

# Multilateral Development Finance in the COVID-19 era and beyond: perspectives from around the world

## *Highlights*

### **Background:**

Coinciding with the launch of the [Multilateral Development Finance 2020](#) report, the OECD organised a series of virtual events on multilateral development finance between October 26<sup>th</sup> and November 2<sup>nd</sup>. The events, which gathered experts and practitioners from academia, policy and research institutes, multilateral organisations and development agencies, offered a unique platform for open dialogue on the role played by multilateral organisations in the COVID-19 crisis, as well as the challenges and potential reform areas of the multilateral development system.

Six events were hosted and live streamed by partner organisations, following the kick-off by the OECD Secretary-General, M. Angel Gurría, and the Director of the OECD Development Co-operation Directorate, M. Jorge Moreira da Silva. The recordings of all six events are now available on the [Multilateral Development Finance 2020](#) webpage.

In brief, the virtual talks on multilateral development finance amounted to **10** hours of discussion on multilateral development finance with presentations from experts based across **14** countries. The discussions gathered more than **500** participants, and the recorded videos counted more than **3500** views as of November 9<sup>th</sup>, just one week after the last event of the series.

### **ASIA**

#### **[COVID-19 Pandemic: Could International Development Finance Rise to the Challenge?](#)**

Host organisation: Center for Policy Dialogue (CPD, Dhaka)

Partner organisations: South Asia Watch on Trade, Economics and Environment (SWATEE, Kathmandu), Research and Information System for Developing Countries (RISDC, New Delhi), Sustainable Development Policy Institute (SDPI, Islamabad), and Institute of Policy Studies (IPS, Colombo)

Although the share of official development finance (ODF) in the financing mix of South Asian countries has been declining in recent years, multilateral aid played a critical and timely role in the immediate response to the crisis. Speakers and discussants highlighted the role played by regional development banks, such as the Asian Development Bank (ADB), and described some comparative advantages of multilateral organisations vis-à-vis bilateral development partners, such as their impartiality and global reach. They also discussed specific areas for improvement of the multilateral development system, such as the need to better take into consideration the absorptive capacity of partner countries and to reflect on the implications of the rise in non-concessional finance, for example in terms of debt sustainability.

#### **[Making Global Finance Work for All – Reforming the Global Development Architecture](#)**

Host organisation: Asian Infrastructure Investment Bank (AIIB, Beijing)

Partner organisations: London School of Economics (LSE, London) and Centre for Economic and Policy Research (CEPR, London)

This panel discussion examined how the multilateral development system has stood up to the test of the COVID-19 pandemic, and what the current context implies for recent and future efforts to reform the global development architecture. Speakers highlighted the key role played by multilateral development banks (MDBs) to help countries mobilise domestic resources and tap into capital markets. They also reflected on the need to increase the scale of multilateral finance and align the

focus of multilateral operations with shifting development priorities, as illustrated by AIIB's progressive shift towards social infrastructure and digital economy investments in recent years. The panellists also discussed the challenges posed by the fragmentation of the multilateral development system: while the proliferation of multilateral agencies may generate healthy competition in good times, bad times require trust and multilateral co-operation (e.g. for debt restructuring) – something that may be difficult to attain in the current geopolitical context.

## EUROPE

### [Financing the UN Development System: Embracing change](#)

Host organisations: German Development Institute (DIE, Bonn) and Dag Hammarskjöld Foundation (DHF, Uppsala)

Partner organisation: United Nations Multi-Partner Trust Fund Office (UN MPTFO, New York)

The COVID-19 pandemic has shown that multilateral development co-operation is indispensable to address global challenges. Speakers and discussants emphasized the need to ensure that the system is equipped to respond to such challenges. Beyond volume, the overall quality of funding is key, and it is thus necessary to analyse the variety of funding modalities used by donors. Recent trends in funding to the United Nations Development System (UNDS) show a growing use of earmarked contributions, although the growth in earmarked funding seems mainly driven by an increase of flexible and pooled earmarking rather than project-type and single-donor earmarking. There are various drivers for earmarking (including institutional drivers on donors' side), but there is a broad recognition that excessive use of earmarked funding is harmful to the system, especially because it risks undermining the normative functions of the UN. Speakers declared that the OECD Multilateral Development Finance 2020 report constitutes a strong contribution to the debate on multilateral aid. They called on the OECD DAC to support ongoing reform efforts by continuing to provide evidence-based analysis and peer learning on multilateral development finance, and to ensure that DAC members who have signed on to the UN Funding Compact push in the same direction.

### [Weathering the storm: What role for multilateral development finance in response to the COVID-19 crisis](#)

Host organisation: European Think Tanks Group (ETTG, Brussels)

Partner organisations: Overseas Development Institute (ODI, London), Institute for Sustainable Development and International Relations (IDDRI, Paris), German Development Institute (DIE, Bonn), European Centre for Development Policy Management (ECDPM, Brussels), and Institute of International Affairs (IAI, Roma)

The speakers discussed the important role that multilateral development finance can play in the current crisis, emphasizing that multilateral development banks (MDBs) are well equipped to deal with such global challenges, and can be particularly useful to leverage private finance. The double challenge ahead for MDBs is to do more in terms of volume, but also in terms of sustainability. This will require greater risk capacity to increase the scale and volume of their operations, and ensuring that their lending contributes to a green recovery. Given that fiscal pressures constrain the scope for action for bilateral aid, it is important for bilateral donors to leverage their contributions to MDBs. In the context of the COVID-19 crisis, particular attention should be paid to the resource allocation of MDBs' response, and to the quality of their lending. Beyond financing, MDBs play a key role through policy advice, an activity that requires presence.

## AFRICA

## [Zambia's Socioeconomic and Growth Challenges: What role can Multilateral Development Finance play?](#)

Host organisation: Zambia Institute for Policy Analysis and Research (ZIPAR, Lusaka)

The presentations discussed the critical role played by multilateral development finance in Zambia's transition context. After attaining lower-middle income country (LMIC) status in 2011, the country started experiencing macroeconomic challenges, recently exacerbated by the COVID-19 crisis. Nowadays, debt sustainability issues constrain the country's ability to access multilateral finance. Multilateral development finance could be a key driver for growth in Zambia if it focuses on addressing the country's longstanding development challenges, such as improving the productivity of the agriculture sector, supporting regulatory reform, and supporting the development of alternative energy sources and tourism-related infrastructure. The COVID-19 crisis has demonstrated the importance of investing in social protection. Although several multilateral agencies already provided some support before the COVID-19 crisis (e.g. FAO, UNICEF, UNUWIDER and ILO), this is an area where multilateral development finance is expected to make a more substantial contribution in coming years.

### **AMERICA**

## [Multilateral Development Finance in the Era of COVID-19: A New Report from the OECD](#)

Host organisation: Center for Global Development (CGD, Washington DC)

The discussants reflected on the OECD Multilateral Development Finance 2020 report's call to strengthen and reform the multilateral development system. They highlighted the need to take into consideration the current financing context – characterised by rising debt concerns and bleak prospects for private finance and bilateral aid – to address the current limitations of the system. They acknowledged the risk posed by “à la carte” multilateralism and the need to identify critical issues where stakeholders can agree on common objectives and collective action. The global health sector provides an illustration for current challenges faced by the multilateral development system. For example, the proliferation of multilateral actors in global health has brought about a fragmentation of the system, while intense competition for resources among multilateral channels leads to a funding vulnerability of some organisations, such as the World Health Organisation.