

# Multilateral Development Banks

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*For our families and children as well as all children of the world.*

# Foreword

During several decades the benefits of multilateralism were taken for granted. This is no longer the case. In this context, *Multilateral Development Banks: Governance and Finance* is a very timely and valuable book that offers a rich description of Multilateral Development Banks (MDBs), an assessment of their roles, and a constructive critique with recommendations to enhance their contribution to the development agenda.

A useful taxonomy of 25 MDBs is proposed and applied for the analysis of these banks as a whole and by type of MDBs. Having worked for the three different types of MDBs considered in the book, I can attest that this classification makes sense.

This volume is an important contribution to the qualitative and quantitative knowledge about MDBs practices and standards. It addresses misconceptions concerning MDBs, provides a comprehensive review of governance and funding issues that constrain MDBs' effectiveness, and suggests means to overcome those constraints.

It is to be noted that Chap. 3 provides an adequate presentation of the important issue of additionality, whereas Chap. 5 presents a novel system of *MDB-specific governance principles*, which is used in an assessment and in identifying areas for improvement. It includes the standards developed for independent evaluation by the MDBs' Evaluation Cooperation Group (ECG), considering also other areas relevant for MDBs.

The book concludes with a discussion on the future of MDBs, providing ideas and suggestions for addressing complex problems, highlighting the importance of improving governance and strengthening independent

evaluation, as well as the engagement with stakeholders and the promotion of synergies across MDBs. Thus it points out ways in which the MDBs can become more effective and efficient agents of change, playing a key role in shaping, implementing, and evaluating the development agenda.

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# Preface

*Multilateral Development Banks: Governance and Finance* is a novel, theory-inspired, and practice-based guide to the essence and prospects of Multilateral Development Banks (MDBs). It provides a comprehensive overview regarding virtually all MDBs, involved in lending for international socioeconomic development. With seven stand-alone chapters, the book represents insights on a wide range of often misconceived and unattended MDB aspects.

The analysis covers 25 MDBs worldwide to offer unprecedented understanding to a broad range of audiences who would be interested in the complexity and the prospects of these institutions. The MDBs are covered as a family and by groups, rather than presenting each one in detail. The grouping is based on geographical lending outreach and has three categories of MDBs: *Global, Regional, and Sub-regional*.

Unlike similar books and articles, which treat MDBs as banks, the authors offer a novel perspective by addressing the obscured specifics of multilateral lending institutions, revealing multiple aspects of their nature and operations, based on their unique self-regulation and governance. MDBs are addressed in a forward-looking manner, toward “knowledge banks”, “change agents”, and even “benchmark setters”, diving into the very essence of the often elusive *additionality* (offering of a value that is additional to what is already available in the market). The variable elements of *additionality* make an MDB distinguished from any other institutions or banks.

The book’s novelty and insight draw on relevant comparisons of the three regional groups of MDBs, with a focus on their governance and finance, to outline relative comparative advantages, among other key features. While criticism and reforms were addressed in the past, the book presents the importance of phased incremental elevations through an evidence-based advancement of

values, human capital, and governance. This approach is in contrast with already known polar ad hoc pressures that led to various stop-and-go reform campaigns, associated with severe side effects such as “reform fatigue” and staff disengagement.

The book reflects on the key role of most MDBs in inspiring and advancing sustainable economic development through the transfer of knowledge and funding by addressing key global challenges. It provides a constructive elaboration on issues of recent criticism, such as opaque governance, domination by “donor” countries, controversial requirements and operations, and lack of inclusiveness. The bold calls for institutional reforms and the recent geopolitical and social turmoil in the world that have challenged multilateralism for development (among other post-war values) make the book timely and relevant, with a prospect to remain such for years ahead. Therefore, it is expected to constructively enhance the ongoing debate, involving a growing network of stakeholders, directly or indirectly, dealing with MDBs and their agenda (e.g. OECD and G20).

Originated by a team with experience at a relatively small MDB (the Black Sea Trade and Development Bank), the book presents a neutral position, backed by years of diverse experiences at/with numerous MDBs, providing a hands-on insider perspective. Utilizing their wide networks, as well as insight from working closely with peer MDBs, the authors offer analysis on a number of unexplored aspects, drawing from vast ex-post evaluation resources, reflecting the wealth of lessons learned at most MDBs. This makes the book a unique and hopefully inspiring source of knowledge on a wide range of standards and practices, for the benefit of practitioners, consultants, government officials, borrowers, and researchers.

The book is expected to be of particular interest and use to a very wide range of multilateral as well as bilateral organizations and stakeholders concerned with development. It should also become a key asset to academics and students with an interest in international finance and development. It may also be useful to members of the general public interested in the complex geopolitical context of international development and multilateralism, as they have never been more important, yet challenged. It is clear that rapid transformations are taking place toward political and social upheavals, driven by populism and nationalism, triggering unprecedented debate about the challenges of poverty, inequality, peace, and sustainability. This makes the MDBs particularly relevant and important, at a time when they are pressed to deliver deeper and wider, faster and better, with even more limited resources.

The opinions and positions expressed in the book belong to the authors and not to the institutions they are associated with. The authors take



responsibility for all errors and omissions and acknowledge the importance of contributions by many other people.

The three authors worked jointly on the book upon the idea of Ihsan Ugur Delikanli. Their primary contribution is as follows:

Ihsan Ugur Delikanli: Chaps. 2, 3, 4, 6, 7.

Todor Dimitrov: Chaps. 1, 2, 3, 5, 6, 7, editing.

Roena Agolli: Chap. 2, index.

Credit for photograph of Todor Dimitrov (back flap): Kalina Dimitrova.

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