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Operationalising multilateral development banks' alignment with the 2030 Agenda

Elise Dufief, Damien Barchiche (IDDRI)

One year to go before midway through the 2030 Agenda, the Sustainable Development Goals seem out of reach. Such a context constitutes both a great urgency and an opportunity for a "big investment push"[1] to drive the necessary recovery and sustainable transformation to address the needs across the world.

Multilateral Development Banks (MDBs) are currently presented as essential stakeholders, given their multilateral nature, to deliver this massive push, but they are also criticised for insufficiently taking risks and demonstrating their development impact, including for global public goods (such as climate, health, biodiversity).[2] The notion of alignment with the 2030 Agenda is essential in this regard, to drive jointly these two ambitions (more finances for more global public goods) and the necessary ownership by countries of operation.

This *Study* provides a brief overview on five key MDBs (one per continent, namely the European Investment Bank [EIB], the African Development Bank [AfDB], the Asian Development Bank [AsDB] and the Inter-American Development Bank [IADB], plus the World Bank [WB]) and their efforts to strengthen their development impact and to respond to the needs of partner countries across the globe by aligning with the 2030 Agenda. With a view to supporting global discussions currently taking place on the need to rethink the role of MDBs, it intends to provide MDBs' shareholders, development banks' staff, and development and finance experts with a baseline assessment of MDBs efforts to align with the 2030 Agenda and its SDGs at three levels of analysis: strategic, institutional, and operational. This assessment is intended to support a follow-up collective discussion to identify concrete means to advance development impact and alignment on the 2030 Agenda.

1 Bhattacharya A *et al.* (2022). Financing a big investment push in emerging markets and developing economies for sustainable, resilient and inclusive recovery and growth. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science, and Washington, DC: Brookings Institution.

2 See initiative by PM Mottely of Barbados: https://www.ft.com/content/e0f65580-8d84-49ec-82b7-47c1b06563b0

KEY MESSAGES

The current scale of speed and progress by MDBs on past commitments remains insufficient to date. Despite a globally positive strategic alignment at the top level, alignment on the SDGs appears to lose traction when translating them into organisational framework and operations on the ground.

Beyond urgent needs, MDBs also have a role to play to anticipate the transformational changes needed to deliver on sustainable development.

MDBs have a key role in raising awareness and building capacity, while also providing essential financing on the basis of countries' development plans, through which aligning with SDGs responds to shared responsibilities, by MDBs, countries of operations and stakeholders involved. MDBs' potential could be further unleashed if better mobilised around a holistic and longer-term approach, steering their operations towards the goals defined under the 2030 Agenda and the needs identified at country level

Some PDBs have already started to work on such alignment, with innovative practices and principles. MDBs can join the dynamic and help design the way forward to create a "whole-of-development-banks" approach.

STUDY

N° 06
October
2022

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INTRODUCTION

This paper is the follow-up of a broader work that has been developed by IDDRI, with the support of the European Think Tank Group (ETTG), for more than three years.

In 2020, an IDDRI study[1] assessed how public development banks (PDBs)–from different sizes and geographies–have interpreted and are including sustainable development priorities in their day-to-day discussions, processes and operations. It showed that most PDBs have the interest and willingness to take the necessary steps to mainstream SDG priorities into their strategies and operations. Nonetheless, our findings suggested that both strategic and operational endeavours were at the early stages of alignment. Many SDG alignment discussions were still limited to mapping exercises. Building on these findings, in 2021, ETTG developed an SDG-alignment framework for PDBs aiming both to propose a definition of SDG alignment and to provide concrete principles to further operationalise and promote such alignment in practice.

Multilateral development banks (MDBs) are important sources of financing, especially for emerging and developing economies. Considering their leadership among development banks and their countercyclical role in a context of multiple crises, an assessment of the MDBs efforts to align with the 2030 Agenda and its SDGs was needed. This *Study* draws on a dozen interviews with representatives from MDBs and a review of publicly available documents conducted between June and early September 2022. It analyses their repeated commitments to put the 2030 Agenda and development impact at the heart of their operations, and opens up questions for discussion with MDBs and shareholders to advance the 2030 Agenda further, alongside a broader dynamic with Public Development Banks (PDBs).

1 Riaño, M.-A., Boutaybi, J., Barchiche, D., Treyer, S. (2020). Scaling up public development banks' transformative alignment with the 2030 Agenda for Sustainable Development. IDDRI, *Study* N°05/20.

1. MDBs REPEATED COMMITMENTS ON THE 2030 AGENDA AND DEVELOPMENT IMPACT

MDBs have repeatedly committed themselves to better contributing to the 2030 agenda and its development priorities. In 2016, they issued a collective statement to deliver on the 2030 Agenda.[2] Back in 2018, major MDBs signed a pact to achieve the 2030 Agenda. These followed the 2015 commitment made by their shareholders to achieve the SDGs by 2030, and the 2015 Addis Ababa Action Agenda which recognised early on the potential of MDBs for sustainable development. In 2020, MDBs published their first report on their contributions to the SDGs.[3] MDBs also committed themselves on thematic issues such as during the COP26 in 2021 when they collectively pledged to raise their ambition on climate.[4] However, with previous development gains at risk and the need for more actors to get involved, there have been repeated calls throughout 2022 for MDBs to play a bigger and more concrete role. In April 2022 and then again in October 2022, US Secretary Yellen issued a call to action to MDBs leaders, urging them to reform the financial architecture for development and better adapt the banks' operations to today's challenges.[5] In May 2022, the G7 called on MDBs to concretely deliver on past commitments related to climate

2 "*We will individually and collectively bring in emerging and existing global, regional, sub-regional and national partner institutions and, together, contribute to the success of the 2030 Agenda, helping countries to leverage the financing and knowledge of the MDBs and the IMF to address their most pressing development challenges and, as such, contribute to achieving the transformative outcomes that the SDGs entail*."

