



Building Resilience in the Age of Disasters

**Opportunities in the MDBs' Reform and Stakeholder
Engagement**

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Stakeholder Engagement

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Abstract

The consequences of climate change and increasing disasters jeopardise the livelihoods and resilience of some of the world's most vulnerable countries. Strengthened international efforts to mobilise and allocate additional climate and disaster resilience financing are required to address the needs of the countries that have least contributed to climate change and who currently are at the forefront of its implications. Multilateral Development Banks (MDBs) are well-positioned to promote climate and disaster resilience financing, and the internationally agreed political decision to reform the banks to align with the Paris Agreement concluded at COP27 could further incentivise this purpose. The study aims to uncover the advantages of MDBs' stakeholder engagement as a means to enhance the reform agenda and strengthen climate and disaster resilience in Small Island Developing States (SIDS) and Least Developed Countries (LDCs). The methodology of the study involves 11 expert interviews with representatives of the banks and their stakeholders, and the empirical data is analysed through stakeholder theory. The study finds various advances in MDBs extending their stakeholder engagement activities in the process of achieving the reform objectives and enhancing the provision of climate and disaster financing. It suggests a further dialogue between the banks and their stakeholders can lead to a deeper understanding of each other's perspectives and thus promote collective action. Moreover, the study finds that increased financial, technical, social, and public policy support from the MDBs, together with adopting a more democratic and equitable model for the banks, may advance climate and disaster resilience in the most affected countries.

Keywords:

Climate finance, MDBs, climate disasters, resilience, stakeholder theory

Popular scientific summary (in Swedish)

I samband med den globala uppvärmningen har översvämningar, tropiska cykloner, värmeböljor och extrem torka har blivit allt vanligare världen över. De länder som har störst risk för extrema väderhändelser har minst resurser för att återhämta sig efter dem. Små önationer under utveckling och minst utvecklade länder står i synnerhet inför utmaningar när det gäller att hantera klimatkrisens effekter, trots att dessa har minst bidragit till den globala uppvärmningen.

För att tillgodose behoven hos de mest sårbara länderna som står i frontlinjen för klimatförändringarnas konsekvenser krävs ytterligare internationell finansiering för att stödja dessa länders förmåga att stå emot och återhämta sig från katastrofer på lång sikt. Världsbanken och andra multilaterala utvecklingsbanker (MDB:er) är i en fördelaktig position för att främja detta, eftersom de har omfattande kapacitet att mobilisera stora mängder kapital från olika källor, de besitter betydande expertis och tekniskt kunnande, och har ett stort nätverk av intressenter internationellt. Vid Förenta nationernas klimatkonferens i november 2022 beslutades det att reformera MDB:ers verksamhet och visioner för att bättre möta internationella bestämmelser inom klimatområdet, vilket kan ytterligare motivera ökade insatser för klimat- och katastrofresiliens.

Denna studie syftar till att undersöka fördelarna med MDB:ernas engagemang av intressenter som ett medel för bankerna att uppnå reformens mål och stärka klimat- och katastrofresiliens i de mest sårbara och katastrofdrabbade länder. Studiens resultat grundar sig i 11 expertintervjuer som analyseras utifrån intressentteori. Studien föreslår att ytterligare dialog mellan bankerna och deras intressenter kan leda till en djupare förståelse för varandras perspektiv och därigenom främja gemensamma mål och åtgärder. Dessutom visar studien att ökat ekonomiskt, tekniskt, socialt och offentligt stöd från MDB:erna, tillsammans med antagandet av en mer demokratisk och rättvis modell för bankerna, kan eventuellt främja klimat- och katastrofresiliens i de mest drabbade länderna.

Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
CBDR-RC	Common but Differentiated Responsibilities and Respective Capabilities
CANSA	Climate Action Network South Asia
COP	Conference of the Parties
DRM	Disaster Risk Management
EBRD	European Bank for Reconstruction and Development
EU	European Union
GCF	Green Climate Fund
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
L&D	Loss and Damage
MDB	Multilateral Development Bank
NAP	National Adaptation Plan
NDCs	Nationally Determined Contributions
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank

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1. Introduction

Disasters caused by climate change are on the rise across the globe. In 2022, the average global temperature was approximately 1.15°C above the pre-industrial levels, resulting in more frequent, intense, and unpredictable weather events, including floods, heatwaves, droughts, and tropical cyclones (WMO, 2022; Oliver, 2019), and more gradually occurring climatic hazards such as sea-level rise (Kalaidjian & Robinson, 2022). The consequences of climate disasters are no longer anecdotal anywhere in the world, but particularly severe and irreversible destruction is experienced in some of the world's most vulnerable countries, such as Small Island Developing States (SIDS) and Least Developed Countries (LDCs) (IPCC, 2023). According to the Intergovernmental Panel on Climate Change (IPCC) of the United Nations, immediate action needs to be taken to mitigate the causes of extreme weather events and strengthen resilience in the most vulnerable areas (IPCC, 2022).

Climate and disaster resilience refers to institutional frameworks, procedures, and tools targeted at identifying risks associated with disasters, climate extremes, long-term climatic changes, assessing their impacts, and the development of strategies to mitigate, transfer, and adapt to these risks (OECD & The World Bank, 2016). Financing these activities is an essential measure for the implementation of resilience-building efforts (Kull et al., 2016). Currently, the main avenues to fund climate and disaster resilience in vulnerable and exposed countries include government ownership, loans from Multilateral Development Banks (MDBs), and contributions from the international community (Taupo, 2019).

