Financing international public goods: The role of MDBs and development assistance

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I. Introduction

One of the major issues in the global agenda in 2023 has been how to accelerate the achievement of the United Nations Sustainable Development Goals (SDGs) and the fight against climate change. At the center of those proposals is the role that Multilateral Development Banks (MDBs) can play in both areas. This includes how they can support the contribution of developing countries[1] to the provision of International Public Goods –both global and regional—and notably the prevention of pandemics and climate change mitigation and adaptation. It also includes the complementary role played by official development assistance (ODA) and the special global funds created to support these objectives. There are also proposals on how MDBs can support these countries when they face crises associated with natural disasters, public health issues, and international economic crises.

These issues have been central to several summits and conferences, and the background documents for them. The need to significantly increase development financing was indeed highlighted by the United Nations (2023a and 2023b) and endorsed in the political declaration of the United Nations High-Level Political Forum on Sustainable Development in July and the SDG Summit in September (United Nations, 2023c, paragraph 38). It was also at the center of the agreements at the G20 Leaders' Summit (G20, 2023b, paragraphs 47 to 52) and the recommendations of a group of experts convened by that organization to propose how to enhance the role of MDBs (G20, 2023a), and of the "Evolution Roadmap" of the World Bank Group (World Bank, 2023).

This document analyzes these issues. It is divided into five sections, the first of which is this introduction. The second looks at the structure and objectives of the current system of MDBs. The third analyzes what is required to enhance their role in financing developing countries' contribution to the provision of International Public Goods, as well as in emergency financing of the crises that these countries may face. The fourth looks at the complementary role that ODA and global funds should play. The last briefly presents some conclusions.

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[1] In this paper, we will refer to middle and low-income countries as "developing" nations, without making the differentiation of a specific category of "emerging" economies, which also lacks a clear definition.

II. The System of Multilateral Development Banks

The system of MDBs has its origins in the creation of the International Bank for Reconstruction and Development (IBRD) at the Bretton Woods Conference of 1944 (Helleiner, 2014), which is today part of the World Bank Group. It was later enriched by the launch of several regional, subregional, and interregional banks. Among the regional ones, the first ones were the European Investment Bank (EIB) and the Inter-American Development Bank (IDB), created in 1958 and 1959 respectively. Several were launched later on.

The main purpose of these Institutions was to complement private financing to support essential public objectives, among them European reconstruction in the case of the IBRD. This function was quickly assumed by the Marshall Plan, which allowed this institution to focus its activities towards supporting developing countries. A primary reason for the creation of the MDBs was the negative effect that the Great Depression of the 1930s had on international private financing, except for trade. Such financing began to be rebuilt globally in the late 1950s and reached a group of developing countries in the late 1960s or early 1970s but remained limited or very costly for most of them.

Regarding support for developing countries, the MDBs were designed to finance the basic public sector projects and programs of those with little access to private markets –virtually all of them until the 1960s– and on more favorable terms and costs for those with access to said markets. Apart from the public sector, they can also finance private sector programs, which in several cases are carried out through Financial Corporations or credit lines specifically designed for that purpose. Funding was historically for projects but has subsequently been extended to programs.

Several institutions have preferential lines for low-income countries, including through specialized entities, such as the International Development Association (IDA) of the World Bank Group. This task is complementary to other direct support mechanisms to these countries through ODA, coordinated by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).

Added to these historical functions is the countercyclical role that the MDBs must play, which is essential due to the procyclical behavior of international private financing towards developing countries. This function of banks lies in the fact that through their technical and financial support they can help soften or reduce the negative impact of financial or economic crises, such as the ones triggered by Covid-19 and by the restrictive monetary policies adopted by central banks in response to the increase in the global inflation generated by Russia's invasion of Ukraine in February 2022. To these functions, we can add technical assistance to individual countries and the analysis of the situation and appropriate policies for developing countries – the "knowledge bank", as it has been called—. The World Bank Group started this last function with the creation of the Office of the Chief Economist in the 1970s and has gradually been assumed by several regional banks.

The World Bank Group also began to perform functions associated with guaranteeing investments in developing countries and settling disputes related to such investments. As we will see in section III, in terms of public objectives, in recent years emphasis has been added on financing international public goods, particularly the fight against pandemics and the mitigation and adaptation to climate change.

There are two basic models of MDBs. The first follows the original design of the IBRD, according to which there is a difference between borrowing and non-borrowing members, which are broadly speaking developing and developed countries, respectively. Everyone contributes capital and, in a sense, the subscribed but unpaid capital of the developed nations operates as a kind of guarantee, which helps to strengthen the institutions and, therefore, their investment grades. The other model is the cooperative one. In this case, all countries are potential borrowers and equally share the risks the institution faces. This is the model of the EIB and the Development Bank of Latin America (CAF). Regarding the first of these models, it is important to mention that there is a complex debate about the "graduation" of countries, especially in the case of the World Bank Group. According to this criterion, above a certain level of income, the country becomes developed and cannot continue to be a borrower, although it could continue using a menu of options, especially the bank's advisory services.