3 Financing the sustainable development goals the contributions of the multilateral development banks, 2022.

4 Collective climate ambition - a joint statement at cop26 by the multilateral development banks, 2021

5 https://www.reuters.com/world/us-treasurys-yellen-says-imf-world-bank-not-designed-tackle-global-crises-2022-04-21/ and https://home.treasury.gov/news/press-releases/jy0997

and biodiversity in particular.[6] In July 2022, the G20 published an independent report with concrete and technical options for MDBs to reform and strengthen their development impact.[7]

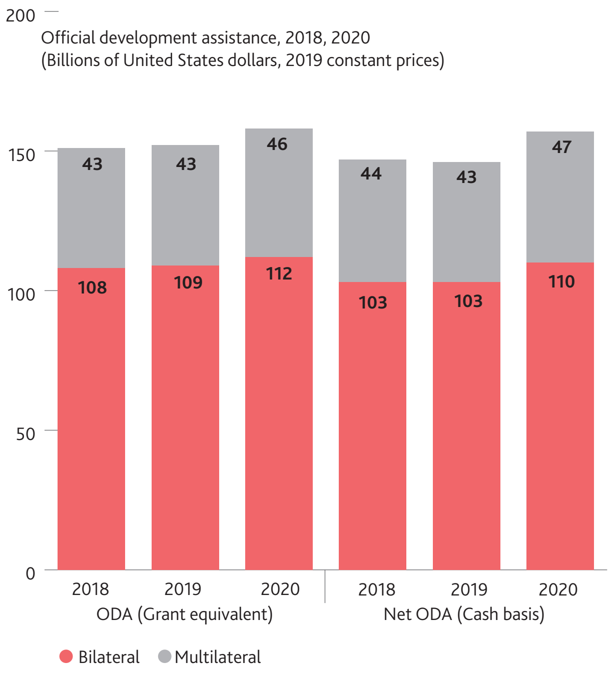
All these calls for renewed action and reform of major MDBs put forward the potential strength of multilateral bodies which remains untapped. This potential could be further unleashed if not only organised around getting the money out to meet the various targets, but also better mobilised around a holistic and longer-term approach, steering MDBs' operations towards the goals defined under the 2030 Agenda and the needs identified at country-level.

International cooperation actors have particularly been under strain in the last couple of years, having to respond to the direct and indirect consequences of overlapping crises: a global pandemic with COVID-19, a new conflict in Ukraine, the multiplication of climate change threats and disasters, crippling economies struggling with debt and inflation. As a result, previous sluggish gains on the fight against poverty have been reversed and the world is currently off track to meet the SDGs by 2030. The pre-pandemic $2.5 trillion annual investment gap for financing the SDGs has increased by $1.7 trillion due to the crisis.[8] As a result, tensions have intensified around funding issues and scale of needs. MDBs remain key actors of the financial architecture for development and have been called on multiple times to do more. They have been put to contribution in various ways, as early supporters of the 2030 Agenda back in 2015, and in line with their development and poverty reduction mandate. According to the OECD's latest figures, in terms of volume, concessional lending by MDBs increased by 34% in 2020 and further growth was expected in 2021.[9]

Following this trend, the World Bank IDA benefitted in 2021 from $93 billion, its largest replenishment to date.[10] The African Development Bank is also negotiating for its upcoming replenishment to get the means to respond to increased needs on the continent. Countries in need rely on MDBs for some of their development financing needs since they can act at scale, on the medium to long term and on a variety of topics. But for these banks to respond to these expectations, they need to go beyond commitments to clearly demonstrate, with concrete facts and data, that they indeed rise to the challenge and can spur collective action in support of the development challenges faced by the poorest countries.

Responding to those needs and global challenges however hinges on more than just financial volumes and mobilisation. On a global level, MDBs have the finances and tools at hand but the scale of speed and progress remains insufficient to date. Achieving the SDGs requires an adapted and adequate way of doing things, strengthening the development efficiency of the work done by MDBs. The multiple crises the world has faced in a relatively short period of time have highlighted the interconnectedness of sustainable development topics (eg. climate resilience and development, health and environment, conflict and food and energy security…) as well as the need to do things differently ("build back better"). They also highlighted that no institution can tackle these issues by itself but that a collective and coherent effort is needed instead.

FIGURE 1. Global multilateral ODA figures



Source: OECD Creditor Reporting System database

6 https://www.g7germany.de/g7-en/current-information/g7-meetings-development-ministers-2014860

7 building on mention in "Our common agenda" that "*Multilateral development banks could also revise their operations and asset management rules to increase their capacity to support investment in developing countries*"

8 OECD (2020), *Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet*, Éditions OCDE, Paris, https://doi.org/10.1787/e3c30a9a-en

9 OCDE 2020 DAC CRS figures

10 https://ida.worldbank.org/en/replenishments/ida20-replenishment/ida20

TABLE 1. **Multilateral Development Banks at a glance**

Bank	Focus region	Annual financing or most recent reported year in US$	Mandate
African development Bank	Africa	$7.3 billion	Spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction
Asian Development Bank	Asia and the Pacific	$21.6 billion	Committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty.
European Investment Bank	Europe Africa, Asia, Caribbean, Latin America and the Pacific	$74.4 billion	Foster European integration, promote the development of the EU and support EU policies in over 160 countries around the world
Inter-American Development Bank Group	Latin America and the Caribbean	$16 billion	Contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively.
The World Bank Group	Sub-saharan Africa, East Asia and the Pacific, South Asia, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa	$65.9	Working for sustainable solutions that reduce poverty and build share prosperity in developing countries

Source: Financing the sustainable development goals the contributions of the multilateral development banks, 2022.

2. WHY SHOULD MDBs LOOK INTO 2030 AGENDA ALIGNMENT?

The 2030 Agenda promised integrated solutions and contributions from all countries and the different actors. The Agenda is further declined into specific SDGs which, in theory, form a "transformative project"[11], leading ideally to a "systemic change". The SDGs were not designed as targets to be met independently, but as a mutually supportive package.[12] While achieving the goals by 2030 seems more and more out of reach, the original ambition of the Agenda - that is to strengthen impact and efficiency - remains ever more relevant in the current geopolitical context and requires a closer look at existing practices.

