

“Enhancing the role of MDBs in catalyzing private finance and investment”

An in-person side event to the World Bank Group/International Monetary Fund 2023 Spring Meetings by the Global Investors for Sustainable Development (GISD) Alliance and the Government of Sweden

Date: Friday, 14 April 2023

Time: 8:30 – 10:00 a.m.

Key messages:

- Partnerships between all actors – donors, the United Nations, multilateral development banks, and the private sector – need to be strengthened further. Consultations of key actors within these sectors (co-hosted by the United Nations and the World Bank) were proposed to advance the agenda. The GISD Alliance has developed recommendations for MDBs and DFIs on how to enhance private capital mobilization that can serve as the basis for further discussions.
- Participants identified several key areas for follow-up action by MDBs and the private sector to enhance private capital mobilization for the SDGs, including:
 - Risk-sharing instruments
 - Currency risk protection
 - Pipeline of projects
 - Access to quality data, e.g., for example by making the GEMs database publicly available
- A stable macroeconomic environment that promotes predictable exchange rates together with regulatory and policy reforms in countries are also important for increasing private finance and investment in developing countries.

Summary:

I. Welcome by Elizabeth Cousens, President and CEO, UN Foundation

Ms. Elizabeth Cousens welcomed all participants and guests to this side event to the World Bank Group/International Monetary Fund 2023 Spring Meetings co-hosted by the Global Investors for Sustainable Development (GISD) Alliance, the Government of Sweden, and the UN Foundation. She emphasized that the intersecting global crises have set development back decades in just a few years and stressed that this urgently needs to be reversed. Ms. Cousens noted the important opportunity for multilateral development banks (MDBs) to mobilize more private finance, as referenced in the Financing for Sustainable Development Report, and introduced GISD’s recommendations for MDBs.

II. Framing remarks by Amina Mohammed, Deputy Secretary-General, United Nations

The Deputy Secretary-General underscored that the General Assembly this year will be a stock take for the Sustainable Development Goals (SDGs), as we pass the halfway mark to the deadline of 2030. She expressed her thanks to the GISD Co-Chairs, Mr. José Viñals (Group Chairman, Standard Chartered) and Dr. Leila Fourie (CEO, Johannesburg Stock Exchange), for their leadership of the Alliance and for their efforts in bringing in the private sector to shape the ambition towards achieving the SDGs.

The Deputy Secretary-General noted that the challenges the world is facing has led to greater uncertainty and risks. She announced that the United Nations will release a report on the status of the SDGs later in April where it will be clear that the SDGs need a lifeline. The funding gap stands at over \$4 trillion and public finances are not alone able to close this gap. MDBs and development finance institutions (DFIs) will be at the core of this agenda.

The Deputy Secretary-General outlined the Secretary-General's SDG Stimulus and its three areas for action: 1) tackle the high cost of debt and rising risks of debt distress; 2) massively scale up affordable long-term financing for development; and 3) expand contingency financing to countries in need.

The Deputy Secretary-General highlighted three key points. First, she emphasized that MDBs can contribute to the SDG Stimulus both through concessional finance and by crowding in the private sector. Second, she underscored that official development assistance (ODA) is equal to 2016 levels for the poorest countries and blended finance is far below the contribution needed to close the SDG investment gap. She urged MDBs and the private sector to work together to develop instruments that channel investment to where it is most needed. Third, the Deputy Secretary-General highlighted that MDBs have a wealth of in-country knowledge that should be leveraged to develop strong country pipelines. The cost of project preparation is prohibitive for many developing countries where technical capacity is also limited. Deeper collaboration between MDBs, its shareholders and the private sector is needed.

The Deputy Secretary-General concluded by thanking the GISD Alliance for providing a private sector perspective to scaling up investments for the SDGs.

III. Framing remarks by Diana Janse, State Secretary for International Development Cooperation and Trade, Sweden

Ms. Diana Janse noted the concurrent crises of Russia's war on Ukraine, the climate crisis, increased debt distress, amongst others. She stressed that 'business as usual' is off the table. Only five developed countries have honoured their 0.7% commitment – Sweden being one of these – and called on others to step up. Yet, she recognized that development aid alone will not be sufficient in closing the financing gap. Ms. Janse identified rule of law as well as investment and structural reforms that foster private sector growth, innovation, and trade as essential for countries to move out of poverty. The areas of private sector development, job creation, and international trade are key areas of importance for the Swedish government.

Ms. Janse highlighted that the assets held under management by institutional investors have been growing massively and need to be leveraged for sustainable development. She called on all actors to strengthen partnership between the public and private spheres, including through investor-led initiatives such as the GISD Alliance. She stressed the importance of MDBs in closing the financing gap through its catalyzing effects. She stressed that now is the time to transform the concrete suggestions put forward by the GISD Alliance and other actors into real action and opportunities. She emphasized the role of partnership between countries, the UN, the private sector, and MDBs in accomplishing this.

IV. Panel discussion

The moderator, Ms. Gillian Tett (Chair of Editorial Board and Editor-at-Large, Financial Times), opened the panel discussion by illustrating the 'perfect storm' of crises the world is facing before opening the discussion. The main points are summarized below:

- Panelists agreed that - while there has been progress in mobilizing capital markets, including through IDA bonds - vastly more needs to be done for private capital mobilization. The investment community wants to be part of the solution to the challenge of scaling up investment for sustainable development - and client mandates and preferences have shifted towards sustainability - yet investors face challenges and risks that must first be mitigated. The private sector is new to emerging markets and is still learning to understand risk and to price it accordingly.
- To mitigate these risks, the investment community need better de-risking instruments, protection from currency risks, strong pipelines of projects, and access to databases like GEMs. In addition, for asset managers to be able to invest, the investment opportunities have to be pooled in order to be liquid and standardized at scale.
- Internally, short-term incentives (including annual reporting and remuneration) within the investment community will also need to be adapted to mobilize long-term investment for sustainable development.
- In addition, to increase private finance and investment in developing countries, a stable macroeconomic environment is needed together with policy reforms at the national level. These policy reforms need to enhance predictability – which private capital thrives on - including by strengthening the rule of law. In addition, policy reforms that create better regulatory incentive frameworks for private investment are needed.
- Donors including Sida contribute to unlocking finance and investment by supporting the investment and business environment in developing countries through capacity building and fostering transparency. Panelists agreed that the SDGs will not be achieved simply through ODA. Sida started the Swedish Investors for Sustainable Development (SISD) in 2016 before working together with UN DESA to form the GISD Alliance. Moreover, Sida works with guarantee instruments and the wider private sector, but recognizes that guarantees are only one part of the solution and MDBs are needed to catalyze finance and investment at scale. The World Bank is central to these efforts.
- Panelists stressed that new models of partnership are required. The different actors present today – bilateral donors, MDBs, and investors - rarely meet all together. Consultations of key actors within these sectors (co-hosted by the United Nations and the World Bank) were proposed to advance the agenda.
- Panelists also encouraged an enhanced role for the wider multilateral system (alongside MDBs) in mobilizing private finance and investment, including DFIs and the United Nations through the GISD Alliance and agencies with in-country teams and data including UNDP and IFAD.