According to Table 1 and previous analysis by Ocampo and Ortega (2022), traditional regional banks that offer financing to developing countries –i.e., excluding the EIB— have grown faster than the World Bank Group in the XXI century and surpass it in terms of financing. Added to this is the growth of two new banks, headquartered in China: the New Development Bank, of the BRICS countries, and the Asian Infrastructure Investment Bank. These institutions grew rapidly in their first years, during the second half of the last decade, but have recently shown less dynamism. This situation will surely be overcome very soon.

Table 1: Loan Commitments of Multilateral Development Banks (Million US dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World Bank- IBRD	10,919	10,487	11,452	11,231	11,045	13,611	14,135	12,829	13,468	32,911	44,197	26,737
World Bank - IDA	13,332	6,764	8,068	7,282	9,035	8,696	9,506	11,867	11,235	13,995	14,550	16,269
International Finance Corporation - IFC	2,379	2,732	2,957	3,856	4,753	5,373	6,703	8,220	11,399	10,547	12,664	12,186
Subtotal World Bank Group	26,630	19,983	22,477	22,369	24,833	27,680	30,344	32,915	36,101	57,453	71,411	55,192
Inter-American Development Bank (IADB)	4,969	7,411	4,143	6,232	5,468	6,738	5,774	8,812	11,085	15,278	12,464	10,671
Development Bank of Latin America (CAF)	2,323	3,196	3,291	3,304	3,504	4,746	5,521	6,607	7,947	9,170	10,533	10,066
African Development Bank (AfDB)	1,984	2,372	2,039	1,766	2,787	2,294	2,597	3,098	3,529	8,064	4,100	5,720
Asian Development Bank (AsDB)	5,583	5,339	5,658	6,085	5,039	5,761	7,264	9,516	10,124	13,230	17,936	20,374
European Bank for Reconstruction and Development (EBRD)	2,465	3,312	3,705	4,181	5,084	5,332	6,174	7,672	7,497	10,981	11,876	10,688
Islamic Development Bank (IsDB)	2,528	2,746	2,903	3,673	4,685	3,777	5,167	5,363	5,799	6,738	6,028	7,080
Asian Infraestucture Development Bank (AIDB)												
New Development Bank (NewDB)												
Subtotal Regional Banks supporting EMDCs	19,852	24,377	21,739	25,241	26,567	28,648	32,497	41,068	45,981	63,461	62,936	64,599
European Investment Bank (EIB)	37,795	37,083	50,183	52,674	56,767	63,187	67,247	77,343	87,159	144,418	110,758	74,426
Subtotal Regional Banks	52,654	55,401	65,314	70,061	73,565	82,726	88,403	105,376	119,844	190,160	155,791	121,257
TOTAL	79,284	75,384	87,791	92,430	98,398	110,406	118,747	138,292	155,945	247,613	227,202	176,449
Memo												
Tradional Regional Banks	19,852	24,377	21,739	25,241	26,567	28,648	32,497	41,068	45,981	63,461	62,936	64,599
New DB and AIIB												

Source: Annual reports of each institution. For the World Bank Group institutions, the data refers to fiscal years.