The OECD[13] defines SDG alignment along two dimensions to be jointly addressed: 1/ equality: resources should be mobilized to leave no one behind and fill the SDG financing gaps; and 2/ sustainability: resources should accelerate progress across the SDGs, while doing no significant harm to any single objective. The biggest transformative potential of the 2030 Agenda lies in a manner which pursues those two dimensions.

As part of a discussion focused on the role of PDBs, the European Think Tank Group developed a set of principles[14] to further operationalise and promote the alignment of their operations on the global goals, both internally and externally. It is based on four guiding principles: (1) leading internally and fostering a sustainable development culture; (2) developing a holistic strategy and long-term vision; (3) mainstreaming SDG priorities within internal operations; and (4) mobilizing and provide transformational investment. Given the collective dimension of the 2030 Agenda and the scale of needs that goes well beyond the capacity of one institution alone, the application of this framework could serve as a guide for discussions with MDBs, questioning their place, role and contribution in this ecosystem.

For MDBs in particular, aligning their operations on these global goals can be an effective way of strengthening impact as well as inserting themselves better in the global financing architecture, alongside other public donors, and leveraging public development banks or the private sector. In this paper, while not translating directly the principles applied for PDBs in order to leave room for potential specificities of MDBs, alignment focuses on an inductive approach, from top to bottom, looking at procedures in place at a strategic level down to country operations. The design and implementation of operations, as well as monitoring of its effects, should focus on maximizing synergies and co-benefits, while reducing possible trade-offs. The first

11 Koehler, G. 2016. 'Assessing the SDGs from the Standpoint of Ecosocial Policy: Using the SDGs Subversively.' Journal of International and Comparative Social Policy 32 (2): 149–164.

12 Korosi, C. 2015. 'Négocier un avenir commun : ce que nous ont appris les Objectifs de développement durable.' Regards Sur La Terre 2015.

13 OECD (2020), *Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet*, OECD Publishing, Paris, https://doi.org/10.1787/e3c30a9a-en.

14 https://ettg.eu/wp-content/uploads/2021/10/ETTG-study-Financing-the-2030-Agenda-An-SDG-alignment-framework-for-Public-Development-Banks.pdf

MDBs report on Financing the SDGs[15] was an interesting exercise displaying various actions but it fell short of providing a shared approach and demonstrating transformation at country-level. Financing the 2030 Agenda entails ensuring investments are not contradictory to environmental and social goals like climate and biodiversity, but also inequalities and food security. Investing to fulfill certain development objectives, without simultaneously ensuring that other areas of their own activities do not counteract those objectives, can undermine efforts to achieve sustainable development at large[16]. In this regard, there is a need for MDBs to develop a clear, and common, vision of what does positively contribute to some SDGs and what may negatively impact other ones, and to prevent the SDGs from falling victim to an overly vague game of interpretation that everyone can join without questioning the real impact of their actions on the agenda as a whole and on the sustainable development needs of countries where they operate.

The current crisis sheds a very strong light on the tension between short-term recovery objectives and the long-term transformative objectives of the 2030 Agenda, as well as with debt sustainability. All express the needs of the countries. In this regard, the alignment with the 2030 agenda necessitates to help each country developing their own country-specific prioritization and evaluation of synergies between the short-term program addressing the current crisis and a long-term investment plan. Alignment with SDGs (and with the Paris Climate Agreement within them) should therefore not appear as a new type of conditionality, but rather as a clarification of the long-term viability of investments. In such a perspective, supporting the capacity of country to analyse these synergies and tradeoffs between the short term and the long term is actually also a contribution that can help defining a programme of investments in the country, able to attract both public funds and private investors.

3. MDBs AND SDGs IN PRACTICE: MOVING FROM DISCOURSE TO ACTION

3.1. Maintaining efforts made to focus strategic and policy alignment

Over time, the SDGs and the 2030 Agenda have been increasingly embedded in the banks' strategies, policies and processes. Global strategies and visions are useful to define the scale of ambition of the banks to achieve their development mandate. All those surveyed integrate references to the 2030 Agenda and the SDGs, with a view to foster sustainable development abroad further, either at the global level and/or in specific geographies and thematics. Different approaches have been developed, encompassing multiple levels of action.

Some have recently been updated such as for the Asian Development Bank which is now equipped with a- strategy 2030 and seven operational priorities. This strategic turn did not happen overnight as its journey began pre-2015.[17] Discussions were then held on the 2030 strategy in 2016 for the document to be adopted in 2018. It was updated and complemented later with other strategic pieces and policies, including an evaluation review of the bank's contribution to the SDGs.[18]

The IADB group also updated its strategy for the second time in 2019.[19] It identified three strategic priorities (social exclusion and inequality, low productivity and innovation, and limited economic integration) and three crosscutting ones (gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law), all mapped onto the SDGs. This strategy is further complemented by Vision 2025 developed by the incoming president.[20] At least on paper, IADB's top leadership expressed strong support to form a vision that is aligned with global goals.

The African Development Bank also identified strategic priorities in line with the 2030 Agenda and focused on the "High 5" (Light up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve Quality of Life for the People of Africa). Back in 2017, a UNDP evaluation already noted an 86.4% alignment between AfDB's priorities, the SDGs and the Agenda 2063.[21] This assessment, which remains at the strategic level and does not assess effective implementation, was based on the ten year strategy which expires in 2022. Discussions are now underway for the AfDB replenishment and its new 2023-2032 strategy, two key opportunities to reflect on successes and challenges and adapt, adjust accordingly to further strengthen strategic alignment.

Similar work in progress can be found at the EIB with the set up in 2021 of its global branch, specifically dedicated to operations outside of the EU. While the Bank's development ambition has been discussed and negotiated for at least three years as part of the EU development strategy, now is the time to translate this ambition into a global strategy for the Branch, guiding its implementation so that it can deliver on its mandate to do more

15 Financing The Sustainable Development Goals: The Contributions of the Multilateral Development Banks

16 Riaño, M A, Barchiche, D. (2020). Financing the 2030 Agenda for Sustainable Development: prerequisites, and opportunities for the post-Covid-19 crisis. IDDRI, Issue Brief N°03/20.