International climate finance negotiations most commonly focus on the financial flows from high to low-income countries, i.e., Annex I Parties to non-Annex I Parties of the Paris Agreement (Shishlov & Censkowsky, 2022). Primarily, this stems from the intergenerational equity principle of 'Common but Differentiated Responsibilities and Respective Capabilities' (CBDR-RC) adopted at the Rio Conference on Environment and Development in 1992 (Article 3.1, UNFCCC, 1992). The principle acknowledges that all countries have a shared responsibility to combat climate change, whereas high-income countries have a greater ability to take action and should therefore bear a greater burden in addressing climate change. In the interim, non-Annex I countries, including SIDS and LDCs, have contributed to global greenhouse gas (GHG) emissions significantly less per capita than the world average, and they are facing the most detrimental consequences of climate change (IPCC, 2023; Nordlander et al., 2019). Additionally, these countries have the least resources to address their mitigation

and adaptation demands, as well as to cover steadily rising loss and damage (L&D) caused by the consequences of climate change that adaptation measures no longer can adequately soothe (Sanderson & O'Neill, 2020).

From the legal framework standpoint of international climate finance, Article 2.1c in the Paris Agreement addresses the need to align financial flows with mitigation and adaptation (UNFCCC, 2015). The Agreement reaffirms the climate finance commitments set at COP15 in Copenhagen in 2009 which resulted in a collective goal of mobilising USD 100 billion per year until 2020, later decided to be continued until 2025. The collective efforts involve the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) as well as a variety of domestic and international institutions and private sector stakeholders (Achampong, 2022).

Despite these financial commitments, Annex I Parties have not reached the target to meet USD 100 billion any year since the goal was established (Ciplet, 2022). In addition to the insufficient quantity of climate finance, there is also a debate over the quality of it provided. This is partly due to the absence of a universally accepted definition for the term 'climate finance', leaving room for interpretation (Weikmans & Roberts, 2019). Consequently, the flows of climate financing are reported as loans, grants, and guarantees, and in effect, the flows often consist of non-concessional loans, which exacerbates the high debt levels of many low-income countries (Thomlinson, 2022). Furthermore, the majority of international climate finance is geared towards mitigation efforts, leading to an imbalance between funding for mitigation and adaptation (Pauw et al., 2022). The need for additional financing for climate disasters and disaster resilience has also been addressed, particularly by non-Annex I Parties (Tomlinson, 2022).

Even though international climate finance management lies with the UNFCCC (Pickering et al., 2017), the decisions regarding the allocation and contribution of climate finance often are made by a combination of high-income governments, private financial institutions, and MDBs (Pickering et al., 2015). MDBs are international financial development institutions, such as the World Bank (WB), and are owned by their member states (Kull et al., 2016). They have traditionally promoted economic growth through their project finance activities, however more recently, the banks have become increasingly focused on addressing the environmental and social impacts of the projects they support (Lin, 2022). MDBs retain a significant ability to finance and support large-scale development projects, and they can assemble a wide range of public and private stakeholders for the advancement of initiatives or policy changes, known as their convening power (Shishlov & Censkowsky, 2022). Fostering collaboration and the alignment of development efforts towards common goals, MDBs, governments, private sector entities, civil society organisations, and other stakeholders, can in concert unlock opportunities in catalysing the objectives of the Paris Agreement (Prizzon et al., 2022). Consequently, MDBs could serve as key players in scaling up climate finance in vulnerable and exposed countries (Humphrey, 2022; Bazbauers, 2022).

With respect to the MDBs' climate finance engagement, COP27 saw a historical moment in Sharm El-Sheikh in November 2022, when for the first time, a Conference of the Parties (COP) draft political decision included a section on the need to reform MDBs to align with the climate finance targets of the Paris Agreement. The Sharm El-Sheikh Implementation Plan 'Decision -/CP.27' calls MDBs to reform their practices and priorities, through increasing funding, simplifying access and mobilising various sources of climate finance, and defining a new vision and operational model for addressing global climate emergency, by shifting from grants to guarantees and non-debt instruments and taking into account debt burden and risk appetite (UNFCCC, 2022a, decision -/CP.27, paragraph 37). The decision was a result of various initiatives highlighting the need for reform, especially by representatives of SIDS and LDCs, including Mia Mottley, the Prime Minister of Barbados, who addressed this during her speech at the Sharm El-Sheikh Climate Implementation Summit at COP27 (UNFCCC, 2022b).

1.1 Aim of the study

This study is motivated by the global political decision to reform the MDBs, agreed upon at COP27 in Sharm El-Sheikh in November 2022, to align these financial institutions' values, objectives, and practices with the Paris Agreement. With climate and disaster risks being more prevalent amid global warming, the study focuses on the augmentation of MDBs' climate and disaster resilience financing in SIDS and LDCs as an element of the reform agenda. Further, the opportunities in MDBs' stakeholder engagement activities in the provision of additional finances is of particular interest in this study. Hence, the study aims to examine in what respect the stakeholder engagement of the MDBs can enhance the fulfillment of the Sharm vision and contribute to the banks' efforts in strengthening climate and disaster resilience in SIDS and LDCs. To achieve this aim, expert interviews with representatives of several MDBs and their stakeholders will be conducted. The data collected from these interviews will be analysed through stakeholder theory in order to seek an understanding of the relationships between the MDBs and their stakeholders and the potential benefits of stakeholder engagement.

1.2 Research question

- What are the potential advantages of stakeholder engagement in realising the vision of the MDBs' reform and strengthening climate and disaster resilience financing in SIDS and LDCs?

1.3 Scope and delimitations

This study examines the MDBs' stakeholder engagement in relation to climate and disaster resilience financing in SIDS and LDCs aimed at identifying risks with climate change and disasters, tools for building long-term resilience, and providing mechanisms to prevent the most detrimental consequences of disasters and recover from them. The study excludes climate finance targeted at mitigation purposes, as this is outside of the research question.

