

**Scaling up Finance for the SDGs:
Experimenting with Models of Multilateral
Development Banking**

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Key Points

- *Little additional aid promised for SDGs*
- *MDBs: important tools for leveraging private capital for development, but lending capacity limited*
- *Established MDBs finding new ways to expand lending and leverage more*
- *NDBs leverage more and MDBs can learn from them*
- *Balance of power changing: advanced countries have to do more to remain relevant*

Context

SDGs

Little has been promised in the AAAA in terms of additional resources for the SDGs

Private Capital

The world economy awash with private financial resources

MDBs

Tool for leveraging private capital for infrastructure and other development projects

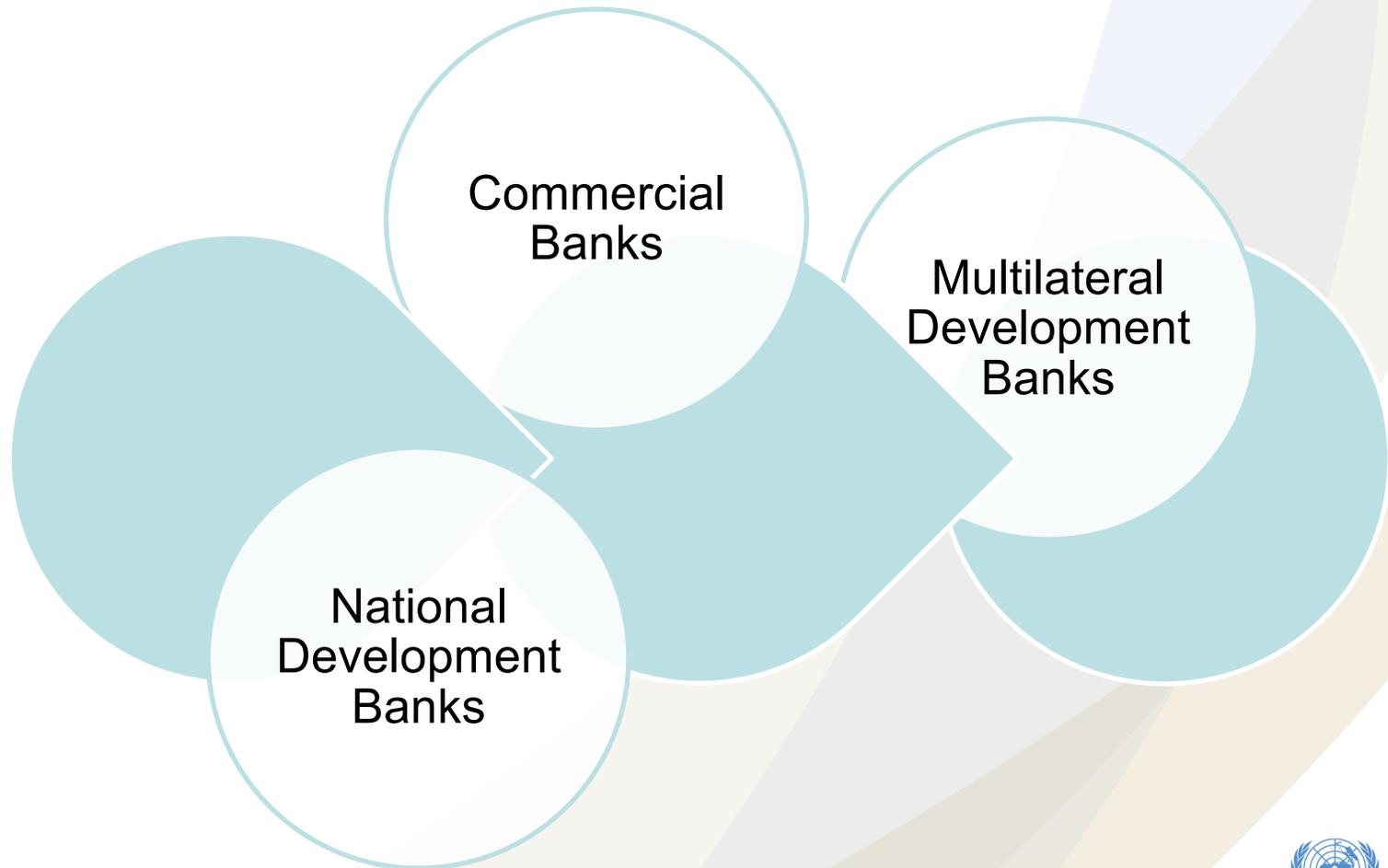