Table 1: Loan Commitments of Multilateral Development Banks (Million US dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
World Bank- IBRD	20,582	15,249	18,604	23,528	29,729	22,611	23,002	23,191	27,976	30,523	33,072
World Bank - IDA	14,753	16,298	22,239	18,966	16,171	19,513	24,010	21,932	30,365	36,028	37,727
International Finance Corporation - IFC	15,462	18,349	17,261	10,539	11,117	11,854	11,629	8,920	11,135	12,474	12,569
Subtotal World Bank Group	50,797	49,896	58,104	53,033	57,017	53,978	58,641	54,043	69,476	79,025	83,368
Inter-American Development Bank (IADB)	11,179	13,811	13,629	11,074	11,325	13,350	14,756	13,268	14,511	14,937	14,838
Development Bank of Latin America (CAF)	9,275	11,876	11,622	11,537	12,412	12,259	13,663	13,010	14,147	13,192	14,100
African Development Bank (AfDB)	4,254	4,386	5,050	6,335	8,035	6,196	7,279	7,300	4,171	4,506	6,156
Asian Development Bank (AsDB)	20,925	20,357	22,841	26,540	25,466	31,813	35,464	33,743	48,002	35,692	31,862
European Bank for Reconstruction and Development (EBRD)	11,211	11,836	12,262	11,793	11,101	12,079	12,757	13,146	13,847	17,011	15,826
Islamic Development Bank (IsDB)	9,000	9,255	9,442	10,443	8,886	7,875	6,907	7,755	6,852	8,864	10,515
Asian Infraestucture Development Bank (AIDB)					334	1,948	3,328	4,576	8,006	10,288	13,039
New Development Bank (NewDB)					1,544	1,851	4,697	7,192	10,277	5,060	
Subtotal Regional Banks supporting EMDCs	65,844	71,521	74,846	77,722	79,103	87,370	98,851	99,990	119,813	109,549	
European Investment Bank (EIB)	79,759	106,098	119,180	104,259	83,420	94,612	74,076	65,746	108,972	66,032	79,894
Subtotal Regional Banks	125,392	156,528	172,322	159,745	151,422	169,896	160,207	152,590	214,938	158,570	170,404
TOTAL	176,189	206,424	230,426	212,778	208,439	223,874	218,848	206,633	284,414	237,595	253,772
Memo											
Tradional Regional Banks	65,844	71,521	74,846	77,722	77,225	83,572	90,826	88,222	101,530	94,202	93,297
New DB and AIIB					1,878	3,799	8,025	11,768	18,283	15,348	

Source: Annual reports of each institution. For the World Bank Group institutions, the data refers to fiscal years.

However, the World Bank Group continues to play the most important countercyclical role, as reflected in the sharp increase in its financing during the North Atlantic crisis[2] and during the Covid-19 pandemic and more recent years. This was possible during the recent crises thanks to the capitalization of this institution in 2018. Furthermore, in recent years this function was performed more strongly by the IDA than by the IBRD, but also in the second case with a significant increase in financing. The regional banks that played a significant countercyclical role during the pandemic were the Asian Development Bank and the European Bank for Reconstruction and Development, while the African Development Bank reduced its credit approval.

Regarding the support to different regions relative to their GDPs, the World Bank provides the most support to Sub-Saharan Africa and South Asia. This clearly reflects the priority of supporting the world's poorest developing regions. Latin America and the Caribbean follow in relative importance. For its part, the support of regional banks is dominant in Europe, among other reasons due to the support of the EIB, followed by Latin America and the Caribbean (Ocampo and Ortega, 2022).

From this analysis, the importance of the continued dynamism of the MDB system emerges, both for long-term financing, now including the fight against climate change and pandemics, and for supporting countries during crises. As we will see in the next section, support for climate change, both in terms of mitigation and adaptation, has been increasing as a proportion of these institutions' assets but it is still very small relative to financing needs. In turn, it is unclear how much of health financing by these institutions is really associated with the fight against pandemics. In relation to support during crises, it is essential that regional banks also play a countercyclical role, complementing that of the World Bank in this regard.

III. The Role of MDBs in the Provision of International Public Goods

The documents from the UN, the G20, and the World Bank mentioned at the beginning of this essay share three recommendations. The first one is that, aside from supporting the equitable and sustainability of developing nations, MDBs must also finance the contribution of these countries to the provision of international public goods, including the prevention of pandemics and the fight against climate change. The second is the need to have contingency clauses to face the vulnerability of countries associated with health and climatological events –as well as the negative shocks from the international economy. These clauses should allow the suspension of the debt services with these institutions under these circumstances and eventually a reduction in the associated liabilities.

[2] We use this term to refer to the 2007-2009 crisis, generally called the global financial crisis, but since its axes were the United States and Western Europe, the more appropriate term is the North Atlantic Crisis.

The third is that there is a need to work more closely with the private sector, including to support its contribution to the provision of international public goods.

MDBs substantially increased their financing to global public health after the outbreak of the Covid-19 crisis, which increased from 2.6 to 11.1 billion from 2019 to 2020 (Table 2). However, that is not nearly enough. The World Bank was the MDB with the greatest number of programs in this area, but it just represented 8.4% of its total loan commitments in 2020. Furthermore, the division between financing national health programs and the specific support to the provision of international public goods –i.e., the fight against the pandemic— is unclear; the largest resources were, moar likely, for national programs.