The objective is to examine anthropogenically linked climate-induced disasters, i.e., extreme weather events caused by global warming originating from human activities, thus excluding disasters caused by geological hazards such as earthquakes, volcanic eruptions, and tsunamis. Although the link between global warming and increased seismic activity has been identified in research (McGuire, 2010), this study excludes these types of disasters for the sake of narrowing the scope down to the conventional classification of climate-induced catastrophes.

The geographical scope of the study is of global nature, as the MDBs and their stakeholders operate in every continent. However, as the focus of the study include the world's most vulnerable countries as the recipients, the scope has been delimited to LDCs, which are states in sub-Saharan Africa, South and Southeast Asia, and Afghanistan (OECD, n.d.a), and SIDS, which include the islands of the Caribbean Sea and the Atlantic, Indian and Pacific Oceans (OECD, n.d.b) (see Figure 1.). Nine countries represent both SIDS and LDCs.



Figure 1. SIDS and LDCs

Map of SIDS and LDCs according to the OECD (n.d.a; n.d.b.) data.

The study encompasses the perceptions of various representatives of the MDBs as well as their stakeholders on the potential advantages of stakeholder engagement enhancing the Sharm vision and enhancing climate and disaster resilience financing. Primarily, the study focuses on what stakeholder engagement as a systematic activity can possibly achieve, rather than focusing on what actions stakeholders themselves can take, even though in some instances, these may partly overlap. Addedly, since there are numerous MDBs and their stakeholders involved within this field of work, the limited scope and the period of time of the study do not allow for the representation of all of them.

1.4 Scientific relevance

The study of the MDBs' reform, these financial institutions' role in climate and disaster resilience finance, and their stakeholder engagement practices have both intra and extra-scientific relevance, and the study is relevant to the academic discipline of Applied Climate Change Strategies.

To obtain intra-scientific relevance, the study needs to contribute to the cumulativeness of the research by building on the previous studies about the subject (Teorell & Svensson, 2007). The role of MDBs in climate and disaster resilience financing is an emerging topic in the scientific literature, and there are only a handful of publications on the subject matter. Also with respect to the MDBs' reform, the

topic has become increasingly relevant due to the call from Parties of the UNFCCC for revisiting the banks' operational model and visions, and yet, no published academic literature about the decision and its potential repercussions published post-COP27 exists, due to its recent emergence. Similarly, no publications utilising stakeholder theory in the study of the MDBs' reform can yet be discovered. Therefore, this study aims to fill these research gaps in scientific literature.

The study has intra-scientific relevance in relation to Applied Climate Change Strategies as examining the reform of MDBs and stakeholder engagement related to it are beneficial for students, scholars, and others interested, to deepen their knowledge on the ongoing global strategies, policies, and other efforts to meet the climate and disaster resilience financing needs of the world's most vulnerable and exposed countries that are facing severe climate-induced catastrophes and whose long-term resilience in the changing climate is becoming ever more challenging.

To achieve the extra-scientific criterion, the research must be significant for the wide public from a political, economic, and/or social point of view (Teorell & Svensson, 2007). This study has the potential to contribute to all these three realms as it aims to understand the ways in which stakeholder engagement of the MDBs can potentially achieve the objectives of the reform decision and enhance the provision of climate and disaster resilience financing. From the policy perspective, the study addresses the climate emergency from the disaster and resilience perspective and the eventual policy implications related to it. From the social and economic perspective, it addresses the critical role of international climate finance in providing the necessary resources for developing and implementing actions to identify risks associated with climate change and disasters, alleviating the social and economic impacts of climate change, and improving the means for communities to recover from disasters and build climate resilience, which are also central from the climate justice standpoint, as suggested by Sheridan & Jafry (2019).

1.5 Literature review

A literature review was conducted to gain an overview of the existing research and knowledge about the areas of exploration, to inform about the research gaps in the literature, and to formulate the research question. Relevant articles and book chapters reviewed for this study include research on MDBs' capacity in addressing resilience, vulnerabilities, and disasters, their investment decisions concerning these activities, and stakeholder engagement as a means for organisations in achieving the objectives of the Paris Agreement. A major part of the existing scientific literature regarding MDBs' climate finance activities is centered around the banks' mitigation-related

endeavours, and these have been left out from the literature review as they are outside of the scope of the study.

Concerning MDBs' capabilities and their role as development organisations in the climate sphere, Humphrey's (2022) study found that the banks are well-positioned to address climate change, vulnerabilities, and extreme weather events that low-income countries alone are unable to address, as the banks provide expertise, effective platforms for cooperation and coordination, and they possess significant financial power. In supporting local governments in particular, a study by Gugliotta (2021) finds MDBs play a decisive role, as the banks are able to create a prosperous environment for sustainable development, provide innovative financial instruments that could strengthen the participation of the financial sector, and offer capacity-building and assistance for addressing climate risks. Kull et al. (2016), on the other hand, point out in their study that in order to sufficiently address climate and disaster risk, stakeholders need to be involved in MDBs' processes and take ownership of the process and the solutions.

Relating to MDBs' investment activities and their outcomes, Bazbauers (2022) discusses the banks' financial investments in projects that aim to promote sustainable, green, and climate-resilient cities approved by various MDBs. The study finds these projects succeed in promoting actions to address climate change, economic growth, and greater equity in cities, but with a strong infrastructure and technology approach to these actions. A study by Michaelowa et al. (2020) focusing on adaptation finance suggests the MDBs' projects focusing on adaptation do not prioritise the countries that are most in need of support, and their capacity-building activities rarely target countries with weak institutions.