17 Cf timeline included in *ADB's Support for the Sustainable Development Goals: Enabling the 2030 Agenda for Sustainable Development through Strategy 2030*, March 2021, p. 72, http://dx.doi.org/10.22617/TCS210093-2

18 *2021 Annual Evaluation Review: Supporting the Sustainable Development Goals*, AsDB, April 2021.

19 *IADB group vision strategy*, second update, 2019, https://www.iadb.org/en/about-us/strategies

20 *Vision 2025, reinvest in the americas: a decade of opportunity*, iadb, february 2021.

21 UNDP, *Strengthening Strategic Alignment for Africa's Development Lessons from the UN 2030 Agenda for Sustainable Development, the African Union Agenda 2063 and the African Development Bank High Fives High 5s AfDB's Sustainable UN Development Goals (SDGs)*, Working Paper, 2017.

in terms of development impact. Back in June 2021, the Council Conclusions referred to the need to put the implementation of the 2030 Agenda at the heart of the EU financial architecture for development to make it more "impactful, efficient, coordinated and inclusive".[22] A first outline of the global strategic framework is expected for the end of the year and should launch an iterative process before its finalization. This is an important step forward to ensure that Europe and the EIB's ambition to do more and better on development and cooperation work remains the focus, at a time when some Europeans voiced concerns over a potential derailment due to current geopolitics, in Ukraine specifically, affecting the priorities of the EU and its institutions.

A shift has also happened within the WB where the focus on SDGs appears to be less strong today than in previous years. Since July 2017, the Bank has integrated the SDGs into the planning and monitoring of the group's activities and into the annual reports from all regions, as well as into key institutional and strategic processes that inform country commitment through the different institutions of the World Bank group. The WB is still committed to implement its mandate to fight against poverty but has now started to develop a stronger focus on climate which emcompasses other priorities. In 2021, the Bank adopted its Climate Action Plan and developed a new approach called Green, Resilient, and Inclusive Development (GRID) which is meant to inform the global approach of the bank. While this strategic realignment currently lacks clear support at the presidency level, the renewed focus on climate is used to guide strategic discussions with countries of operations thanks to the country diagnosis, CDCRs, which seek to articulate climate and development priorities at the national level.

Such greater focus on climate is not an isolated fact as MDBs have been pushed politically to do more on this: the EIB is also set to become the EU climate bank and has to deliver the EU Green Deal at home and abroad; the AsDB committed to full alignment on the Paris Agreement by 2025; the AfDB is likely to open a new financial window dedicated to climate work. These are much welcome moves to tackle immediate climate and environment-related threats. They also contribute to updating the way that development co-operation is done, environmental and climate objectives becoming an integrated part of it. But in the spirit of the integrated nature of the 2030 Agenda, it is essential to ensure a balanced approach that fully takes into consideration other social and economic aspects of the fight against poverty to leave no one behind. The multiplication of strategic priorities and focus should therefore not lead to competing mandates. Rather, they should be clearly articulated so as to give the means of action to MDBs rather than potentially fragment finances, dilute the focus on impact and weaken action. Such considerations should be fully part of the ongoing discussions on replenishments, financial allocations and increasing efficiency of MDBs.

The incremental inclusion of the 2030 Agenda at MDBs strategic levels has therefore been helpful to set an ambition and provided ground for stronger leadership. But they have been less successful so far at being truly transformative. With the goals increasingly out of reach, the dynamic is now losing steam. A renewed collective leadership, which includes shareholders keeping this on the agenda at home and in international arenas, is urgently needed to boost the Agenda. In particular, a greater focus is needed on lower levels of actions, within the banks themselves, between them and on the ground with partners.

3.2. Translating a vision in the banks' institutional arrangements and governance

Promoting an organizational culture and sound governance that anchors its development objectives and sustainability, along the 2030 Agenda and its SDGs at the heart of the banks, is more of a challenge for MDBs. This is however essential to move from strategic intent to operationalisation of SDG alignment. From the highest-level directors to those in planning, review and credit approval positions, the development objectives and strengthened impact needs to be at the forefront of their actions. This can be done in various ways such as engaging in internal discussions to identify their governance gaps and establish whether there is a need for personnel and structural changes such as the following identified for PDBs: creation of new positions; restructuring of existing committees or departments; creation of new specialised teams to strengthen decision-making at the different managerial and operational levels.[23]