Infrastructure related SDGs

- *Goal 9: building resilient infrastructure, promoting industrialization and fostering innovation*
- *Goal 6: availability and sustainable management water and sanitation for all*
- *Goal 7: affordable and clean energy*
- *Goal 11: making cities inclusive, resilient and sustainable*

Development Banks Primary providers of long-term financing:

- ❑ *Clear mandate to support developmentally oriented projects*
- ❑ *Funding base: liabilities predominantly long term*
- ❑ *Capital owned by highly rated sovereigns allowing them to borrow at lower costs*
- ❑ *In-house expertise allowing them to take decisions in terms of technology, scale, location*
- ❑ *Play a catalytic role partnering with other players in co-financing*

What is the issue? (I)



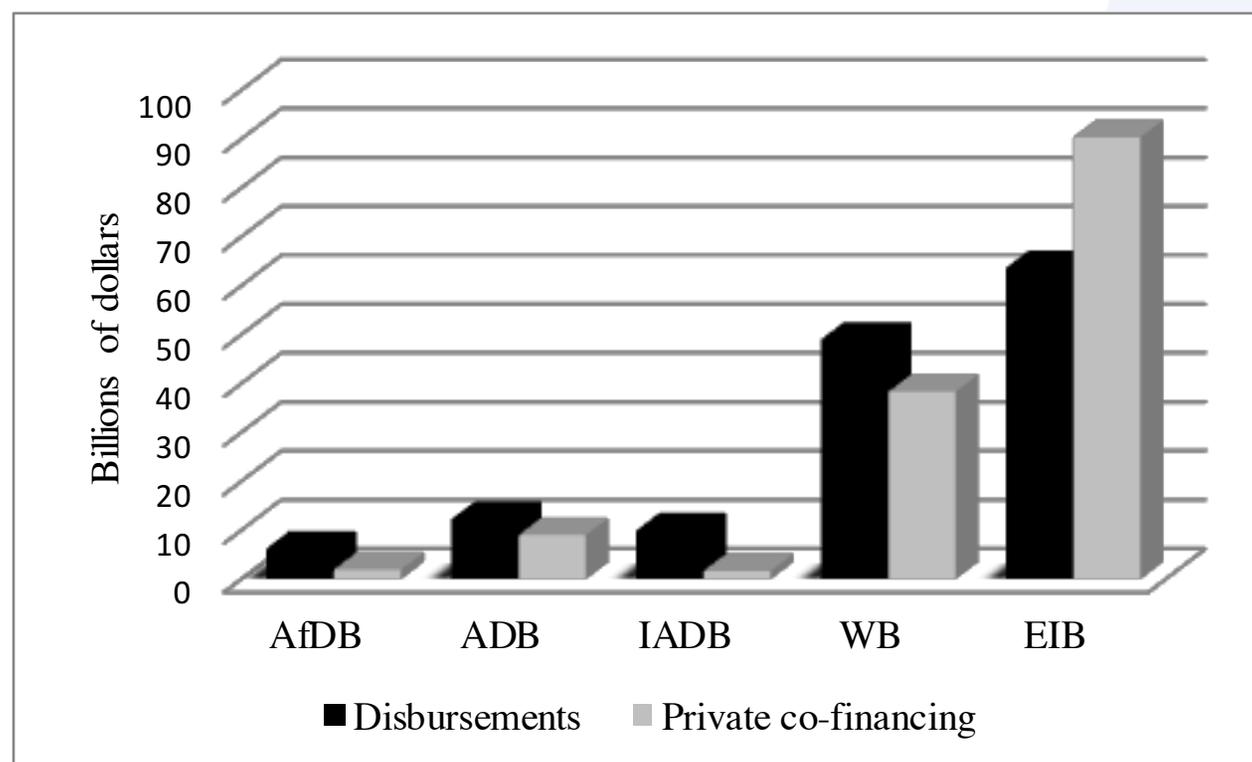
What is the issue? (II)