Furthermore, some scientific literature utilise stakeholder theory by examining the behaviour and management of corporations, international organisations, and governments. Articles with a focus on adaptation and disaster risk in vulnerable and exposed countries include studies by Yeleliere et al. (2020) and Pasquier et al. (2020), which conclude that comprehensive strategies aiming to bring local stakeholder voices and outputs provide the most optimal outcomes for organisations' adaptation, resilience, and disaster risk endeavours that can also positively affect the overall community. Another study by Takinana & Baars (2023) examines climate change education as a means to increase the resilience of local communities in the Pacific, and concludes the participation of local communities uncovers important perspectives, however, their involvement remains limited meanwhile industry leaders' involvement dominates the process. Furthermore, a study by Lopes de Sousa Jabbour et al. (2020) focuses on the climate and natural resource objectives of organisations and their stakeholders' involvement in various programmes promoting these targets and finds that stakeholder engagement and further deepening of the relationships with their stakeholders is necessary for the organisations to meet their climate and environmental objectives.

Stakeholder theory has also been applied in examining MDBs' organisational and managerial behaviour towards their stakeholders, although not directly in relation to their climate and disaster resilience financing nor the reform agenda. These studies include a compilation of the determinants of climate investment decisions, such as several Islamic MDBs and other Islamic financial institutions (Bae et al., 2022), on the stakeholders' role in the WB's bureaucratic processes and policy changes (Moloney, 2022), as well as on the WB's provision of higher education in Sri Lanka (Munasinghe & Surangi, 2022).

In conclusion, previous studies on related topics serve as a foundation for this study, strengthen the relevance of the study, and inform about the areas yet to be researched. The political decision to reform MDBs ruled at COP27 to align their visions and operations with the Paris Agreement, together with the banks' stakeholder engagement as a means to strengthen climate and disaster resilience in SIDS and LDCs, are areas that require more consideration in research.

2. Theory

To examine MDBs' organisational behaviour and management with respect to their interactions with their stakeholders in the realm of the banks' reform and climate and disaster resilience financing in LDCs and SIDS, this paper will utilise stakeholder theory as an analytical framework. Stakeholder theory concerns the ethical and managerial behaviour of organisations towards actors considered outside the organisations' direct control, and the consequences of the behaviour (Phillips et al., 2019). The theory emphasises how stakeholders can contribute to the improvement of an organisation, and concurrently, become more involved in its decision-making processes (Freidman & Miles, 2006). As the theory prescribes what principles should guide the operations of an organisation, its fundamental basis is of normative character (Lovrić & McCrea, 2021).

Freeman (2010), one of the main contributors to the stakeholder theory, argues that the involvement and the contentment of stakeholders are necessary for the success and the legitimacy of any executed project of an organisation, and stakeholder participation has both intrinsic and extrinsic value. The theorist suggests that collaboration between an organisation and its stakeholders pertains to the constantly evolving relationship between the organisation and its stakeholders as well as a process of joint value creation (Freeman, 2010). This mutual value creation process is driven by common interests, where the stakeholders engage with the organisation and create and co-create value which not only benefits the stakeholders but also the environment and the overall society (Schaltegger et al., 2020; Phillips et al., 2019). Originally, stakeholder theory was designed to examine the ethical and managerial behaviour of firms, but according to Freeman (2018), the theory can also be applied to study a wider variety of organisations.

The theory also prescribes that the sole purpose of an organisation should not be maximising profits and meeting their shareholder interests, but also taking into account diverse stakeholder concerns, including those who are affected by environmental and social issues (Freeman, 2010). Consequently, the theory diverges from the theory of shareholder primacy which disregards the interests of non-shareholders of an organisation and makes the case for prioritising shareholder interests (Rönnegard & Smith, 2019).

Stakeholders, according to Freeman (2010), consist of any individuals or groups that are able to influence or be influenced by an organisation's objectives, and these are both external and internal stakeholders. According to the theory, internal

stakeholders encompass individuals or groups that are directly connected to the organisation, i.e., managers, employees, and shareholders, whereas external stakeholders consist of a wider range of interest groups, such as governments, customers, beneficiaries, local communities, NGOs, the media, competitors, and partners.

Mitchell & Lee (2019) suggest five stages constitute the stakeholder work system, and these stages outline the relationships between an organisation and its stakeholders, ultimately resulting in mutual value creation. The five stages are:

- 1) stakeholder awareness work,
- 2) stakeholder identification work,
- 3) stakeholder understanding work,
- 4) stakeholder prioritisation work, and
- 5) stakeholder engagement work (Mitchell & Lee, 2019).

Stakeholder awareness work refers to understanding the environment surrounding the organisation and the organisation's environmental and societal impacts, and the organisation becoming aware of potential stakeholders. The identification work relates to recognising stakeholders who might be affected by the organisation's operations or who may affect the organisation's operations, and who could be included in the mutual value creation process. The understanding work pertains to the organisation learning about the needs and desires of diverse stakeholders. The prioritisation work involves attempts for an organisation to decide which desires and needs of stakeholders to prioritise. Lastly, these four stages of the stakeholder work system together constitute the stakeholder engagement work, which implicates coordinating initiatives aimed at responding to the needs and interests of the stakeholders of an organisation (Mitchell & Lee, 2019).

3. Method

This study is a descriptive and qualitative case study about the reform of MDBs and the possible advantages of stakeholder engagement in aligning the financial flows with the Paris Agreement as outlined in the reform decision in Sharm El Sheikh at COP27, and strengthening climate and disaster resilience financing in SIDS and LDCs. The empirical material consists of data from semi-structured expert interviews with representatives of MDBs and their stakeholders that are engaged in the field of climate and disaster resilience financing and the MDBs' reform. Stakeholder theory was utilised to guide the collection and analysis of data in this study.

3.1 Sampling and data collection

Semi-structured interviews were conducted via MS Teams during the months of March, April, and May of 2023. A generic purposive sampling approach was applied in the study, referring to a strategic selection of the research participants by criteria that are aligned with the research question (Kvale & Brinkmann, 2009). This involved contacting centrally located sources, i.e., individuals representing both MDBs and their stakeholder groups, who are considered as experts in the field that the study concerns. No geographical criteria concerning the country of employment were applied in the sampling phase as the aim was to have a high geographical diversity of the respondents.

