

Multilateral Development Banks (MDBs)

MDBs are institutions that provide financial support and professional advice for economic and social development activities in developing countries. The term Multilateral Development Banks (MDBs) typically refers to the World Bank Group and four *Regional Development Banks*:

- **The African Development Bank (AfDB)**
- The Asian Development Bank (ADB)
- The European Bank for Reconstruction and Development (EBRD)
- The Inter-American Development Bank Group (IADB)

The World Bank Group

- The World Bank Group is owned by 187 member countries
 It is made up of two development institutions the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)
- The IBRD focuses on middle income and creditworthy poor countries, while IDA focuses on the poorest countries in the world.
- They provide low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.
- The International Finance Corporation (IFC) is also a member of the Group. It provides investments and advisory services to build the private sector in developing countries

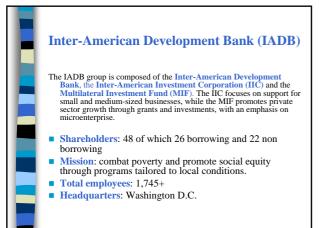


Asian Development Bank

Shareholders: 67 members, of which 48 from the region and 19 from other parts of the globe.

- Mission: to help its developing member countries reduce poverty and improve the quality of life of their people
- **Total employees**: 2,500+
- Headquarters: Manila

Although most lending is in the public sector - and to governments - ADB also provides direct assistance to private enterprises of developing countries through equity investments, guarantees, and loans





• Headquarters: London

What do MDBs do?

The MDBs provide financing for development through the following:

- Long-term loans, based on market interest. For funding these loans the MDBs borrow on the international capital markets and re-lend to borrowing governments in developing countries.
- Very long-term loans (often termed credits), with interest well below market interest. These are funded through direct contributions for governments in donor countries.
- Grant financing is also offered by some MDBs, mostly for technical assistance, advisory services or project preparation.

MDB Response to the Financial Crisis

While the IMF is the focal point for the response to the systemic liquidity threat, the MDBs play a critical complementary role in limiting the spread and the impact of the crisis by:

- Financing for fiscal measures targeted towards maintenance of jobs and social protection of the poor
- Closing gaps and mitigating rollover risks in project financing, including infrastructure directly and by crowding in private and other official financing
- Catalyzing trade financing
- Supporting financial systems and credit flows to private sector and SMEs



How MDBs have responded to the crisis

- Acceleration and expansion of lending
- Streamlined facilities made available
- Increased flexibility to meet the varying needs of emerging markets and developing countries
- Provided much larger *scale* of financing than anytime in their history: they are on track to deliver the promised \$100 billion in additional lending.

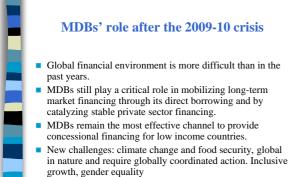
MDB lending 2008-2010

	Lending 2008 Bil \$	Lending 2009 Bil \$	Lending 2010 Bil \$
ADB	9.8	13.2	11.4
AfDB	5.4	12.6	6.3
IADB	11.2	15.5	12.4
World Bank	24.7	46.9	58.7
EBRD	5.1	7.9	9
EDRU	5.1	1.5	3

MDBs recapitalization 2009-10

	increase	(\$ billion)	(\$ billion)
Asian Development Bank	200%	165	55
African Development Bank	200%	100	34
Inter-american Development Bank	70%	170	100
World Bank	45%	276	190
EBRD (euro)	50%	30	20





What's next?

- Need for a clear and shared vision and strategy on the role of the MDBs
- Strengthen and reform the global development architecture for responding to the world's long-term challenges. Increase coordination with other bilateral and multilateral institutions.
- Key to learn lessons from the crisis. This includes: promote greater use of guarantees to provide insurance and catalyze private financing, simplify lending requirements, shift from an excessive focus on ex-ante safeguards and conditionality to country systems and expost evaluation...