Table 2: MDB commitments on global public health 2013-2020 (in USD millions, 2020 constant prices)

	Global Public Health							
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
World Bank (WBG)	1,094.72	973.16	1,049.74	1,271.90	2,008.84	1,974.51	2,098.95	5,815.93
International Bank for Reconstruction and Development (IE	380.08	42.70	434.45	580.23	870.42	1,245.15	1,033.36	2,857.97
International Development Association (IDA)	714.64	930.46	615.29	691.67	1,138.41	729.36	1,065.59	2,957.96
Inter-American Development Bank (IADB)	706.80	1,163.98	780.59	347.23	187.82	807.54	49.52	1,082.07
African Development Bank (AfDB)	1.57	6.28	1.01	139.93	0.00	1.02	0.00	2.89
Asian Development Bank (ADB)	76.22	64.71	10.32	39.13	74.68	307.17	413.68	2,174.44
Asian Infrastructure Development Bank (AIDB)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,494.90
European Bank for Reconstruction and Development (EBR	26.55	62.32	76.35	78.08	101.08	2.36	51.07	225.11
European Investment Bank (EIB)	0.00	0.00	0.00	0.00	0.60	5.62	4.81	262.11
Total	1,905.86	2,270.45	1,918.02	1,876.27	2,373.02	3,098.21	2,618.04	11,057.45

Source: OECD Creditor Reporting System. Based on ODI Research.

Commitments for climate finance by the MDBs were larger and have grown for a slightly longer time –since 2017. In 2021, MDBs sustained their commitment to climate finance, disbursing USD50.7 billion to low and middle-income countries (Table 3)[3]. This is double the average level of financing in 2011-2016. Additionally, USD41 billion in private finance was mobilized concurrently. These efforts enabled MDBs to achieve the anticipated climate finance levels for 2025, as announced during the UN Climate Action Summit in 2019 (MDBs, 2022).

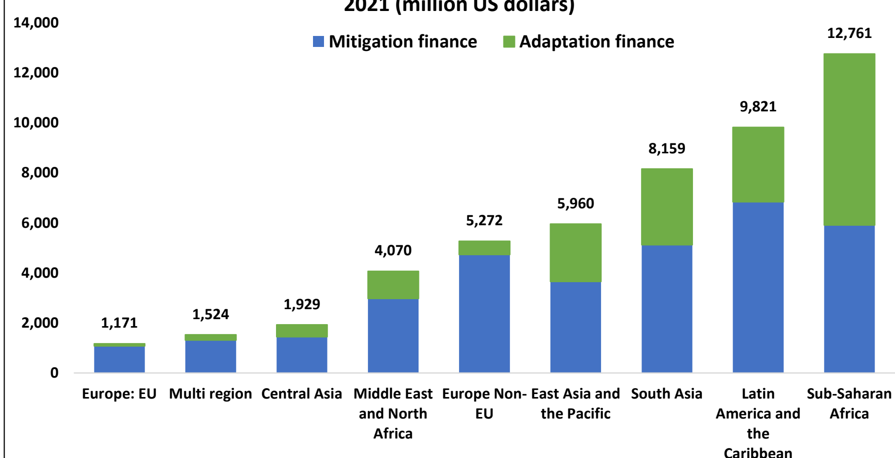
[3] The USD3.4 billion from the EIB included in table is its financing to developing countries.

Table 3: MDB climate finance commitments to low and middle-income countries											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PART A: Total reported MDB climate finance commitments (USD billion)											
World Bank (WBG)	10.7	12.7	9.4	11.8	10.7	11.5	13.2	21.3	18.4	21.3	28.0
Inter-American Development Bank (IADB)	2.2	1.9	1.2	2.5	1.7	2.7	4.3	5.0	4.4	2.5	4.8
African Development Bank (AfDB)	1.6	2.2	1.2	1.9	1.4	1.1	2.3	3.3	3.6	2.1	2.4
Asian Development Bank (ADB)	3.2	3.3	3.3	2.9	2.9	4.4	5.2	4.0	7.1	5.3	3.9
Asian Infrastructure Development Bank (AIDB)										1.1	2.7
European Bank for Reconstruction and Development (EBR	3.7	3.1	3.5	4.1	3.2	3.5	4.6	3.8	3.9	2.3	4.8
European Investment Bank (EIB)	5.6	3.7	5.2	5.2	5.1	4.3	5.5	5.7	3.6	3.2	3.4
Islamic Development Bank (IsDB)									0.5	0.3	0.7
Total	27.0	26.9	23.8	28.4	25.0	27.5	35.1	43.1	41.5	38.1	50.7
PART B: Total report MDB climate finance commitments as fraction of total loan commitments (%)											
World Bank (WBG)	19%	25%	19%	20%	20%	20%	24%	36%	34%	31%	35%
Inter-American Development Bank (IADB)	21%	17%	9%	18%	15%	24%	32%	34%	33%	17%	32%
African Development Bank (AfDB)	28%	52%	27%	38%	22%	14%	37%	45%	49%	50%	53%
Asian Development Bank (ADB)	16%	16%	16%	13%	11%	17%	16%	11%	21%	11%	11%
Asian Infrastructure Development Bank (AIDB)										14%	26%
European Bank for Reconstruction and Development (EBR	35%	28%	30%	33%	27%	32%	38%	30%	30%	17%	28%
European Investment Bank (EIB)	8%	5%	5%	4%	5%	5%	6%	8%	5%	3%	5%
Islamic Development Bank (IsDB)									6%	4%	8%