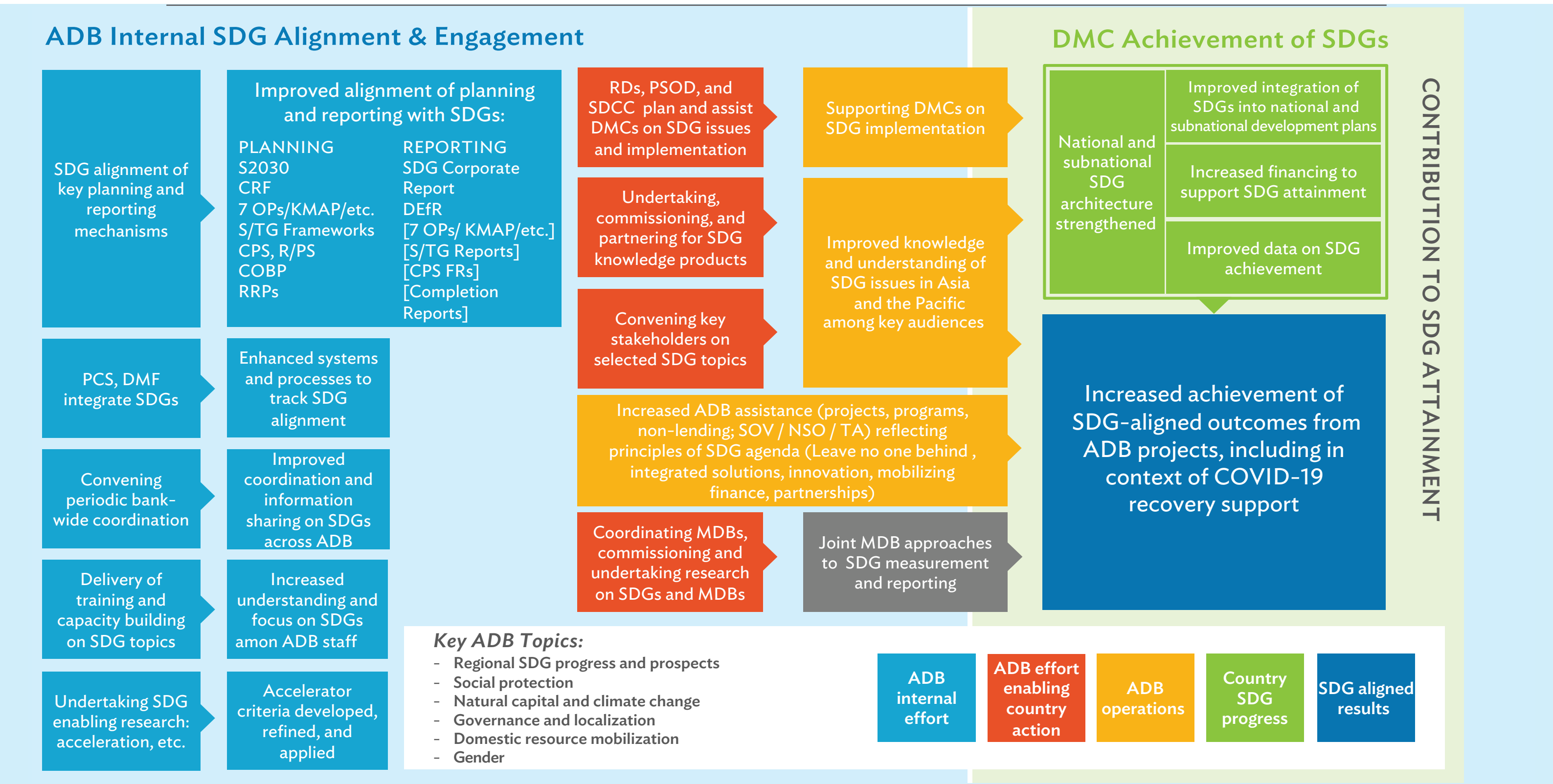
At the early beginning of the 2030 Agenda, the WB assumed an SDG leadership: it was involved in discussions from the beginning of the process; a special envoy responsible for discussions on the SDGs was appointed and nominated after the adoption of the 2030 Agenda as Senior Vice-President for the 2030 Development Agenda and United Nations Relations with a mandate to play an active role in the development of the agenda and especially in discussions on its financing. However, this role does not exist anymore since 2019. From 2017 to 2020, the World Bank presents its efforts to deliver the SDGs in more than 170 countries through its annual SDG Atlas. This dynamic also seems to have stopped since and this leadership role is missing today or has taken new forms, focused more on the "twin goals" of development and climate (as seen in 3.1 above).

By contrast, the AsDB recently reorganized itself and developed an institutional approach which supports the achievement of the SDGs. This reorganization is driven by a theory of change and includes the bank's efforts to strengthen the effectiveness and financial sustainability of AsDB operations and build on support for its members' sustainable development needs (**Figure 2**).

22 EU Council Conclusion on enhancing the European financial architecture for development, 10 June 2021

23 https://ettg.eu/wp-content/uploads/2021/10/ETTG-study-Financing-the-2030-Agenda-An-SDG-alignment-framework-for-Public-Development-Banks.pdf

FIGURE 2. **Theory of change of AsDB's approach to the SDGs**



ADB = Asian Development Bank, COBP = country operations business plan, CPS = country partnership strategy, CRF = corporate results framework, DEfR = development effectiveness review, DMC = developing member country, DMF = design and monitoring framework, FR = framework review, KMAP = Knowledge Management Action Plan, MDB = multilateral development bank, NSO = nonsovereign operation, OP = operational priority, PCS = project classification system, PSOD = Private Sector Operations Department, RD = regional department, RPS = regional partnership strategy, RRP = report and recommendation of the President, S2030 = Strategy 2030, S/TG = sector and thematic groups, SDCC = Sustainable Development and Climate Change Department, SDG = Sustainable Development Goal, SOV = sovereign, TA = technical assistance, WG = working group.

Source: Asian Development Bank.

This AsDB's institutional approach and tools demonstrates an effort to articulate and organize the bank to support the achievement of the SDGs, but the implementation in terms of the bank's internal reorganisation still requires improvement[24]. For this reason, the evaluation pointed out the need to strengthen the link between institutional strategic intentions and actual operational practices and outcomes relating to SDGs.

Operationalising SDGs alignment necessitates employees who are standard-bearers of the SDGs and development mandate of the banks.[25] Such culture needs to permeate the bank strategy, operations and external engagements with the conviction that the development mandate of the bank offers concrete means and responses to the needs of countries of operations while contributing to the global 2030 Agenda; but also entails trade-offs which require informed decisions on the sustainability of the operations. MDBs personnel need to be able to fully address trade-offs and particularly ensuring a "no harm" SDG policy. A proper prioritization and sequencing has the potential to accelerate progress towards sustainable development by facilitating realization of positive spillovers and limiting negative trade-offs without downplaying the importance of any specific SDG.

The AsDB organizes periodic coordination discussions to enable information sharing across the institution on efforts to support the Agenda. The Results Management and Aid Effectiveness Division of the Strategy, Policy and Partnerships Department acts as AsDB's focal point for the SDGs. ADB also supports training and capacity building workshops to increase internal awareness, understanding, and focus on the SDGs, with a view to strengthening the contributions of AsDB projects to SDG attainment. These are some concrete practices that could be further developed and applied elsewhere to ensure a constant balance between financial and development expertise, as well to facilitate trade-offs management.