Ultimately, the number of research participants amounted to 11 (see Table 1.). The participants include eight representatives of MDBs, two representatives of environmental NGOs, and one representative of a climate fund. The MDBs represented in the study are the World Bank (WB) with its five representatives, together with the Asian Development Bank (ADB), the African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD), with one representative from their respective banks. The environmental NGOs represented are Climate Action Network South Asia (CANSA) and Recourse. The climate fund represented is the Green Climate Fund (GCF). The positive response rate was 23%.

Table 1. Participants

Note: *In the empirical analysis, the sources of evidence are identified using code names when the quotes and other data from the interviews are employed.

No.	Organisation	Country of employment	Interview date	Duration (min)	Code name*
1	World Bank	USA	13 March 2023	18 min	A1
2	World Bank	USA	24 March 2023	29 min	A2
3	World Bank	South Africa	21 March 2023	28 min	A3
4	World Bank	Belgium	4 April 2023	30 min	A4
5	World Bank	Mozambique	28 March 2023	31 min	A5
6	African Development Bank	Côte d'Ivoire	17 March 2023	28 min	A6
7	Asian Development Bank	The Philippines	17 April 2023	29 min	A7
8	European Bank for Reconstruction and Development	Belgium	21 April 2023	62 min	A8
9	Green Climate Fund	The Republic of Korea	24 March 2023	30 min	A9
10	Climate Action Network South Asia	India	16 March 2023	18 min	A10
11	Recourse	The United Kingdom	19 March 2023	22 min	A11

Representatives were also contacted from other MDBs, including the European Investment Bank (EIB) and the Asian Infrastructure Investment Bank (AIIB), other climate funds such as the Global Environment Facility (GEF), together with government representatives of SIDS and LDCs, representatives from international and intergovernmental organisations, the private sector, and banks and financial institutions that are not part of the MDB's system. The contributions from these

representatives were not able to be included in the research, as their response was either negative or not provided, or the scheduled interview was cancelled by the representatives of these organisations due to unexpected circumstances.

Similarly, the objective was to employ an equal gender and age representation in this study. However, 10 of the respondents who agreed on participating in the interview were persons assumed to be male and only one was a person assumed to be female, even though the percentage of representatives contacted was approximately the same for both genders. Moreover, regarding the age-related representation of the respondents, only three respondents were under the age of 35, and eight respondents were 35 or older.

In the data collection phase, an interview guide with a set of predefined questions to be posed to each participant was utilized (see Annex). To inform most of the research questions, the assumptions, concepts, and ideas of stakeholder theory served as a guide. The interviews were recorded on MS Teams, transcribed with the help of an automatic transcription service Good Tape, and finally reviewed and revised manually with the support of the interview recordings.

3.2 Data interpretation

The empirical data from the interviews were first examined in-depth, keeping the research question in focus. This was followed by a thematic categorisation of the data according to the themes most relevant to the research question in the findings section. Thereafter, the findings were analysed through stakeholder theory in the analysis section.

To organise the findings thematically in the findings section, the transcripts from the interviews were coded inductively by using the qualitative data analysis software Nvivo. In this endeavour, labels were given to sections of data that have the highest significance to the research question. Parent and child nodes were identified and used to categorise and subcategorise the data, i.e., to organise the findings section of the paper with the parent nodes defining the primary categories of the findings, and the child nodes defining the subcategories of the findings.

Thereafter, the analysis of the findings was conducted through the lens of stakeholder theory, and this process is further explained in “3.2.1 Operationalisation of the theory”. The theory is used to gain a deeper level of understanding of the findings in the efforts of aiming to answer the research question.

A salient point to consider is that in the data interpretation, the phenomenological approach is used to analyse the material, an approach that is interested in the study objects’ experience in world phenomena (Kvale & Brinkmann, 2009). This is as opposed to aiming to draw conclusions of an objective reality and

absolute truths of the advantages of stakeholder engagement enhancing the reform agenda. Therefore, in the attempt to understand the interview findings, the perceptions of the respondents on the potential advantages of stakeholder engagement with regards to MDBs' reform and climate and disaster resilience financing are the objects of study in this paper.

3.2.1 Operationalisation of the theory

To examine the organisational and managerial behaviour of MDBs and their stakeholder engagement on the topic of the MDBs' reform and strengthening climate and disaster resilience financing in SIDS and LDCs, stakeholder theory was operationalised to analyse the findings. In this undertaking, some of the most central theoretical concepts of the theory were developed into operational indicators to observe the studied phenomena in a concrete and systematic manner (Bergström & Boréus, 2012). The key operational indicators selected from the theory include internal and external stakeholders, the five stages of the stakeholder work system, and value creation, as well as a range of other relevant indicators associated with them.

In the analysis, stakeholder engagement is studied as a systematic and procedural activity organised by the MDBs. The stages of the stakeholder work system of the MDBs, i.e., the stakeholder awareness, identification, understanding, prioritisation, and engagement work, serve as central operational indicators in this study. Firstly, the awareness work is analysed by examining the degree to which the respondents presume MDBs are aware of their external environment and their impact on it, and by studying the respondents' views on which stakeholders MDBs could work with. Secondly, the identification work is analysed by exploring the respondents' perspectives on which stakeholders are affected by the MDBs' activities, which ones can impact the MDB activities, and which stakeholder relationships could create value for the MDBs and the overall society. Third, the understanding work is analysed by identifying the respondents' assumptions on the wants and requirements of the MDBs' stakeholders. Fourth, the prioritisation work attempts to analyse the decisions MDBs make in regards to which expectations and needs of stakeholders the respondents believe they prioritise. Lastly, the engagement work is analysed by examining the existing or proposed initiatives and strategies targeted at accommodating the needs and interests of the MDBs' stakeholders.

