Multilateral Development Banks vision statement

At a time of historic challenges in the fight against poverty and inequalities, reduced growth and increased debt levels, resurgence of conflicts and overlapping crises, including climate change, biodiversity loss, pandemics, fragility, we, Leaders (list in annex) gathered in Paris on 23 June 2023, in the presence of international organisations (list in annex), the European Commission and the European Council, to support a new global financial compact to address the challenges of today and tomorrow in a spirit of cooperation and solidarity.

With these challenges in mind, we share a common vision for the multilateral development banks (MDBs), within their respective mandate, based on the Sustainable Development Goals (SDGs) and reflecting the Paris Agreement for climate. We believe that the fight against poverty, the promotion of shared prosperity and our commitments to better address global challenges (e.g., climate and biodiversity, pandemic preparedness, fragility) are mutually reinforcing.

We call upon MDBs to continue to play a key role to promote just transitions and foster sustainable development at the global level through increased financing, policy advice and technical assistance for the benefit of developing countries, particularly least developed and most vulnerable countries. In this regard, we commend progress that has already been achieved:

1. **We strongly support the call to action from Shareholders during the International Monetary Fund/World Bank Group Annual meetings in October 2022 to launch the initiative to evolve the MDBs**. We welcome the work of the World Bank Group to review its mission and vision and update its operating model and financial capacity, to end extreme poverty, boost shared prosperity, address global challenges and achieve the SDGs. **We expect MDBs to step up to this common ambition within their mandates.** It will be critical to sustain momentum for further reforms if we are to achieve transformational change. We appreciate other multilateral efforts that support MDB evolution and look forward to receiving the Report of the G20 Expert Group on Strengthening MDBs under the G20 Indian Presidency in 2023.

2. **We congratulate the G20 and MDBs for their work during the initial phase of implementation of the G20 Capital Adequacy Framework** (CAF) report's recommendations, launched under the G20 Italian Presidency then carried on by the Indonesian and Indian Presidencies, aiming at freeing up additional financing capacity. As a first step, we welcome the package adopted by the World Bank at the Spring meetings, which should increase International Bank for Reconstruction and Development (IBRD) lending capacity by $50 bn over the next ten years. We also welcome the important progress made by the regional development banks that will allow a strong increase of their own financing. We also commend the AfDB, AsDB, AIIB, EBRD, EIB, IDB and WBG for their leadership in advancing innovative solutions such as the exchange of sovereign exposures and successful alleviation of portfolio concentration and their ongoing work on the statutory limits of several banks. We look forward to continued implementation of the G20 CAF report's recommendations.

3. **We commend MDBs' commitments regarding Paris Agreement Alignment and the increasing ambition of MDBs regarding climate finance for both mitigation and adaptation**. We welcome the public disclosure by the MDBs of the joint MDB Methodological Principles for assessment of Paris Agreement Alignment of New Operations on the occasion of the Summit. We look forward the full alignment of MDBs with the Paris Agreement as soon as possible.

To continue to evolve and meet 21st century challenges, almost 80 years after the Bretton Woods conference, MDBs should, through their respective Boards, aim to implement the following set of principles, to make the most of resources of the international financial system:

1. **Adopt new ways of working together**
   a. Call on MDBs to work as a system, also in cooperation with regional and national development banks as well as UN agencies and philanthropies, forming the heart of a wider global financial architecture, based on comparative advantages, supported by civil society. We also call on better articulating MDBs' work with the IMF within their respective mandate, in particular in the context of the Resilience and Sustainability Trust (RST) financed arrangements and in line with the G20 recommendations for the use of policy-based lending. MDBs should aim to support public and private investments in climate and nature-based solutions, and connecting them to development strategies of member countries, including through technical assistance and capacity building.

   b. Deepen cooperation among and between MDBs and concessional windows and thematic funds to improve co-financing, facilitate countries' ease of access to financing, streamline internal procedures, and achieve better leverage for LICs, MICs and Small Island Developing States. Greater efforts should be made to optimise the climate finance architecture and we would support an independent review looking at this issue.

2. **Activate all operating and financial optimization levers**:

   a. Give an additional push to the Capital Adequacy Framework Review agenda guided by the G20 roadmap on the implementation of the recommendations of the Capital Adequacy Framework with both short-term measures and a medium-term agenda, aiming to optimise the use of capital by MDBs and encourage them to pursue innovative measures. This should include exploring incorporating a prudent share of callable capital into MDB capital adequacy frameworks, diversifying their sources of funding (including by exploring issuance of hybrid capital), establishing innovative guarantee mechanisms, and providing enhanced data (from the Global Emerging Markets Risk Database Consortium or GEMs) to Credit Rating Agencies (CRAs) and private investors to enable better understanding of MDBs' specific business models in their credit rating assessment models. Enhanced dialogue between MDBs and the CRAs could help refine CRA methodology to better account for MDBs strengths and attributes and for MDBs to reflect on their approach to risk. In addition, access to, and upgrading of GEMs data, giving a clear picture of credit risk, should also help enable additional international and local private investment for developing countries. We look forward to further progress up to the G20 Leaders' Summit.

   b. Following the implementation of all appropriate CAF recommendations to make the most efficient use of existing resources, capital increases for some MDBs, with its leverage effect too, could be considered The Board of each MDB will be best placed to determine if and when new capital injections are needed in addition to these measures.

