ON *INCREASING AFFORDABLE AND LONG-TERM FINANCING: ROLE OF EFFECTIVE DEVELOPMENT COOPERATION*

Comments to Expert Group Meeting in Reaction to Chapter 4 of the 2023 ESSAP Survey

31 October 2023

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REFLECTIONS ON CHAPTER

- Debt sustainability assessments are excessively focused on the short-term
  - However, you need the right spending and stakeholder agreement – neither are a given or easy
- MDB $$$ is a necessary component of financing strategy to support SDGs/climate while maintaining sustainable debt
- Advantage in reforming as an MDB cohort -> big discussions ahead on callable capital and risk appetite
  - Large potential benefits, with room for more reform progress and greater collaboration
- Finally, we need to be honest about financing tensions
  - Expanding access/eligibility to concessional finance without increasing supply
  - Tackling multiple priorities leads to trade-offs
  - Need to get better at prioritization, identifying best investments, and matching financing type with use

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THE ROLE OF OPERATIONAL AND FINANCIAL INNOVATION IN BOOSTING MDB IMPACT

Presentation to Expert Group Meeting

31 October 2023

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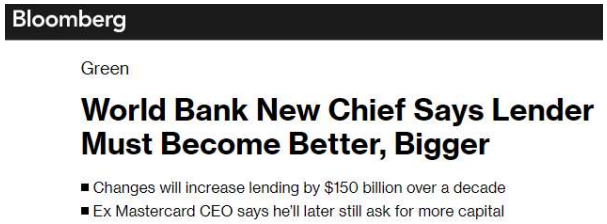
MDB REFORM IS THE CONFLUENCE OF URGENCY AND OPPORTUNITY

- Clear, large, and growing sustainable financing needs for development and climate -> climate resilient development
- Lot's of agreement on urgency of action (halftime for the SDGs) but missing agreement on the "how" on much of the actions
- MDBs as only part of solution but part where real reform is now seen as possible
- Palpable energy and opportunity for innovation that can scale
- Bigger and better banks


Bloomberg

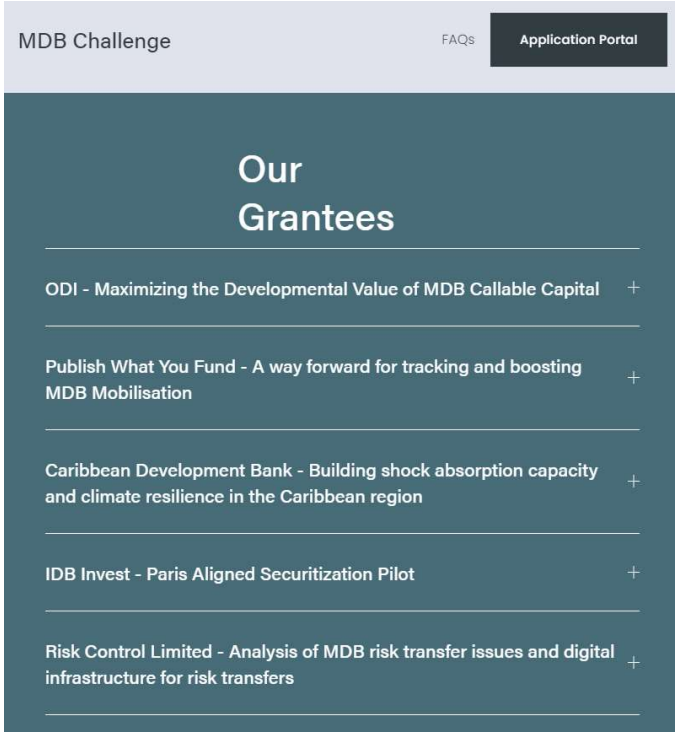
Green

World Bank New Chief Says Lender Must Become Better, Bigger

- Changes will increase lending by $150 billion over a decade
- Ex Mastercard CEO says he'll later still ask for more capital

FINANCIAL INNOVATION FOR *BIGGER* DEVELOPMENT BANKS

- Hybrid capital
- MDB Challenge Fund supporting 10+ projects on CAF reforms and financial innovations:
  - Callable capital
  - Concentration risk
  - Local currency lending risk
  - Asset securitization
  - Expanding use of guarantees



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OPERATIONAL REFORMS FOR *BETTER* DEVELOPMENT BANKS

- More financial firepower is meaningless if MDBs don't work well for clients…
  - Need pipeline -> improved opportunities to work with NDBs?
  - Better coordination and partnership within and across the system (e.g., FICS communique, MDB statement from Marrakesh)
  - Products that work for clients and include things like climate contingent clauses -> MDB commitments at Paris (e.g., CDB project)
  - Streamline and harmonize MBD requirements and safeguards
  - Value local expertise and provide responsive, targeted TA and advisory services
  - Better data and transparency on long-term impact (e.g., PWYF dashboard)
  - Target the right incentives -> disbursements, ROI, mobilization, impact?





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