The value creation process that is closely linked with the stakeholder work system concerns the relationships between MDBs and their stakeholders in this study, and the operational indicators to study the value creation process are the common interests, dialogue, understanding, knowledge sharing, and collaboration between these, and inclusion in decision-making processes. The value creation is analysed in relation to the respective stages of the stakeholder work system. Further, the analysis involves

whether and how this joint value creation could benefit the overall society and the environment according to the respondents, with a specific focus on the MDBs' reform and strengthening climate and disaster resilience financing in the vulnerable countries. External and internal stakeholders were identified to analyse their level of engagement, their relationships with the MDBs, their expectations, needs, and desires, and the role they play in the value creation process.

3.3 Validity and reliability

The validity and reliability of the study need to be discussed in a qualitative context as these aspects differ from the quantitative parameters of valid and reliable research (Bryman et al., 2021). Internal validity of a qualitative study is ensured when the theoretical definitions correspond with the operational definitions, meanwhile, external validity is established when the results of the study can be generalised in diverse social contexts and similar situations (Bryman et al., 2021). The study can be considered to have high internal validity, as the operational indicators have been developed to clearly correspond with the theoretical ones. The external validity of the study could, on the one hand, be debatable, as the sample size is relatively small to draw far-reaching conclusions and it is limited to a fraction of MDBs and their stakeholders. On the other hand, it could inform related social settings; as stated by Bryman et al., (2021), the objective of qualitative research is to “reach a deep, highly contextual understanding of a social phenomenon”, and this study aims to follow that objective. Additionally, the study sheds light on the perceptions of the respondents in relation to the potential advantages of stakeholder engagement in realising the vision of the MDBs' reform, rather than aiming to ascertain an objective reality of what the advantages of stakeholder engagement are.

For the study to be reliable in the qualitative context, it has to be able to be replicated, i.e., to have a high level of external reliability (Bryman et al., 2021). Starting from the data collection and sampling phase, efforts were made to increase the study's reliability, as it was ensured that the sampling method used is appropriate for the research question, and the interview questions were not modified for individual participants. The data is analysed in a systematic and diligent manner, involving the usage of the qualitative data analysis software Nvivo to code the data. However, the intersubjectivity of the study can be affected by the author's interpretation of the data in social scientific research (Bergström & Boréus, 2012). To minimise the risk, the study aims to be transparent and the conclusions drawn from the data are supported by the operational indicators presented in section 3.2.1.

3.4 Ethical considerations

This study has been designed with a set of ethical considerations in mind, with the recommendations from Kvale & Brinkmann (2009) and Bryman et al. (2021) who emphasise the principles of informed consent, privacy, data confidentiality, and integrity of the respondents.

At the first stage, prior to conducting the interviews, the interviewees were informed of the purpose of the study. They were provided with clear information and asked to give their consent, which suggests that they understood that they were participating in a scientific study and had the authority over their own contribution. Secondly, the interview situation was arranged in a manner in which the respondent would feel safe and free in expressing their perspectives that would later be publicised. Third, the participants' information has been kept confidential and has only been used for research purposes after the conducted interviews. Lastly, to preserve the interviewees' integrity, they were provided the opportunity for remaining anonymous.

4. Findings

In this chapter, the empirical material from the interviews will be presented thematically according to the most recurring data. In the following chapter, ‘5. Analysis’, these themes will be analysed through stakeholder theory.