While the IADB recently updated its institutional strategy in 2019 to strengthen a number of points (including extending the time frame for strategies so as to ensure longer term impact), it remains unclear to what extent the ambition it sets for itself in terms of SDG alignment at the strategic level was translated into its institutional arrangement, for example linking with country offices and clearly managing some of the tradeoffs which may emerge along the way.

As the EIB is still in the process of setting up its global

24 2021 Annual Evaluation Review: Supporting the Sustainable Development Goals. Independent Evaluation ADB.

25 https://ettg.eu/wp-content/uploads/2021/10/ETTG-study-Financing-the-2030-Agenda-An-SDG-alignment-framework-for-Public-Development-Banks.pdf

branch, it offers an opportunity to better integrate the SDGs internally and maximize its development impact externally. In particular, the objectives to scale up and increase development impact in the EIB could be a way to better integrate the SDGs with a focus on synergies and trade-off between the goals. From a governance perspective, the set-up of its advisory group was welcome as it offers a dedicated space to discuss the bank's operations outside of the EU, mixing, to some extent, representatives with a financial and a development background. So was the establishment of a dedicated governance structure within the Bank to focus more on the operations outside of the EU, which require a different expertise from the rest of the Bank's operations in the EU. However, efforts still remain to be made for the bank's culture to evolve towards a more development-oriented mandate, therefore adapting its structure and tools accordingly. In this regard, the European review on SDGs to be presented in July 2023 at the High-Level Political Forum could be an opportunity to reflect on the need to better articulate EIB in the European efforts to implement the 2030 Agenda internally and externally.

As far as the AfDB is concerned, the replenishment discussions could also be an opportunity to reflect on ways in which the Bank can strengthen its governance to reflect the priorities established in its strategies and join the efforts of some MDBs to further alignment of their operations with the 2030 Agenda in a balanced manner.

All these points also relate to the guidance and orientation provided by the banks' shareholders to ensure MDBs are fit for purpose and adapt to the new environment they have to operate in. The G20 independent report puts forward concrete proposals (updating capital adequacy frameworks, risk policies and credit rating approaches for example) which would strengthen the development impact and efficiency of these banks, all the while maximising their contributions to the 2030 Agenda and its SDGs, without damaging their financial robustness. This discussion is particularly welcome as sustainable transformation on the ground remains less visible so far.

3.3. Moving beyond mapping to support country ownership

So far, at the operational level, the focus has mostly been on mapping and reporting MDBs operations on the global goals. In the absence of a global and shared mechanism, each MDB has developed its own methodology and related tools to measure its own contribution, most of the time to use them for accountability purposes.

The IADB counts among the few MDBs which have linked their corporate results framework to the SDGs and require them to be referenced in all projects. Monitoring of these contributions is done for the private sector operations, using the Harmonized Indicators for Private Sector Operations (HIPSO). Such a global standard does not exist yet for the public sector although some work is being done by the OECD. In 2020, the IADB developed its own ex-ante SDG classification so that it could monitor contributions from the whole IADB Group. It monitors an indicator throughout the life of the project, then aggregates and publishes it on the bank's website dedicated to the SDGs.

The AsDB developed a similar classification system to identify its operations' contributions to the SDGs. This reporting mechanism is now being used to report on the bank's contributions at the aggregate level in its countries of operations (**Figure 3)**.

Interestingly, the AsDB also made a conscious effort to provide support, in the form of technical assistance, to its partners in countries of operation. The Bank developed a regional programme to support the achievement of SDGs with three identified outputs: developing member countries' knowledge and capacity to align planned programs and financing with the SDGs strengthened; developing member countries' knowledge of good practices and lessons from operations increased; developing member countries' capacity for SDG aligned results-based project design and management strengthened.[26] While the project is still underway, its success also largely depends on the appetite of countries of operations on the SDGs, but engagement with these countries has been identified by the AsDB as an area where more needs to be done. As pointed out by the 2021 annual evaluation, AsDB's internal alignment is currently focused on the "typology of operations" rather than on "identifying pathways for SDG achievement" which are more encompassing to integrate all aspects of a country strategy.

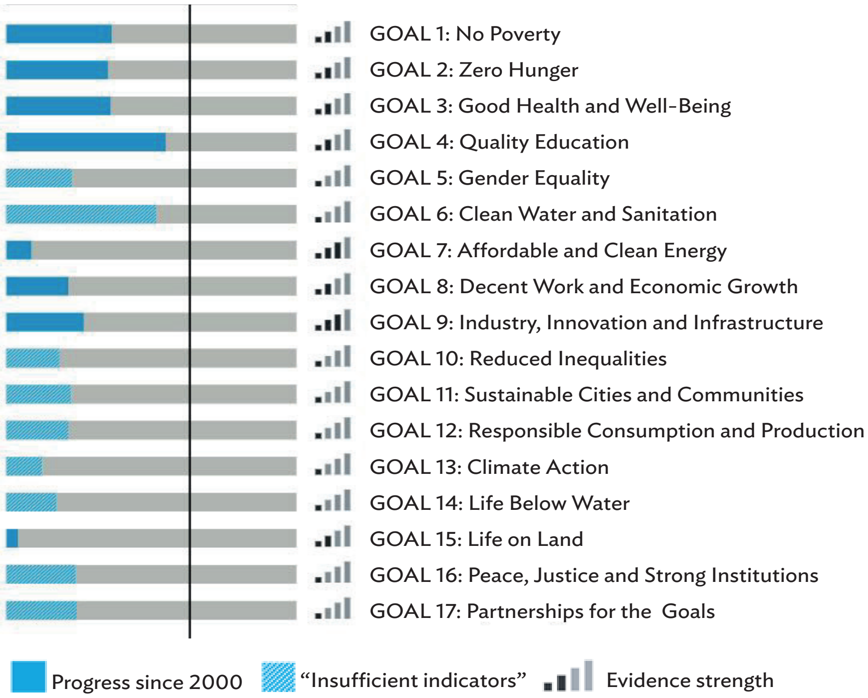
This is in fact the case for most MDBs included in this study. The IADB confirmed that aligning on the SDGs was only as proactive on the topic as the appetite some of their countries of operations demonstrated. Similarly, while the AfDB strategic plans refer to the 2030 Agenda, this is not automatically translated when drafting country strategy papers (as captured in the bank's results measurement framework) which makes it difficult to track and report on the success or not of their implementation.

