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All references to dollars ($) are to United States dollars, unless otherwise stated.

CONTENTS

ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AoA	articles of agreement
ASEAN	Association of Southeast Asian Nations
BNDES	Brazilian Development Bank
BRICS	Brazil, Russian Federation, India, China and South Africa
CADF	China–Africa Development Fund
CAF	Development Bank of Latin America
CDB	China Development Bank
CLAIFUND	China–Latin American Industrial Cooperation Investment Fund
CLO	collateralized loan obligation
EIB	European Investment Bank
EXIM	Export–Import Bank
GIF	Global Infrastructure Facility
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDC	Industrial Development Corporation of South Africa Limited
LAC	Latin America and Caribbean
MDB	multilateral development bank
NDB	national development bank
NEPAD	New Partnership for Africa's Development
NEPAD–IPPF	NEPAD Infrastructure Project Preparation Facility
PPP	public–private partnership
SAFE	State Administration of Foreign Exchange (China)
SDGs	Sustainable Development Goals
SRF	Silk Road Fund

SCALING UP FINANCE FOR THE SUSTAINABLE DEVELOPMENT GOALS

1. INTRODUCTION

The 2030 Agenda for Sustainable Development, adopted in September 2015 by the United Nations General Assembly, brought to the attention of the international community the critical challenge of how to finance the various initiatives and programmes needed to support its new goals – the Sustainable Development Goals (SDGs). As a starting point to address this challenge, the Third International Conference on Financing for Development took place in July 2015 in Addis Ababa, Ethiopia.

The conference outcome, known as the Addis Ababa Action Agenda for Sustainable Development, provided a blueprint that sought to identify various possible sources of finance and mechanisms to support the SDGs. However, even an optimistic assessment indicates that possible new financing sources and the mobilization capacity of the proposed mechanisms fall far short of the resources needed to adequately support the 17 SDGs and their 169 targets embedded in the 2030 Agenda for Sustainable Development. Therefore, the international development community recognizes that much more needs to be done in this area in the coming years.

Multilateral development banks (MDBs) can serve as effective institutional mechanisms to help finance the SDGs. This possibility is due to their clear mandate to support development-oriented programmes, in-house expertise and track record on identification, development, risk assessment and management of complex projects, and balance sheet structure matching long-term liabilities with long-term assets. A limiting factor, however, has been MDBs' conservative

finance, as well as inject new ideas for operational improvements in other banks. It focuses on AIIB's articles of agreement and argues that such articles give the bank a potential institutional mechanism to become an important intermediary in channelling sizeable amounts of official (but also private) resources to development-oriented projects around the world. Indeed, the odds are that the AIIB institutional setup may place the Bank ahead of its peers in terms of scale of loans. Although this may entice (or create competitive pressures for) other development banks to follow a similar path, the fact is that the AIIB model is not the only way forward to scale up finance for development. Other multilateral financial institutions can forge alternative paths towards scaling up that are aligned to their rules, culture and modus operandi.

Following this introduction, section 2 briefly reviews the Addis Ababa Action Agenda and argues that MDBs have a business model that make them very appropriate instruments to leverage resources to development objectives. Section 3 presents recent proposals on how to reroute, through MDBs, resources managed by institutional investors towards development finance, but it also highlights possible downside risks.

Given the lending constraints MDBs currently face, Section 4 provides an examination of loan-to-equity gearing ratios of multilateral and national development banks. This section shows that gearing ratios vary considerably among development banks, due in part to the fact that each bank faces specific structural, institutional and cyclical factors shaping their lending practices; but the observed variation also suggests a possibility for institutional experimentation in the