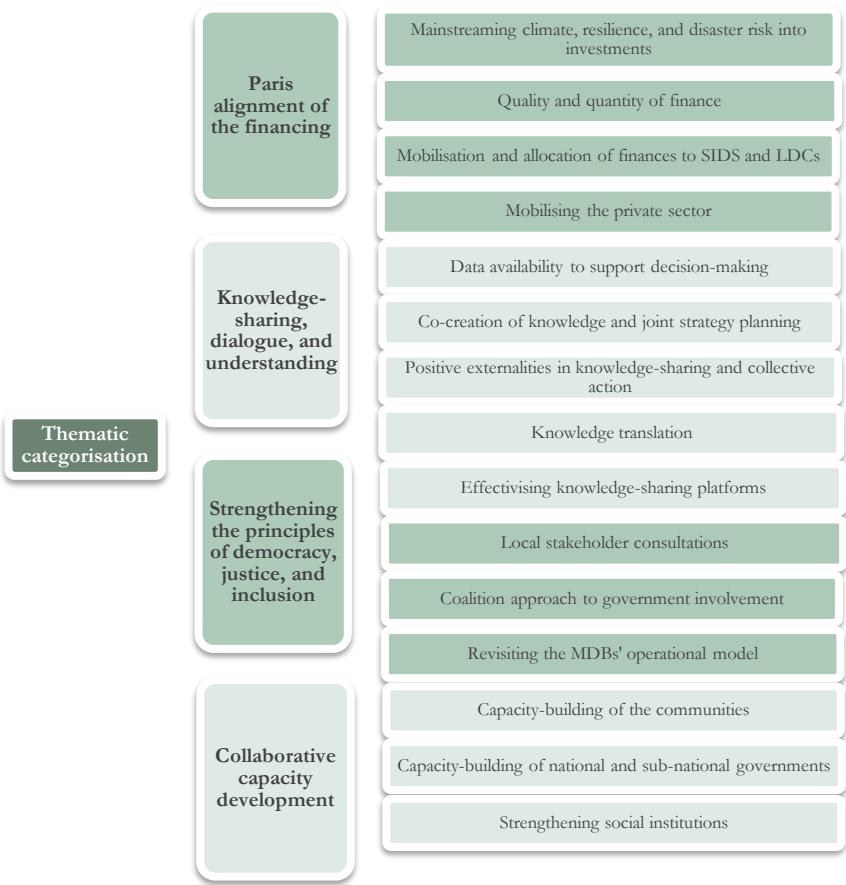


Figure 2. Thematic categorisation of the findings

4.1 Paris alignment of the financing

4.1.1 Mainstreaming climate, resilience, and disaster risk into investments

Several respondents call for MDBs to align their investments with the Paris Agreement and mainstream climate, resilience, and disaster risk into their operations in SIDS and LDCs. As a case in this point, A9 suggests that catalysing the climate objectives and operationalising the statement in Sharm would require substantial efforts for MDBs internally and externally, and this should be driven by strong political leadership. The banks' governing system has the potential to change, the respondent adds, if the countries who have the voting power embark on aligning the operations with the goal of the MDB reform. The respondent believes many members of the governing bodies of MDBs are already supportive of this, but only certain parts of their portfolios are aligned with climate change and disaster risk.

A1, A3, and A4 express their hopes for the *Evolution Roadmap* of the WB in supporting the reform vision for the MDBs. According to the respondents, the creation of the roadmap was the result of a significant push-through from COP27, and the roadmap places a strong emphasis on global public goods and climate. According to A3, MDBs are well-positioned to support and promote global public goods and the climate change agenda, as MDBs can generate and share knowledge about these and engage diverse stakeholders to promote them. Both A1 and A3 suggest it is likely that other MDBs will follow the bank and their investment focus will additionally shift towards climate and public goods, which could have profound consequences globally. Additionally, A3 believes that the new President of the WB could advance this development with his new ideas and visions.

The monitoring of MDBs investments in relation to the Paris alignment of the financing is discussed by some respondents. A6 believes that in the endeavour of MDBs mainstreaming climate objectives, tracking investments should be incorporated to see to which degree they are Paris-aligned. Although the majority of the reports produced by MDBs such as the AfDB are already in alignment, the respondent adds, the MDBs should monitor and present the information in a way that the "whole community" can understand the allocation of the investment as well as which compounds of the climate objectives it addresses. Similarly, A9, states that MDBs should internally evaluate their successful cases which have had a high operational efficiency and outcome and determine how to scale them up across their portfolios. To achieve this, some features could be obligatory, or they could be institutionalised across the banks' investments, the respondent adds.

4.1.2 Quality and quantity of finance

Several respondents discuss the type of finance and the financing volumes of the MDBs to SIDS and LDCs, and their repercussions on these countries. With respect to the quantity of financing, many respondents deem the financial flows highly insufficient. In terms of the quality of the finance, the imbalance between mitigation and adaptation, insufficient L&D finance, together with the loans issued by the MDBs, are discussed by many respondents.

A2 notes that only a small fraction of the funds worldwide has been allocated for adaptation, and the overwhelming majority for mitigation or a combination of mitigation and adaptation. For SIDS and LDCs, adaptation is crucial, hence the adaptation gap could be bridged, the respondent suggests. A11 highlights that in bridging the gap, national governments could secure additional finances from the MDBs for adaptation and L&D finance purposes by forming and enhancing explicit national finance strategies. The respondent adds that national governments should also be able to determine whether financing should be in the form of concessional loans or grants. These actions, according to the respondent, increase the likelihood for the financing process to be democratic, and not leave the decisions in the hands of MDBs alone.

Some respondents discuss the proportion of loans issued by MDBs. A10, for example, highlights that the financial flows mostly consist of loans, and they are almost entirely directed towards infrastructure, thus disregarding the importance of enhancing social capital and capacity-building of the receiving countries. These, according to the respondent, should be at the core of disaster reduction. Furthermore, the respondent believes the parameters of MDBs' operations should be poverty alleviation, disaster risk management (DRM), and the Paris alignment, as opposed to revenue generation and profiting from disasters.

4.1.3 Mobilisation and allocation of finances to SIDS and LDCs

The urgency of allocating more finances to SIDS and LDCs and the mechanisms for it are brought up by various respondents. For instance, A5 discusses the allocation of finances in the context of Mozambique, which is an LDC. According to the respondent, the WB helped the country's government to establish a disaster management fund, which was capitalised by the bank as a complement, and currently, the fund is one layer of Mozambique's disaster risk financing strategy. The respondent

believes that the development of additional layers of risk transfer, including extensive micro-insurance and mandatory acquisition of insurance for property, still needs to be put in place in the country. The respondent highlights the need to focus more on the implementation of policies, stating: “you look at policy, but you also support the implementation, because only policy will not take you anywhere. You need to also put in the resources. You need to invest to match the policy.”

A2 believes that the WB has significant funds, and ideally, a larger pot should be allocated to SIDS and LDCs to support resilience and adaptation. The problem with these investments, as opposed to mitigation investments, the respondent explains, is that they do not attract as much market capital, and the investment opportunities are more demanding to detect. The WB is attempting to use blended finance solution products to make these investments attractive to scale up capital, but thus far, the WB has been working with grants and money from donors which are in magnitude much lower than they should be, the respondent notes. Increasingly, the WB has been using debt funds, i.e., loans that are partly subsidised, using donors' money and aiming to help the banks to incentivise the bank granting these loans, according to the respondent. A10, in turn, suggests allocating a dedicated fund within a country can incentivise additional financial flows and build long-term resilience. The ownership of the MDB funds has motivated policymakers in some countries in South Asia, including some Asian LDCs and SIDS, for instance, to create specific funds to increase their resilience, the respondent adds.