Within the EIB, discussions are ongoing for its global branch operations. Regardless, the bank is required to follow EU regulations and will contribute to its results framework which has been updated in the NDICI. Dialogue with partner countries should also become more prominent as the EIB is part of some of the Team Europe Initiatives, gathering the bank, member states and their agencies as well as the EU Commission. The Bank also has fewer boots on the ground than some of its European counterparts and is not present in all of its countries of operation. This means that direct dialogue with partners in countries remains limited and relies on the quality of the relationship with other donors, such as the EU delegation or other European donors.

The World Bank put forward its country-based model as well as the importance of its analytical and convening role. Along with its renewed focus on climate, the Bank is using its new diagnostic tool (CDCRs) to raise awareness and build capacity across teams within the Bank (everyone has to be involved in the production of the report). The same tool is also used for policy dialogue at the highest level in the country of operation (the Presidency was the Bank's counterpart in Turkey). The

26 Sovereign project on Advancing the 2030 Agenda for sustainable development, https://www.adb.org/projects/55177-002/main

FIGURE 3. **Sustainable Development Goals Progress in AsDB Developing Member Countries**



Source 2021 - AsDB support to the SDGs

question of financing the Agenda has often been at the heart of these policy dialogues but these also raised the multiple challenges some of these countries face and the necessity to link back to a more global strategy with a sound decision process essential to make informed decisions with a positive impact on public policies.

As development needs have evolved and increased, some countries of operations have also put efforts to design their development paths and map where international support, including from MDBs, is needed, be it through national development plans, SDG budgeting or more recently Integrated National Financing Frameworks (INFFs). To take one example, in Nigeria, Africa's most populous country and its largest economy, an IMF report estimated that "an additional spending of 18 % of GDP by 2030 is required to achieve the SDG targets in education, health, electricity, roads and water and sanitation sectors (...) To achieve SDG targets in key sectors, spending would need to increase by 7.7% of GDP for education, 4% for health, 1% for electricity, 2% for roads, and 0.6% for water and sanitation by 2030".[27] These estimates do not even take into account the direct and indirect impact of COVID and the Ukraine war yet. They should also be put in the broader Nigerian context, where the issue might not only lie in accessing more finances but also ensuring that they have been allocated and used according to needs. These financial planning exercises nevertheless are one of many examples of partner countries' needs identification and ways in which MDBs, among others, can support their efforts and really push for the transformative dimension at the heart of the 2030 Agenda. The focus here is financial and quantitative but can also be used as a support to address other issues pertaining to governance and efficiency. This should also be put in perspective with international calls for MDBs reforms so that they better adjust their instruments, risk frameworks and credit rating to the realities of countries where they operate.[28] If MDBs wish to substantially increase their contribution to the Agenda and maximize their sustainable development impact, there is a need to rethink the triple AAA requirement and conservative risk assessment so as to create room for operations in more fragile countries and economies. All of these discussions represent many ways to contribute to the same goals, under one shared umbrella (with MDBs, PDBs and what could be a "whole-of-development-banks approach, as well as donor countries and other institutions), and appear essential to rebuild trust between parties at a time when the dialogue sometimes seems difficult at best, or even stuck with countries of operation, as the climate and biodiversity negotiations currently demonstrate.

While being able to map and report progress on the SDGs is an essential part of the accountability and transparency efforts of MDBs, little focus has been put so far on strengthening the

27 *Harnessing statistics for financing for sustainable development in Nigeria*, UNDP, April 2021.

28 *Boosting MDBs'investing capacity*, An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks, 2022.

dialogue with their counterparts in country[29] and adjusting the tools accordingly to better respond to their needs. One area where MDBs have the most room to improve is in strengthening the link between strategic ambitions and their operational practices and outcomes relating to the SDG on the ground. Not only can MDBs be SDG takers (by aligning their internal practices) but also SDGs enablers, in their partnerships with stakeholders in the South, with financial intermediaries and with other banks, be they other MDBs, PDBs or even sub-national banks.

4. CONCLUSION AND DISCUSSION

While MDBs have globally provided efforts to contribute to the development challenges of the world and to align their intervention to meet the goals, there has been insufficient progress so far. In the current geopolitical environment, MDBs contribution to the 2030 Agenda appears to be fading at a time when concrete and large-scale action is needed.

To help advance the issue, we propose a two-pronged approach: (1) to open up a frank discussion on some of the perceived obstacles to aligning investments with the 2030 Agenda; and (2) to collectively establish guiding principles and a roadmap for such alignment, in line with those developed for PDBs.

4.1. Perceived obstacles

Does the Agenda need a renewed strong political leadership?

Perceived obstacle 1: It is already clear the SDGs will not be met by 2030. The 2023 summit at best would be a "crisis" summit, at worst just "another" summit. MDBs, and other actors, have done what they can for now and would therefore rather focus their efforts and energy somewhere else where success is more likely.

• While this can be a valid point, and putting aside the fact that MDBs have regularly re-committed themselves to implementing the Agenda, there has been no discussion so far on what an alternative shared agenda would look like. In fact, suggestions rather point to the danger of reopening the negotiations as reaching consensus and maintaining a high level of ambition on some topics would be impossible today. Inaction would also be costly as it would unwind years of greatly needed public investment and progress. At a time when a stronger multilateral banking system, alongside with leadership and collective action is needed, it would seem more effective to launch a major intervention at scale and make the only global sustainable development agenda existing work, by identifying ways of improvement within that framework. Such momentum should not be geared only around ways of doing "more" but also on doing differently, as in longer-term, with increased development impact and in a more sustainable way.

