

2022 Financing for Development Forum

Side Event: Enhancing MDBs as catalyzers of private finance

Wednesday, 27 April, 8 am to 9 am (EST)

Developing countries are unable to finance the SDGs as there are insufficient domestic and international financial resources available at affordable rates and domestic resource mobilization suffered a sharp blunt with the pandemic. Before the pandemic, there was a \$2.5 trillion gap for financing the SDGs per annum, and the OECD estimates that the gap increased by \$1.7 trillion due to the crisis. Moreover, rising public debt and debt servicing costs, particularly in the poorest countries, are putting SDG financing levels under increasing pressure.

The Multilateral Development Banks (MDB) are crucial in helping developing countries deliver the SDGs by providing concessional and non-concessional stable long-term finance. Nevertheless, the needs for sustainable finance are greater than the capital that these institutions hold. Therefore, partnerships with the private sector are essential to help bridge the gap. As recognized by the Addis Ababa Action Agenda, blended finance instruments that combine public and private resources serve to lower investment-specific risks and incentivize additional private sector finance across crucial development sectors led by regional, national, and subnational government policies and priorities for sustainable development.

To find a way forward, the 30 members of the Global Investors for Sustainable Development (GISD) Alliance are engaging with development banks and the global development community to identify ways to increase private finance flows towards achieving the SDGs, including considering ways in which blended finance solutions can scale up and speed up private finance and investment into sustainable development. These solutions should be seen as part of a range of collaborative investment strategies and approaches between the public and private sectors that will be needed to comprehensively address the SDG financing needs.

The first outcome of this engagement is a report prepared by the GISD Alliance with 8 recommended actions to enhance the ability of MDBs to act as catalysts of private finance titled "[Increasing private finance mobilization: Recommendations for development banks and the global development community](#)". These recommendations are:

	Recommendation
1	Development Community (e.g., OECD DAC members) strategy to increase SDG investment in all developing countries by prioritizing and budgeting development finance that mobilizes private finance in appropriate areas
2	MDBs and DFIs: Amend governance and business model to increase private finance mobilization and financial additionality
3	Support mobilization and blended finance activities that will mobilize private finance at scale
4	Collaborate to allocate limited catalytic and/or concessional funds to most effective mobilization proposals
5	Standardize blended finance structures and investment assets produced by mobilization and blended finance activities
6	Align investment assets to investment mandates of high interest to private investors



7	Increase investor access to investment assets derived by blended finance and development finance
8	Aggregate and fund best data/information to support cross-border investment to countries and asset classes unfamiliar with investors (e.g., GEMS database)

During this session, representatives from the GISD Alliance, MDB leadership, and other key stakeholders will have the opportunity to discuss these recommendations and debate the following questions:

1. What are key obstacles towards the more effective mobilization of private investment by MDBs?
2. How can blended finance solutions be utilized more effectively to scale up private investment in developing countries, including countries in special situations?
3. What are the most urgent reforms that development banks need to do to their business model and/or corporate governance to become more effective partners to the private sector?
4. How can the private sector help governments develop a pipeline of bankable projects?

Proposed format:

- Welcome remarks to frame the discussion focusing on the importance of the catalytic private finance – **5 minutes**
- Presentation by GISD Alliance representatives about the recommendations put forward in the Report – **5 minutes**
- Panel discussion with GISD Alliance representatives and stakeholders of development banks to debate and answer the questions identified above – **40 minutes**
- Q&A with the audience – **10 minutes**