Ability to tap into international markets depends on:

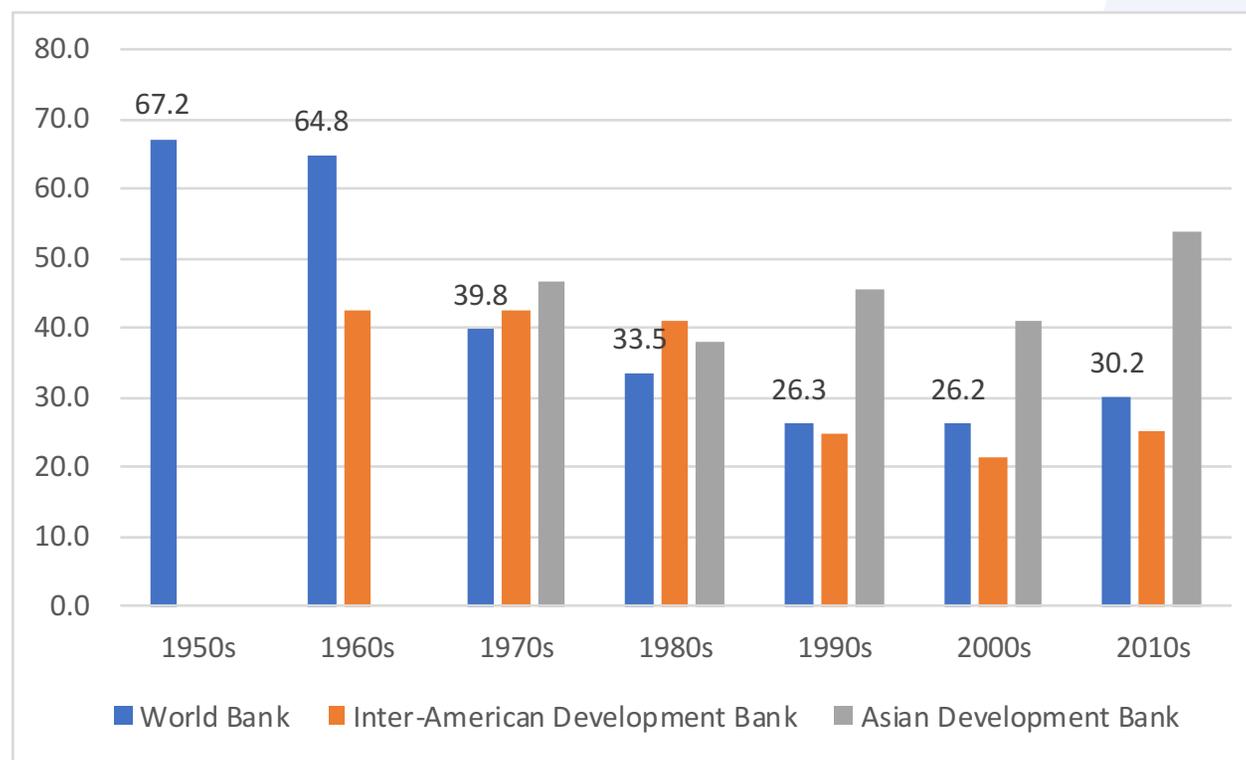
- International ratings
- Gearing ratios

But their capital bases are limited and gearing ratios long established...

Total disbursements and private co-financing, selected MDBs, 2016^a



MDBs: Finance for infrastructure as proportion of total banks' finance %



What are MDBs doing? (I)

- *Increasing capital?*
- *Going for higher gearing ratios?*

MDBs: Expand their capital base...

- Indeed, the WB did that in April 2018: \$13 billion capital increase.
- But difficult to do more, due to shareholding changes...

Gearing ratio:

WB: from 2.6 in 2008 to 4.4 in 2017. Can it go further up?

