. To this end, MDBs could prepare case studies to further help develop scalable solutions. These case studies will undergo a thorough technical discussion and review in a specialized MDB forum, comprising MDB treasury and financial sector specialist, that will be tasked with the formulation of specific recommendations to MDB Heads for joint implementation among willing participants.

5. Enhancing development effectiveness and impact

Recent progress

MDBs need to enhance their impact and outcome metrics to better understand the effectiveness of their operations and activities, while strengthening the capacity of borrowing countries and clients to measure, assess, and act to improve project and program effectiveness. Scaling up financial capacity and boosting development effectiveness must complement each other to maximize impact. MDBs are exchanging approaches on results methodologies, mutual learning and alignment, impact assessment, and harmonizing metrics. Currently, a renewed effort of harmonizing indicators is under way. Similarly, under the Harmonized Indicators for Private Sector Operations (HIPSO) initiative comprising many MDBs and 28 DFIs, active harmonization is ongoing and exchange of methodologies and approaches intensifying. Under the Evaluation Cooperation Group (ECG), MDBs are working to strengthen the value-added of incorporating independent evaluation lessons and recommendations into operations.

Boosting impact requires that a commitment to development effectiveness is present in every area of work, guiding decision-making in collaboration with clients and partners alike. While there are existing MDB agreements and definitions on the measurement of development effectiveness, MDBs need to take a new approach to transform the way they measure and define impact in their operations. Measuring and managing for development results at the project, portfolio, and institutional level matters when MDBs address complex social issues, tackle climate change, and support sustainable and inclusive development. Several MDBs, according to their own timelines and Board directives, have recently approved or are in the process of approving new institutional strategies, frameworks, and scorecards that focus on development impact.

In the area of biodiversity, measurement of MDB nature finance is nascent, and impact indicators are dispersed and inadequate. As outlined in the MDB Joint Statement on Nature People and Planet, within the biodiversity agenda, MDBs seek to align objectives and develop tools and methodologies for tracking nature-positive finance investments across their portfolios and have developed common principles for doing this. MDBs are supporting countries to develop appropriate policies, investment frameworks, and agreements that better value and enhance natural capital for the benefit of all people.

Box 5: Snapshot of recent examples

AfDB and **EIB** collaborate with regional DFIs and national development agencies and private investment firms on the Joint Impact Model (JIM). This econometric tool estimates the number of indirect jobs created by an institution's investments, including supply chain jobs, induced jobs, and jobs resulting from improved access to finance or energy.

IDB Impact+, approved by Governors in March 2024, [puts](#) impact and scale at the forefront of the IDB Group's work through 2030 with a series of measures, including developing a results-based, programmatic approach with member countries, upgrading lending tools and metrics, investing more in knowledge and capacity building, and fostering a culture of meritocracy and impact.

WBG Evolution, approved by Governors in October 2023, sets a playbook to operationalize the WBG's new mission to end extreme poverty and boost shared prosperity on a livable planet. As part of the [Evolution](#) implementation, the WBG recently [launched](#) a new people-centric Scorecard reporting on outcome-oriented results to improve results measurement and accountability, which is now being implemented through a phased approach. The Scorecard is organized around 15 outcome areas that cover all dimensions of the new mission and provides a systematic framework to assess progress towards organizational goals, and to construct a more cohesive narrative of the WBG contribution. In addition, the WB recently introduced a Framework for Financial Incentives to incentivize IBRD clients to tackle global challenges with cross border impacts, and to offer IBRD shareholders ability to direct additional financing from their contributions for these.

Looking ahead

While having different governance frameworks and mandates, MDBs will continue advancing towards a shared understanding of impact.

Key deliverables

- **MDB impact evaluations and results frameworks.** MDBs will work more closely to identify opportunities to partner on impact evaluations of joint projects, exchange experiences around monitoring and evaluation, and pursue harmonization initiatives, where useful. Ongoing exchanges help bring clarity and consistency to complex technical issues and build incentives to proactively embed lessons into current and future projects. We will work towards: i) joint technical design and funding of impact evaluations for joint projects; and ii) operationalizing monitoring and evaluation practices related to the reporting framework metrics through the Managing for Development Results (MfDR) working group.
- **Stock-take of key performance indicators on nature and biodiversity.** MDBs will undertake a joint stock take of existing biodiversity KPIs to understand which are used for what purposes. There exists a multitude of indicators proposed and used by the financial, academic, conservation, climate, and public sectors on biodiversity; in addition, the Convention on Biological Diversity (CBD) is identifying indicators to track the Kunming Montreal Global Biodiversity Framework. Based on this initial stock take, we will continue to identify areas of commonality among frameworks to share

insights at COP 30, and explore the feasibility of alignment of some indicators, which would facilitate faster and easier development and interoperability of financings and financial products.

- **Identifying nature finance in MDB portfolios.** In line with MDB commitments in the [Joint Statement on Nature People and Planet](#), signed at UNFCCC COP 26, MDBs have developed Common Principles for Tracking Nature-Positive Finance. These [principles](#) were released at UNFCCC COP 28. MDBs are now working on a taxonomy and piloting implementation of the principles in 2024. Workshops will be held throughout 2024, including at CBD COP 16, where lessons learned and results from selected implementation pilots will be released.
- **Dialogue on principles to allocate MDB concessional finance and other incentives to make progress on regional and global challenges.** The availability of concessional financing is essential to tackle shared challenges, particularly those of a regional and global nature like climate, food insecurity, pandemics, fragility and cross border cooperation on water, forestry, among others. In this context, relevant MDBs will engage in a dialogue to share practices and lessons regarding concessional finance for sovereign operations to simultaneously address national development priorities and key regional and global challenges. This would be done in alignment with MDB respective mandates and governance frameworks.

III. Conclusion

Multilateral Development Banks recognize our collective duty to accelerate international efforts to eradicate poverty and hunger, reduce inequalities, tackle regional and global challenges including on climate and health, as well as boost inclusive socioeconomic development. As a group, we reaffirm our determination to deliver on our commitments and continue strengthening our collaboration for the benefit of poor and vulnerable countries, communities, and people.

We are thankful to the G20 for its partnership with MDBs. We aim for this Viewpoint Note to inform and strengthen the preparation of the '**G20 Roadmap for a better, bigger, and more effective MDB system**' under the G20 Brazilian Presidency in 2024.

Going forward, we stand ready to provide regular updates on progress by MDBs working as a system for impact and scale. This will facilitate the continuity of efforts as well as the effective implementation of reforms, shareholders' support, and alignment with clients' needs and demands.

We will continue improving how we work together as a system while further collaborating with our clients, shareholders, development partners, the United Nations, civil society, and other stakeholders.