Source: MDBs (2022)

Out of the total resources for climate financing, 65% were allocated for mitigation and 35% for adaptation (Figure 1). On a regional scale, Sub-Saharan Africa secured the highest financing, for USD12.8 billion, out of which 54% was allocated to adaptation, the highest proportion of any region. It was followed by Latin America and the Caribbean with USD9.8 billion and South Asia with USD8.2 billion, out of which 30 and 37% were used for adaptation. East Asia and the Pacific, and the Middle East and North Africa were next, with USD6.0 and USD4.1 billion, of which 39% and 27% went to adaptation.

Figure 1
Climate financing by region and share of mitigation and adaptation, 2021 (million US dollars)



Source: MDBs (2022)

Developing countries are particularly susceptible to the adversities associated with climate change, requiring an escalated focus on financing for adaptation. The current aim is to achieve equitable distribution, with a substantial portion of adaptation funding directed towards the most vulnerable countries, as has been recommended in discussions in the Conferences of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC). The proportion for adaptation is higher than typical in climate financing in high-income countries but, as Figure 1 indicates, it is still far from the 50-50 global goal for the mix to developing countries, which requires a considerable increase in adaptation finance (UNFCCC, 2022).

An essential theme of all the proposals from the UN, the G20, and the World Bank is the need to have concessional credits or donations channeled through the MDBs, and that they must benefit not only low- but also middle-income countries. These mechanisms should also allow partial subsidies for credits to the private sector to leverage their investments in the provision of public goods. To make this possible, it is necessary to significantly increase official development assistance, a challenging issue, given the limited available resources, as we will see in the next section. Aside from concessional resources, the proposals indicate that MDB loans should be longer-term (30 to 50 years), with more significant grace periods and lower interest rates. To manage the volatility of the exchange rate, they must lend more in the countries' national currencies, based on the resources they raise with the placement of bonds in the said currencies, which would also help to support the development of national capital markets in the countries.

Another key aspect is to ensure the effectiveness of the concessional credits and donations relates to the policy conditionalities imposed on recipient countries. These conditionalities –such as climate change mitigation, biodiversity conservation, or pandemic preparedness—should be designed to ensure that the recipient governments' policy choices align with the broader, longer-term agenda of addressing global challenges, each country's development goals and international commitments. In this sense, a recent paper by Climate policy Initiative states, MDBs should move from a project-by-project basis to a program-based approach to drive systemic changes (CPI, 2023).

For example, after the Paris Agreement in 2017, most MDBs are applying Paris-aligned practices across their practices in the next two years. However, progress on a key area –Policy-Based Operations (PBOs)— is still pending. This type of operation offers financial aid to developing countries in exchange for policy changes. These changes have typically targeted areas like public finances, social programs, and key sectors like energy or agriculture. The aim is to strengthen these countries' economies and make development investments more effective, ultimately reducing their need for aid. As highlighted in a World Resources Institute report, MDBs can repurpose their policy-based financing instruments to support climate-resilient economies in developing countries facing debt burdens and climate impacts (Neunuebel, et.al, 2023).

Short-term profit motives often drive private investors, and their investments may not always align with the long-term sustainability goals. By attaching appropriate policy conditionalities, MDBs can generate incentives and de-risk private investment, using instruments like guarantees or insurance, while ensuring that the resulting policies and investments contribute to the broader global public goods agenda (MDBs, 2015). Added to this are various financial management proposals that allow expanding the relationship between the financing of MDBs and the capital of these institutions, maintaining, in any case, the standards that allow these institutions to continue having the best investment grade[4].

In terms of expanding resources, the Special Drawing Rights (SDRs) issued by the International Monetary Fund (IMF) that have not been used by the recipient countries –basically by developed countries— could be channeled through the MDBs, which are already authorized to hold such assets, thus providing additional resources for these institutions. However, for this to be possible, it is essential to develop a specific instrument that allows for preserving the role of SDRs as reserve assets, based on the experiences of IMF funds that already have such mechanisms.

The Resilience and Sustainability Trust (RST) is one of those funds (IMF, 2023). It operates as a loan-based trust. Approximately three-quarters of the IMF's member countries, encompassing all low-income nations, developing and vulnerable small states, and lower-middle-income countries, are eligible for extended affordable financing from the RST. This trust is strategically oriented toward addressing prolonged structural challenges, notably those related to climate change and pandemic preparedness. Since becoming operational in October 2022, it has approved eleven arrangements through its Resilience and Sustainability Facility (RSF)[5].