What are MDBs doing? (II)

- Merging banks' balance sheets of concessional and non-concessional windows
- Allow concessional window their own rating
- Loan swaps
- Expand off-balance sheet operations
- Establishment of joint investment platforms

A more radical proposal...

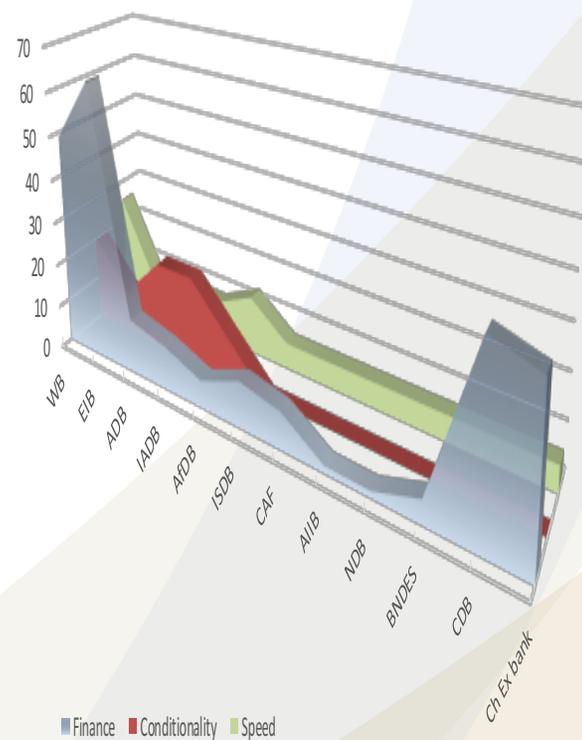
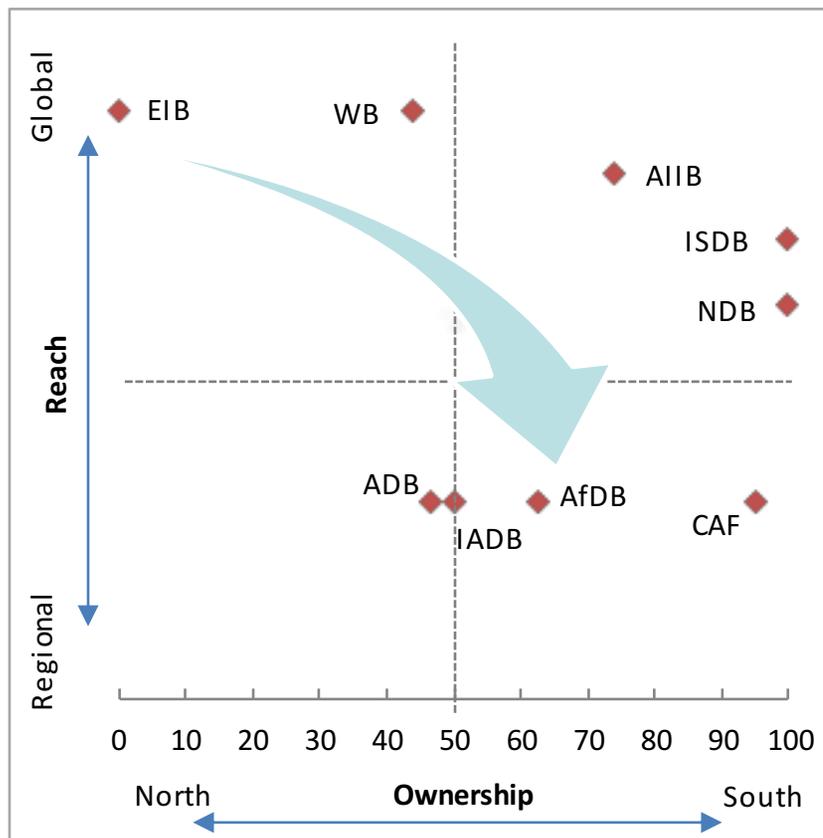


***Originate-to-hold
Model***



***Originate-to-distribute
Model***

The changing landscape of development finance



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