



Thursday 18 May 2023

Multilateral development banks in the 21st century

ODI-LSE symposium and evening event

ODI (203 Blackfriars Road, London, SE1 8NJ) and LSE (Sheikh Zayed Theatre, New Academic Building, London, WC2A 3LJ) / online

Event description

Multilateral development banks (MDBs) play a unique role among development financiers, with their convening power, cross-country knowledge and expertise, and with finance at better terms than what capital markets can offer, leveraging on their balance sheets.

Nevertheless, there is a growing belief – particularly among borrowing countries – that the World Bank and major regional MDBs are too inflexible, bureaucratic and dominated by the political interests of wealthy non-borrowing shareholder countries.

MDBs operate across multiple territories, meaning they should – in theory – be well placed to deal with global crises. Yet in practice, the mandates, operational models and instruments of MDBs are no longer fit for purpose. It is high time that these deficiencies are addressed and resolved to ensure the MDB model is capable of confronting the major challenges of this century.

Ahead of June's Paris Finance summit, this symposium gathers researchers in academia and think tanks, representatives of government shareholders in both borrowing and non-borrowing countries, and MDB staff to present and discuss cutting-edge new research and proposals to inform the strategies, governance, operational models and instruments of MDBs.

Agenda (ODI symposium)

12:30-17:30 BST

ODI, 203 Blackfriars Road, London, SE1 8NJ / online

Please note that attendance for this session is strictly by invitation only.

12:30-13:00 – Light lunch for in-person participants

13:00-13:15 – Introduction to the symposium

Speakers:

- Rathin Roy – Managing Director, ODI
 - Professor Ken Shadlen – Professor of Development Studies, Department of International Development, LSE
 - Professor Elizabeth Robinson – Director, Grantham Research Institute on Climate Change and the Environment, LSE
 - Annalisa Prizzon – Principal Research Fellow, ODI
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13.15-14.30 – Session 1: Governance of multilateral development banks: what options for reform?

The major multilateral development banks (MDBs) were established in a global context that no longer exists. Geopolitical fault lines are shifting and emerging nations are rising in economic power and global ambition.

Despite the radical changes that have occurred between the Bretton Woods conference in 1944 and the present day, the governance of the major MDBs has adjusted very little. Shareholding distribution and voting rules have evolved, but not enough. Governance mechanisms – especially the interface between and the relative responsibilities of shareholder governments and management – appear increasingly outdated and inefficient.

This disjunction has far-reaching implications. In the face of increasingly urgent challenges, MDBs represent critical tools of coordination and cooperation in the international community. It is imperative that MDB governance dynamics and mechanisms be fit for purpose.

In this session, we will examine the key governance obstacles facing MDBs, evaluate the impact this is having on their ability to pursue their mandates, and consider different options for governance reform.

Moderator:

Rathin Roy – Managing Director, ODI

Speakers:

- Sir Suma Chakrabarti – Chair of the Board of Trustees, ODI and former President, the European Bank for Reconstruction and Development (EBRD)
 - Mandeep Bains – Research Associate, ODI and former Deputy Director of Corporate Strategy, EBRD
 - Chris Humphrey – Senior Research Associate, ODI
 - Nancy Birdsall – President Emeritus and Senior Fellow, Center for Global Development
 - Julie T. Katzman – former Executive Vice President and Chief Operating Officer of the Inter-American Development Bank
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14:30-15:30 – Session 2: MDBs and climate change: what changes to the mandate, operational models and instruments?

MDBs are major contributors to the \$100 billion international climate finance commitment, thanks to their ability to effectively leverage the capital provided by developed countries through preferential creditor treatment and backup from governments.

The banks have also taken other steps to coordinate national development and international climate goals. They have pledged to align their operations with the Paris Agreement on Climate Change and have aspirations to direct more financing towards projects that support climate change adaptation and mitigation. MDBs are taking advantage of their regional or global reach as they are well placed to address transboundary challenges and share learning in client countries. They also bring deep experience in implementing large, climate-relevant projects. Their staff are directly involved in project negotiation and design, and oversee project implementation.

However, MDB financing and operating models hinder them from being truly transformative in tackling the climate crisis. There are increasingly vocal, broad-based and high-level calls to reform the mission, operating models and incentives of MDBs. While the World Bank is reviewing its mandate, operations and instruments as part of its Evolution Roadmap, options for reform are relevant for regional development banks too.

In this session, we will explore what options for reform can enable MDBs to support low-carbon transition and climate risk mitigation in client countries.

Moderator:

Hans Peter Lankes – Visiting Senior Fellow, ODI and Visiting Professor in Practice, Grantham Research Institute, LSE

Speakers:

- Shanta Devarajan – Professor of the Practice of International Development, Georgetown University
 - Annalisa Prizzon – Principal Research Fellow, ODI
 - Kate Hampton – Chief Executive Officer, Children’s Investment Fund Foundation
 - Josué Tanaka – Visiting Professor in Practice, Grantham Research Institute, LSE and formerly Managing Director, Energy Efficiency and Climate Change, EBRD
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15:30-16:00 – Coffee break

16:00-17:15 – Session 3: How can MDBs better respond to borrowers’ needs?

MDBs are under increasing pressure to work their capital harder and boost their volumes of lending in the developing world. This is seen to be critical to make the necessary investments in sustainable development.

However, increased MDB lending capacity may not necessarily translate into greater volumes of lending. Scaling up investment in sustainable development requires lenders to be willing to lend more and borrowers to choose to take up the offer of increased finance.

Previous ODI work has shown that, although the overall MDB offer is highly valued, borrowers in developing countries face some frustrations in financing projects through MDBs. This may partly relate to the cost of financing. However, there are many other ‘softer’ features of the MDB lending model that contribute to borrower frustrations, including perceived long approval processes and a fragmented project-by-project approach.

In this session, we will discuss a number of options for reform and the potential solutions to increase the take-up of MDB lending in developing countries.

Moderator:

Kathryn Hochstetler – Professor of International Development, Head of Department, Department of International Development, LSE

Speakers:

- Ken Opalo – Assistant Professor, Georgetown University
- Ganeshan Wignaraja – Senior Research Associate, ODI
- Ruurd Brouwer – Chief Executive Officer, TCX
- Ishac Diwan – Director of Research, Finance for Development Lab, Paris School of Economics

- Mavis Owusu-Gyamfi – Executive Vice President, African Center for Economic Transformation
 - Yan Wang – Senior Academic Researcher, Global China Initiative, Boston University Global Development Policy Center
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17:15-17:30 – Wrap-up and close

Chair:

Annalisa Prizzon – Principal Research Fellow, ODI

17:30-18:30 – Transfer to LSE for workshop participants

Agenda (public event)

18:30-20:00 BST

LSE Sheikh Zayed Theatre, New Academic Building, 54 Lincoln's Inn Fields, London, WC2A 3LJ / online

18.30-20.00 – Multilateral development banks in the 21st century: what reforms for mandates, governance and financing?

Chair:

Professor Kathryn Hochstetler – Professor of International Development, Head of Department, Department of International Development, LSE

Moderator:

Henry Curr – Economics Editor, The Economist

Panellists:

- Sir Suma Chakrabarti – Chair of the Board of Trustees, ODI and former President, the European Bank for Reconstruction and Development (EBRD)
 - Baroness Nemat (Minouche) Shafik – President and Vice Chancellor, LSE
 - Lord Nicholas Stern – Chair of the Grantham Research Institute, LSE
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20:00 onwards – Evening reception
