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# Reimagining the Role of Multilateral Development Banks



July 2021

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## Extracting more from the MDB system

Many governments are aligned on the need for a sustainable global recovery in the short-term. There is also widespread consensus that the world needs to rapidly scale up investment in infrastructure and human capital to fulfill the Paris Agreement and achieve the Sustainable Development Goals.

The question is how to achieve both of these simultaneously at a time of high levels of indebtedness, low levels of trust and an inward focus among large donors.

Doing so will require an immediate burst of revitalized multilateralism and creativity. The current international financial architecture, with multilateral development banks at its core, provides a ready engine to propel us forward. But only if we can inject a new sense of purpose and urgency into these institutions and empower them to act more nimbly and invest more boldly.

The MDBs, particularly the World Bank, were designed from the outset to seize historic moments and provide financial support commensurate with the scale of global challenges.

Despite the massive financing gaps for pandemic response, climate and other global challenges, MDBs have not sufficiently scaled up their investments. In practice, these institutions are focused on protecting their capital base and achieving long-term sustainability. That model needs to be revisited to meet the moment and the financing needs of the next decade.

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## Overcoming political misalignment

There is no consensus among shareholders around the path forward. Nor is the political energy or momentum in place right now to implement an ambitious reform agenda.

As the world continues its uneven recovery from the biggest crisis in generations, and as it seeks to thwart a deepening climate crisis, the time is ripe for a new approach.

Specifically, the MDBs need increased financial firepower through an expansion of their balance sheets and a stronger orientation around promoting sustainable development and achieving the goals of the Paris Climate Agreement. Their shareholders must throw their weight behind these reforms.

In this Roadmap, we set out a near-term practical reform agenda for MDB shareholders to consider, focusing on the role MDBs can play in addressing global challenges. But the agenda we set forth here will not succeed without the political vision, commitment, and prioritization of G20 leaders.

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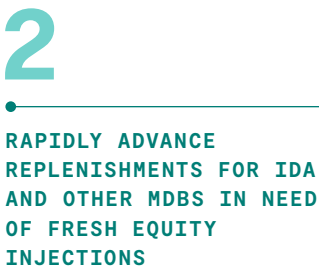
## A reform agenda for 2021

There is an opportunity for G20 leaders to come together around a more profound reform agenda, and to present a crystal clear mandate to the international financial institutions that renews and reinvigorates their purpose.

We are calling on G20 Finance Ministers to:



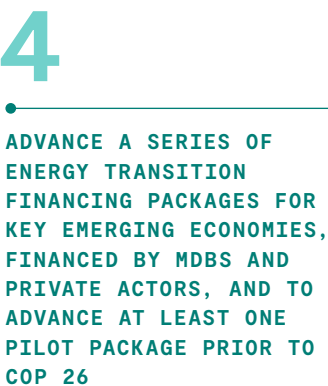
**AGREE ON A CLEAR NEW MANDATE FOR MDBS BASED AROUND THE SDGS AND PARIS-ALIGNMENT**



**RAPIDLY ADVANCE REPLENISHMENTS FOR IDA AND OTHER MDBS IN NEED OF FRESH EQUITY INJECTIONS**



**COMMISSION AN INDEPENDENT CAPITAL ADEQUACY REVIEW OF MDBS IN PARTNERSHIP WITH THESE INSTITUTIONS, WITH A VIEW TO BETTER ALIGNING POLICIES WITH THEIR EXTRAORDINARILY STRONG FINANCIAL TRACK RECORDS**



**ADVANCE A SERIES OF ENERGY TRANSITION FINANCING PACKAGES FOR KEY EMERGING ECONOMIES, FINANCED BY MDBS AND PRIVATE ACTORS, AND TO ADVANCE AT LEAST ONE PILOT PACKAGE PRIOR TO COP 26**

This is not an exhaustive list of reforms, but rather a place for shareholders to start. These are short-term priorities that can be set in motion this year, focused on areas that can garner political support.

Finally, we reiterate our call to G20 Finance Ministers to accelerate the issuance of US \$650 billion in Special Drawing Rights (SDRs) by the International Monetary Fund in August, and to secure the reallocation of at least US \$100 billion of these newly allocated SDRs from advanced to low-income countries for Covid-19 recovery. We encourage the G20 to set a navigable pathway towards funding equitable access to vaccines and ending the pandemic in all countries by the end of 2022, underpinned by the reallocated SDRs. Achieving these successes will prove the worth of multilateralism and rebuild faith in international cooperation.

## Background to this report

This report represents the third iteration of a Roadmap series published by The Rockefeller Foundation this year. Our purpose is to identify and prioritize practical steps that can be taken by G20 leaders in coming months to advance three critical area of reform needed to end the pandemic and to set in motion an equitable and green recovery.

**1. The issuance, reallocation, and leveraging of Special Drawing Rights (SDRs) by the International Monetary Fund to provide additional liquidity and ensure equitable global access to vaccines**

**2. Unleashing the full lending power of the World Bank and other multilateral development banks for a recovery based on the Sustainable Development Goals and the Paris Climate Agreement**

**3. Leveraging private capital at scale through new, innovative investment vehicles and platforms to complement public investment**

In the first and second iteration of this series, we focused on Goal 1, given the urgent need to end the pandemic by ensuring equitable global access to vaccines. In this report, we have focused on Goal 2, while the final report in this series in October will focus on Goal 3.