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# Emerging Markets Forum

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### MDB Reform: Introduction and Questions

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# 1. Context for MDB reform

- ❑ Reform of MDB system is necessary for continued relevance and impact
  - ❑ Deepening geopolitical fissures
  - ❑ Fiscal and debt constraints post-COVID, in borrowing and non-borrowing countries, increasingly at odds with financing commitments
  - ❑ Shift in political sentiment in many countries towards “national first” agendas:
    - effective cuts in ODA, development policy as a tool of industrial and migration policy and geopolitics, bilateral rather than multilateral instincts
- ❑ But needs have not gone away: SDG gaps growing, and climate impacts increasingly obvious and costly – “deferred costs” are and will be higher

## 2. Key elements of MDB reform

- ❑ Expanded Mandate: GPGs
- ❑ Call for:
  - ❑ Bigger banks
  - ❑ Better & more effective banks
- ❑ Push for greater private capital mobilization
- ❑ What is missing or underplayed:
  - **Governance** incl. board and shareholding reforms
  - **MDB system-level reforms** v individual MDB optimization
  - Changes to **operating model**

# 3. Summary status of reforms

- ❑ Innovating balance sheets (hybrid, guarantees, securitization) – but lacking scale
- ❑ Some, limited capital injections (real net?) but only partly driven by system reform (EBRD, IDB Invest)
- ❑ Private mobilization efforts but insufficiently replicated across system nor extending to sovereign portfolio
- ❑ Timid steps to reform operating models (country platforms, harmonization of policies, upstream project pipeline development, programmatic approaches, originate-to-share, etc.), change skills mix, review footprint
- ❑ No progress on governance: from transparent capital metrics, to resident Board structures and seats, to voting shares

# 4. Is this enough & fast enough to make a difference?

- Current reforms - while needed- are not commensurate with required scale and speed
- Going forward need :
  - Vision and leadership: how large and central a role will MDBs play?
  - Governance on the table: lack of legitimacy undermines reform drive
  - MDB system-level reforms
  - Consistent updating of operating models of MDBs
- Sustained shareholder focus from borrowing and non-borrowing members
- Present political environment requires careful calibration of narratives and accountability (public value for money, finance for new global growth map, catalyze private capital for collective goals etc.)

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