In any case, to fulfill all these and the more traditional functions, a crucial element is the capitalization of the MDBs in the necessary magnitudes. The capitalizations of the World Bank in 2018, as well as for all MDBs after the North Atlantic crisis, responded to this demand. However, a complex problem is a doubt about the United States' commitment –particularly of its Congress— to capitalize the World Bank, which is essential given that it is the major shareholder[6].

The proposals differ significantly in terms of the magnitudes of the capitalizations required. The G20 group of independent experts proposed increasing the annual financing of these institutions to USD500 billion by 2030, a third of which would be in official assistance or concessional credits and the rest in non-concessional credits (G20, 2023a). Given the amount of bank approvals in recent years (excluding the EIB), this means approximately tripling the value of their loans. Those of the UN, with its focus on the stimulus necessary to achieve the SDGs are much more ambitious. In fact, the Secretary General's document highlights that the relationship between multilateral bank

[4] In this regard see, in particular, G20(2023a) and World Bank (2022).
[5] Another IMF fund is the Poverty Reduction and Growth Trust, which that provides concessional financial assistance for low-income countries facing balance of payments problems.
[6] On the problems already faced in US Congress in 2023 to capitalize the World Bank, as well as with the debate on China's share in the capital of the institution, see a very good journalist analysis in Smith et al (2023).

financing and the size of the world economy was significantly reduced in the 1960s and 1970s, particularly in the case of the IBRD (United Nations, 2023a, Graph 2). For this reason, the UN even suggests that, if we returned to 1960 levels, capital would increase three times as much and loans could increase by up to nearly USD2 trillion, an amount closer to the SDG financing gap (United Nations, 2023a, Table 2).

Several of the proposals of the international institution have the backing of academic and policy analysts. For example, Gallagher et al (2023) argue that the main objective of the World Bank Group, other MDBs and the IMF should be to guide worldwide capital flows toward growth paths in emerging markets and developing countries that are characterized by being socially inclusive, low carbon and climate resilient. This should be achieved in a way that also ensures fiscal and financial sustainability. On the other hand, Kharas and Battacharya (2023) propose that the IBRD should triple its annual lending to around USD100 billion per year with a total loan exposure of USD1 trillion by 2030. According to their proposals, this must be done by working closely with other stakeholders, including the private sector, and using hybrid capital and concessional financing to support both low and middle-income countries.

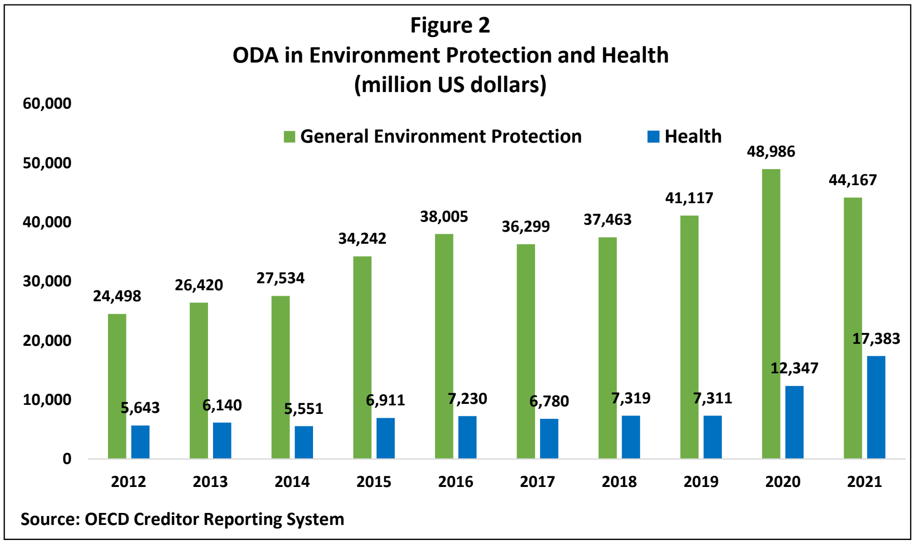
Finally, MDBs must constitute a service network. In the case of the World Bank, this includes its participation in regional projects alongside its partners in the different regions (World Bank, 2023). Added to this is the need for all MDBs to work with the national development banks and other public institutions of the countries (Griffith-Jones and Ocampo, 2018). This is essential because public development banks finance between 10% and 12% of investment worldwide (United Nations, 2023a), although with significant differences between countries. This collaboration would allow national banks to become executors of international public goods programs, as well as channels of information on the related financing needs of their countries.

