SUMMARY

FOCUS SESSION 20: Middle-Income Countries and Multilateral Development Banks: Effective Development Partners

Middle Income Countries (MICs) are home to the largest number of people living in poverty in the world. Multilateral Development Banks (MDBs) are partnering with MICs to reduce poverty and inequality while stimulating inclusive, sustainable growth. Knowledge management (relevant knowledge generation and dissemination) and innovation are essential to these partnerships.

High-level panelists representing MICs and MDBs debated on ways to address the unique and evolving development challenges facing MICs, and shared innovative approaches being used by the MDBs and their MIC partners.

Speakers/Panelists
• President Luis Alberto Moreno, Inter-American Development Bank (IDB)
• Vice-President Wencai Zhang, Asian Development Bank (ADB)
• Vice-President Michel Mordasini, International Fund for Agricultural Development (IFAD)
• Secretary Arsenio Balisacan, Government of the Philippines

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Objectives of the session
• Explore the partnerships between MICs and MDBs, including how MDBs help MICs address their unique and evolving development challenges
Main messages from the Session:

- **MICs require a continued support.** Despite their continued economic growth, MICs continue to face huge development challenges including poverty, high vulnerability of the poor, inequality, the middle-income “trap”, and various environmental and institutional capacity and efficiency problems. MDBs should continue to assist MICs—which make up majority of their developing member countries—to overcome these challenges.

- **MICs still need the MDBs as sources of finance and knowledge.** While sovereign credit ratings have improved in several MICs and enhanced their capacity to borrow for their development needs, many MICs are still not considered investment grade. The financing needs are also huge, and the role of public development financing, including from MDBs, remains vital. In addition to finance, MICs appreciate the value-added of MDBs as sources of up-to-date knowledge and cross-country experiences.

- **MICs consider MDBs as valued and trusted development partners but have higher expectations.** MICs expect MDBs to be more innovative, flexible, and quick to respond their needs for financing. MICs also highlighted the need for MDBs to build their staff skills and capacities to add value over improved national capacities, and to meet higher expectations of their MIC clients.

- **Effective Cooperation is critical for achievement of development results.** Examples of country level projects showcased highlighted—that development results are achieved and delivered better when stakeholders like MDBs (often working together), subnational governments, private sector, and civil society collaborate— and engage in continuous dialogue to respond to the evolving development challenges faced by MICs.

- **MDBs’ engagement with MICs requires an invigorated effort.** MDBs seek to partner with MIC clients in new and different ways—to meet expectations of MICs—for up-to-date knowledge, global and regional connectivity and cooperation, and the quest for idea exchanges and innovative solutions. Given the diversity among the MICs, MDBs should have a differentiated approach to tailor their support to needs of each MIC. Supporting the development of the private sector, and strengthening governance structures and institutions in MICs, is central to their sustainable development.

- **MICs classification methodology requires a review.** MIC representatives in the session highlighted the need to continue to review the MIC classification methodology based on GNI per capita. It was suggested that the current definition does not take into account the complexity of challenges and opportunities faced by the MICs. MDBs reiterated that they work with each of their partner...
countries on a case by case basis to agree on strategic priorities based on needs, and then operationalize these priorities through various financial and non-financial products and services. In that way, the country classification does not really impact on participating MDBs’ work with the MICs.

Conclusion and Way Forward

MICs and MDBs agreed to strengthen their partnerships and pursue concrete approaches and actions to improve development effectiveness in MICs. Some of these concrete actions by MDBs include:

- **Deliver value for money and improve efficiency.** MDBs will explore ways to improve value for money in its partnership with MICs. This may require MDBs to streamline its business processes, work with country systems, and reduce its response time. MDBs will also enhance their staff capacity.

- **Generate and manage knowledge.** MDBs will continue to focus on providing sophisticated up-to-date knowledge and cross-country experiences on major development issues. MICs as equal partners are sources of knowledge and MDBs will facilitate such knowledge sharing among the MICs.

- **Expand and adapt the range of financial products.** MDBs as providers of finance will continue to examine the potential need for different financial instruments, including, as appropriate, refining and enhancing market-based instruments for MICs to address changing development needs.

- **Enhance lending capacities and partnerships.** To remain relevant, MDBs will further leverage their resources to mobilize funding from other sources, in particular the private sector, and continue partnering with bilateral and multilateral agencies, civil society organizations and further develop knowledge sharing.

- **Continue to practice flexibility and adaptability to constantly changing conditions in MICs.** MDBs will keep in mind the five “I”s—inequality, inclusion, innovation, integration and institutions—in future dealings with MICs. In addition, MDBs will continue to evaluate “what they do” and “how they do it” to achieve greater effectiveness and efficiency.