3. **Focus multilateral finance on leveraging new instruments:**

   a. We support exploring viable options for enabling the voluntary channelling of Special Drawing Rights (SDRs) through MDBs, including the innovative mechanism designed by the AfDB and IDB, while respecting relevant legal frameworks and the need to preserve the reserve assets character and status of SDRs. We call on governments able to do so to work on further SDR rechannelling mechanisms;

b. We support the additional mobilization of resources at scale through private sector finance, including by expanding the use of innovative risk-sharing tools and platforms with a strong leverage effect, offering sounds policy and regulatory advice, providing project preparation, and improving execution capacity. We call on MDBs and PDBs to work to improve the business environment and domestic resource mobilisation at country level, including through the G20 Compact with Africa, and to develop relevant and harmonized metrics for private capital mobilization and set quantified targets that reflect their ambition, while also establishing incentives for staff to mobilise international and local private capital. Blended finance instruments should be made more efficient and strengthened. We look forward to the International Development Association's Private Sector Window examination during the Mid-Term Review. We call for an enhanced use of MIGA's insurance toolkit in coordination with the other risk sharing instruments in order to maximize their impacts.

4. **Use concessional and low-cost finance where additionality and impact are greatest:**

   a. Preserve the focus of concessional finance on Low Income Countries (LICs). MDBs should keep focusing their concessional resources on LICs, in light of the recent increase in extreme poverty and of the high challenges that they face with limited resources.

   b. Ensure an adequate level of concessional resources in development operations. The 2023 IDA mid-term review should aim to make sure that IDA can continue to adequately support eligible countries in FY 2024 and 2025 and over the medium-term. We support an ambitious IDA 21 replenishment next year as well as other replenishments of concessional windows and thematic funds such as the Green Climate Fund and the International Fund for Agricultural Development. We also support the first step taken to open the possibility for the African Development Fund to leverage donors' contributions by accessing the market, when conditions will allow it, to provide much needed affordable resources to Low-income countries.

   c. Explore eligibility to concessional finance for the most vulnerable countries with a multidimensional approach to vulnerability, encompassing economic, environmental and social dimensions. To facilitate cooperation, MDBs could explore a common definition of vulnerability, taking into account the United Nations workstream in that regard, and could develop common guidelines for the targeted use of concessional finance to address vulnerabilities.

   d. We call on MDBs to develop and present frameworks defining the potential cases for use of concessional and low-cost finance and non-financial instruments for addressing global challenges not at the expense of concessional finance for LICs. These frameworks should cover all possible incentives (loan volume and tenor, grant element, non-financial incentives), and be based on clear criteria and methodology for maximum impact of limited concessional resources, and help mobilize other PDBs and private finance.

5. **Better integrate nature into the MDBs activities** to drive delivery of the SDGs, Paris Agreement and Kunming-Montreal Global Biodiversity Framework in concert. Following COP 15 in Montreal, the Paris Summit is an opportunity for MDBs to report progress on their commitments to **further develop their work (strategy, methodology, finance) on biodiversity in the coming years.** We call on MDBs to align their portfolios with goals and targets of the Global Biodiversity Framework while avoiding the overlap and duplication of activities with the new Global Biodiversity Framework Fund and the existing concessional windows and thematic funds.

6. **Enhance MDBs' tools for climate and disaster risk finance and insurance mechanisms**. We encourage MDBs to consider the inclusion of climate resilient debt clauses in their lending instruments and to scale up and facilitate contingent emergency component clauses, contingent lending arrangements, pre-arranged financings, guarantees and other partnerships insurance tool while respecting sound banking principles.

7. **Support countries to devise their paths to sustainable development and green transition, with a strong focus on capacity building, policy dialogue, reforms and underlying analytics**. MDBs should be more coordinated and should enhance the way they accompany and support developing countries and their financial institutions in the elaboration of their Long-Term Strategies or their resilience policies. They should keep strengthening and sharing the result of their analytical products, such as the World Bank's Country Climate and Development Reports (CCDRs), and incorporate this analytical work into their country-level engagement and policy-based lending. They must share their long-standing expertise and become a reference in terms of methodologies. To do this, they must strengthen their cooperation and avoid methodological divergences, so that tools are clear and useful for client countries.

1. List of countries supporting the statement:

Australia, Austria, Barbados, Belgium, Bulgaria, Canada, Chad, Comoros, Cook Islands, Costa Rica, Croatia, Czech Republic, Cyprus, Denmark, Djibouti, Estonia, Ethiopia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Ivory Coast, Japan, Latvia, Lithuania, Luxembourg, Malta, Moldova, Monaco, Netherlands, New Zealand, Norway, Palau, Portugal, Republic of Korea, Poland, Romania, Saint Kitts and Nevis, Senegal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States of America, Vanuatu, Viet Nam.

2. In the presence of:

African Development Bank Group, African Union, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, Council of Europe Development Bank, European Investment Bank, Interamerican Development Bank, International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations, World Bank Group.