IV. The Complementary Role of ODA and global funds

The amount of ODA provided for environmental protection[7] has increased since 2015, reaching so far a peak in 2020, when it represented 33% of total assistance. It fell, however, in total funds and share in ODA in 2021, but remained higher than levels reached up to 2019. Narrowing our attention to climate-related matters, the average proportion of climate-specific ODA in relation to the total ODA stands at 5% (Development Initiatives, 2023). In contrast, support for health programs has been much more limited, although it increased in 2020 in response to the pandemic, and again in

[7] According to the OECD Creditor Reporting System, environmental protection includes environment policy and administrative management, biosphere protection, biodiversity, site preservation, environmental education/training and environmental research.

2021, but even in the latter year, it represented only a modest 12% of total funds (Figure 2). In both cases, the overwhelming amount of resources has been bilateral.



It is worth noting that environmental protection represented only 26% of ODA in African countries. This contrasts with other regions, where climate-related ODA consistently made up more than one-third of the total commitments —40% in Latin America and the Caribbean, 39% in Asia, and 37% in Oceania (OECD, 2021). In the specific context of climate, studies reveal that countries facing the highest climate vulnerability tend to receive a smaller proportion of climate-specific ODA in relation to their total ODA, with Latin America being a notable case (Development Initiatives, 2023).

In the case of health, 37% of ODA to developing countries in 2021 was destined for Africa, 27% to Asian countries, and 5% to Latin America. It is essential to add in this regard that following the Covid-19 pandemic, numerous governments, international institutions, and non-governmental organizations created funds specifically for the pandemic response –generally as partnerships among them—. However, despite substantial funding being allocated, disbursements have often been delayed, unpredictable, and poorly coordinated among the different funds and the financing options offered by the MDBs. Furthermore, three-fourths of the funding arrived beyond the peak period of Covid-19 deaths, and there was thus a financing gap in the early phase of the pandemic (G20, 2023a).

The ACT-Accelerator is a worldwide partnership comprising entities such as the World Health Organization (WHO), the Coalition for Epidemic Preparedness Innovations (CEPI), the vaccine alliance GAVI, and the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM). Its collective objective is to expedite the development, manufacturing, and fair distribution of Covid-

19 tests, treatments, and vaccines. Despite its intention to promote collaboration, it only garnered 75% of its funds one year after its initiation (G20, 2023a).

Another financial instrument worth noticing is the already mentioned GFATM, distinguished by its broader scope beyond pandemics. Annually, it allocates approximately 4 billion dollars to combat various diseases. An intriguing aspect of this fund is its flexibility, demonstrated during the pandemic when its Board authorized fund disbursement beyond the mandates that are reflected in its name. Notably, amidst the Covid-19 crisis, it allocated USD600 million to provide essential oxygen resources, which were crucial for the pandemic response.

In 2022, following extensive negotiations between the G20's Finance and Health Ministers, the proposal to create a Pandemic Fund received approval from the World Bank's Board of Directors and was formally established a few months later. Up to July 2023, in the inaugural round of its grants, totaling USD338 million but with a mobilized impact of USD2 billion were allocated to assist 37 countries. Notably, three-fourths of the projects in this initial call have supported low and lower-middle-income countries (World Bank, 2022).

The total projected annual financing requirement for the forthcoming Pandemic Prevention Preparedness and Response (PPR) system is evaluated at USD31.1 billion. Considering existing and anticipated domestic as well as international financing for PPR in 2022, the estimation indicates that a minimum of an extra USD10.5 billion per year in international financing is required to adequately fund a PPR architecture that is fit for its intended purpose (WHO and World Bank, 2022).

Regarding climate change, the Green Climate Fund (GCF) operates as a financial mechanism under the UNFCCC. It became fully operational in 2015, with the aim of supporting developing countries in their efforts toward climate change adaptation and mitigation. The GCF has witnessed significant financial commitments, surpassing USD10 billion during its initial replenishment period (2020-2023). This funding has been invested in climate projects, totaling over USD40 billion, including co-financing in more than 100 countries. As it embarks on its second replenishment, it has committed USD12.7 billion in resources (USD48.1 billion with co-financing) for climate projects in developing countries. The GCF's portfolio is evolving, with 82% of projects already being implemented (GCF, 2023).

The Global Environment Facility (GEF), established in 1991, provides grants and concessional funds to developing countries for projects that address global environmental issues. Over the past three decades, it has provided more than USD23 billion and mobilized USD129 billion in co-financing for more than 5,000 national and regional projects (GEF, 2023)

At the 2021 COP26 in Glasgow, nations concurred that USD100 billion for developing countries was necessary for a prolonged climate transition and to fulfill the global emissions target, explicitly including adaptation as a major issue for these countries. This goal replaced the climate finance commitment set in 2009 at the COP15 in Copenhagen, which aimed to mobilize the same amount for developing countries by 2020, a target that was not met. The most recent projections indicate that it will only be accomplished by 2023, three years beyond the targeted date. This achievement will be primarily attributed to the augmented financing provided by the MDBs (Songwe et al, 2022).