Can the 2030 Agenda and its SDGs be used to manage tradeoffs at the strategic and implementation level?

Perceived obstacle 2: With 17 goals, 169 targets, 248 indicators and a time-horizon of 2030, the 2030 Agenda is sometimes perceived as too broad and too complex to navigate. Proving causality, as in how and to what extent an operation contributes to the SDGs, is difficult. So is measuring alignment and doing so in a consistent manner across MDBs and other stakeholders. Additionally, in some situations, aligning operations on the 2030 Agenda brings out the political dimension of this exercise. In the case of MDBs for example, their shareholders may have differing views on what should be the priorities of the banks or how to manage them. The recent energy crisis brought this to the fore, at home and abroad: some international actors have called for greater efforts on renewables, excluding gas, whereas some African leaders have called for transition plans including gas.

• To start with, while targets and indicators are essential points of reference to measure progress, they should not be seen as a rigid, bureaucratic framework or an end goal. The 2030 Agenda can instead be used as a compass to guide actions and keep the holistic and integrated view that is needed to inform decision making in a sensible manner. Discussions on aligning on the Paris agreement should remain a high priority without making other dimensions of sustainable development, and equity in particular, less of a priority. The multidimensions of the 2030 Agenda could be used to weigh the pros and cons and therefore facilitate accountability, more sustainable pathways in the longer term as well as consistency of government's positions across institutions. It could be guided by the Global Sustainable Development Report[30] proposal to invest in countries in six transformations (Human well-being and capabilities; Sustainable and just economies; Food systems and nutrition patterns; Energy decarbonisation and universal access; Urban and peri-urban development; Global environmental commons) each of which is multidimensional. These positions should then translate into action and the ongoing discussions on equipping MDBs with more adapted tools seems essential to investigate ways to better respond to needs on the ground.

Is the future of the 2030 Agenda at country level?

Perceived obstacle 3: MDBs have flagged the multiplication of requirements to align their investments - on the SDGs, on climate, on biodiversity, to name a few. Sharing the view that the current system is too fragmented, they also feel the onus is on them to make things move forward. But any progress cannot be transformative and achieved without involvement of partners (governments, financial institutions, civil society) at the country level.

29 *SDG localization baseline, How local-level actors are driving change and advancing the achievement of the 2030 Agenda*, SEI, Efraim Hernández Orozco & al, October 2021.

30 *The Future is Now: Science for Achieving Sustainable Development*, Global Sustainable Development Report, 2019.

• The third section of this paper highlighted the work needed to (re) build knowledge on the needs of countries where MDBs operate. MDBs have a key role in raising awareness and building capacity, while also providing essential financing on the basis of the country's plan. ODI country perception analysis demonstrated that MDBs are seen as relevant partners on the ground (up to two thirds of interviewees in Africa).[31] Countries of operation also expect the demand to increase so MDBs will not be in short supply of work but expect more with shortened processes, increase use of local staff and longer-term impact policy advice which was also the starkest difference of opinion between the priorities and preferences of government officials and the perceptions and views of MDB staff. The full implementation of the 2030 Agenda implies shared responsibilities and cannot be left to one party only, especially at a time when trust is so fragile.

4.2. A "whole-of-development-banks" approach

There is no time to waste if MDBs want to play a role that matches their potential and demonstrate the strength of multilateralism to deliver on a collectively agreed agenda. MDBs alone will not be able to address the required changes. In this regard, the many calls for reforming or rethinking the ways that MDBs can address global challenges constitutes an opportunity. These institutions, with the support of their shareholders will need to alter existing political and financial incentives, away from traditional business model, and equip them with the governance systems to rise effectively to the global sustainable development challenge.

These efforts should be anchored in a collective dynamic involving countries, regional, national and also subnational development banks. MDBs should work together with other DFIs, private investors, governments and regional banks' associations with the aim to find the path to a sustainable finance, to achieve development impact and meet the SDGs.

PDBs have already started paving the way in terms of alignment, MDBs can join the dynamic and help design the way forward to create a "whole-of-development-banks" approach. This dynamic should support MDBs and PDBs to better understand how to deal with trade-offs between sustainable development priorities, on blocking factors, etc.

MDBs and PDBs can learn from each other when they are looking at achieving the same objectives, facing the same challenges and working in similar environments. Such shared knowledge and expertise can support the emergence of new ways of working and practices to strengthen development impact and to better align operations with the SDGs. This "whole-of-development-banks" approach could contribute to: i) joining forces to develop common principles or methodologies and standardise existing approaches; ii) fostering alliances that will allow MDBs and PDBs to learn how their peers are adapting to the Global Agenda and; iii) establishing partnerships seeking to crowd in technical and financial support from other stakeholders also willing to contribute to the attainment of the 2030 Agenda.

The WB-IMF Annual meetings, the FICS in Abidjan, the upcoming COP27 and COP15 all provide multiple windows to discuss this topic more in depth. If there is appetite for the design of guiding principles (building on the ETTG study and others…) and identify, with MDBs themselves and in collaboration others, where they stand on this landscape, examining existing opportunities, practices and perceived obstacles and challenges at all levels of operations and to develop a set of concrete actions along a roadmap for implementation for MDBs to strengthen their development impact and alignment with the SDGs to make the 2030 Agenda truly transformational ahead of next year's stocktaking summit.

31 Prizzon, A., Josten, M. and H. Gyuzalyan, *Country perspectives on multilateral development banks: a survey analysis*, ODI report, 2022.

Operationalising multilateral development banks' alignment with the 2030 Agenda

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Citation: Dufief, E., Barchiche, D. (2022). Operationalising multilateral development banks' alignment with the 2030 Agenda. *Study* N°06/22, IDDRI, Paris, France, 16 p.

ISSN 2258-7071

This work has received financial support from the Agence Française de Développement (AFD) and the French government in the framework of the programme "Investissements d'avenir" managed by ANR (French National Research Agency) under the reference ANR-10-LABX-14-01.

The authors would like to thank the people interviewed for this study for their insights, as well as the reviewers for their comments on earlier drafts.

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