In turn, at the COP27 held in Sharm el-Sheikh in Egypt in 2022, nations reached a consensus to establish a fund for loss and damage, which will assist countries vulnerable to climate change's impacts. The specific arrangements for this fund are slated for discussion and consideration at the upcoming COP28 meeting in the United Arab Emirates later this year, but at the time of writing this paper there were significant differences of opinion among countries on how to design this fund.

Preserving biodiversity is crucial for providing essential ecosystem services that support people's well-being, such as the provision of food and clean water to less noticeable yet crucial services like flood protection, nutrient cycling, water filtration, and pollination. Furthermore, biodiversity can also support human development in non-material ways, holding a cultural value, by contributing to the identity of communities and their sense of belonging (UNDP, 2020). Bilateral aid targeting biodiversity has had a positive trend and reached more than USD9.8 billion in 2021. Bilateral Official Development Assistance (ODA) initiatives can potentially address climate change and biodiversity concurrently. In 2020-21, 88% of ODA that targeted biodiversity also aimed at climate change adaptation, mitigation, or both. Conversely, 18% of climate-related ODA from DAC members had biodiversity-related goals as well (OECD, 2023).

During the Seventh Global Environment Facility (GEF) Assembly in Vancouver, Canada, in 2022, the creation of the Global Biodiversity Framework Fund (GBF-Fund) was announced. This particular trust fund, operating under the umbrella of the GEF, is designed to facilitate the implementation of the Kunming-Montreal Global Biodiversity Framework agreed by the UN Convention on Biological Diversity in 2022.

In turn, the IBRD Fund for Innovative Global Public Goods Solutions, commonly known as GPG Fund) was established in 2020. It saw cumulative transfers of USD85 million by the end of the fiscal year 2022. However, these resources were initially utilized in 2023, amounting USD24 million (IBRD, 2023). The Fund, aimed at fostering cross-border cooperation, draws its funding from the IBRD surpluses. Notably, during the 2023 Annual Meetings in Marrakesh, the World

Bank Group's Managing Director Ajay Banga announced a compromise to engage governments and philanthropies to finance this fund, potentially expanding concessional resources (World Bank, 2023b).

Finally, there is a final instrument, the global green bonds, which actively involves private agents. In 2022, USD487.1 billion of these bonds were issued, slightly lower than the peak of USD582.4 reached in 2021 due to the market turmoil. That peak was reached after six years of very fast growth in emissions. The majority came from private sector issuers, accounting for 54% in 2022, slightly lower than the previous year's 58%. Financial corporations played a significant role, contributing 29% of the resources, while non-financial corporations contributed 25%. European corporates were responsible for nearly half of the private sector's green bond issuance (Climate Bonds Initiative, 2022).

V. Conclusions

There is a broad-based agreement that MDBs should significantly increase their support to developing countries, including to finance the contributions of these countries to the provision of international public goods. They have increased financing for climate change mitigation and adaptation, and to a lesser extent for combating pandemics and supporting biodiversity. However, there is a clear agreement that there should be a significant increase in their activities in these areas, which requires the capitalization of these institutions. There is also a need for resources to finance the concessional component of credits to middle-income countries to support their contribution to international public goods, as well as the contributions that the private sector can make in these areas. Loans conditionality will also be crucial to ensure effectiveness for helping countries achieve both their development goals and international commitments.

ODA must make a significant contribution in this regard. It has also been supporting particularly low-income countries in the fight against climate change, and on a much smaller scale health and biodiversity programs. There is also a multiplicity of special funds created in all these areas. The resources allocated to these funds have generally come with significant lags, and coordination among the different actors is limited, particularly in the health area.

The resources needed to finance these funds and the activities of MDBs and for the overall investment, public and private in the management of climate change are vast and require significant increase in relation to current financing. According to Songwe et al (2022), the world needs a breakthrough and a new roadmap on climate finance, as it needs to mobilize one trillion dollars per year in external finance by 2030 for developing countries (including emerging economies) other than China (Songwe et al, 2022). In terms of public and private financing in clean energy IEA and IFC (2023) estimate that these countries will need to more than triple their (public and private) investments, from USD770 billion in 2022 to USD2.2-2.8 trillion per year by the early 2030s. And, as pointed out above, Kharas and Battacharya (2023) propose that the IBRD should triple its annual lending and reach a total loan exposure of USD1 trillion by 2030.

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