A4 expands the discussion to the urge of rewiring the global architecture to fully accommodate the finance quantity needs of SIDS and LDCs. The respondent suggests that the international aid architecture works in a way that there is more money available when the world is doing well, and there is less when more money is needed. Demonstratively, the respondent states that recently, at a time when global challenges such as pandemics and the impacts of climate change are increasing, there has been a decrease in GDP globally, which has led to a decrease in official development assistance (ODA). The respondent believes this is a fundamental issue that needs to be addressed, in ways such as by applying financial strategies to reduce income volatility and opening up further discussion on how to have the right amount of money at the right time.

4.1.4 Mobilising the private sector

A1, A3, and A7 highlight the role of the private sector in mobilising additional finances. They believe the MDBs' finances or the finances from high to low-income countries will never reach the level needed to achieve the vulnerable nations' climate and nature goals, and the respondents believe catalysing the private sector investments would potentially unlock a significantly larger proportion of funds.

According to A1, the WB and many of their development partners have increased their lending to vulnerable countries in the past years, and yet, the finances are still significantly inadequate. Even reaching the 100 billion USD figure would be less than 10% of what is needed, the A1 stresses. Therefore, the respondent believes, it is essential to mobilise the private sector, which can be done in two major ways. These are: financing green, i.e., getting financing directed towards green activities, such as renewable energy plants and climate-resilient infrastructure, and green finance, which relates to looking at financial sectors at the national and global level and encouraging them to shift their activities from brown to green activities via green taxonomy.

A7 believes MDBs have huge potential in fostering the right kind of partnerships, because: “the scale of the problem is so big that the countries cannot do everything themselves, and they would need to have the right kind of partners, be it the private sector, be it the national society organisations.” The respondent states that if the MDBs financing is used more strategically, it can help countries to unlock further financing by collaborating with other partners, including the private sector, and thereby build a partnership with those stakeholders. The respondent concludes that the three main levers that MDBs need to provide for countries for climate and disaster resilience activities relate to knowledge, financing, and partnerships.

4.2 Knowledge sharing, dialogue, and understanding

4.2.1 Data availability to support decision-making

Many respondents consider knowledge sharing to be of particular importance from the adaptation, resilience, and DRM point of view, as these actions and their investment decisions are based on the understanding of current and future risks, and as each context is unique, thus requiring tailored actions.

A8 believes that meteorological offices in many LDCs and SIDS, particularly in sub-Saharan African and Central Asian countries, are short of comprehensive historical data, which makes climate projections guiding financial decisions unreliable. Additionally, these offices often lack financial support as they do not generate revenue. Here, A8 suggests, MDBs could intervene by filling this financial gap and therefore contribute to building up the capacity of meteorological offices and generating sufficient information to guide their actions.

Similarly, the importance of evidence-based decision-making is highlighted in many interviews, both internally within the MDBs and externally between the banks and their stakeholders. For instance, A11 believes knowledge sharing to be truly effective and yield optimal results if approached as a complex and thorough activity. In this enterprise, A3 advocates for creating strong integrated research teams within

the MDBs to serve as support mechanisms for the overall agenda, resulting in internal evidence. A7, in turn, discusses the critical role of MDBs in supplying countries with knowledge on the appropriate actions to be taken, the timing for implementing those actions and identifying feasible partners in specific locations. This would help countries understand what to invest in and what type of an enabling environment is needed for those investments to be sustainable, the respondent explains.

In knowledge-sharing concerning climate and disaster resilience, A8 talks about the need to differentiate adaptation and resilience, DRM, and L&D, although they partially overlap. The respondent considers there to be significantly more information exchange platforms for disaster risk compared to adaptation. The low financing volumes to adaptation, to some extent, is the result of the uncertainty and residual risk that prevail in the adaptation side of action, since slow-moving climate hazards such as water stress are more challenging to measure and model, in comparison to event-based data on climate disasters and risk. In terms of L&D, the respondent suggests that there is a conceptual blockade in the term, and calls for the UNFCCC and other major stakeholders to resolve the blockade by clearly specifying the term in order for the global community to fully operationalise it.

4.2.2 Co-creation of knowledge and joint strategy planning

A3 and A11 emphasise the weight of understanding different perspectives and recognising the common interests of each stakeholder group. A3 highlights the importance of identifying where the co-value comes from, both individual values for different stakeholders, and what they are providing. To avoid a one-dimensional approach, the respondent believes, it is essential to map out the value added by each partner and thus employ a holistic view of the value creation. The respondent notes that the WB is focusing on the co-production of the research agenda between research and operations teams, policymakers, and other stakeholders, to integrate evidence into all elements of decision-making. The respondent also emphasises the need to be cautious about community-washing, which is sometimes used in projects when organisations claim to be socially conscious but fall short of following through with those claims. Therefore, the respondent explains, having a ‘checklist approach’ should be avoided, and the aim should be to have open dialogues and genuinely understand different perspectives.

A11 suggests that in order to find a middle ground between different interests and financial considerations, strategies should be designed in a way that they are rooted in national plans and attached to finance strategies. The respondent adds that these plans should ensure sustainability from a debt point of view and demonstrate credibility to potential creditors and grantors in high-income countries, as grants are often provided with the expectation of responsible and accountable use of funds. The

respondent concludes: “it is the issue of the MDBs not getting, trying to ensure countries have the technical and the human capital in order to design these strategies, but at the same time, not trying to just impose a model of how these policies should be.”

4.2.3 Positive externalities in knowledge sharing and collective action

Acknowledging the positive impacts of knowledge sharing and collective action, both within the MDBs and externally, are underlined by some respondents. A2 talks about the challenges in incentivising knowledge-sharing internally within a large institution such as the WB, since there are often several groups working on the same issue, and they are not communicating with each other, as people are focusing on advancing their careers. The respondent believes that knowledge sharing is vital but requires people to identify positive externalities in sharing knowledge and collaborating with others, hence behavioural changes in these institutions are necessary to fully address climate change. Recently, however, there has been some progress in addressing this issue within the bank due to increasing external push, especially after COP27, the respondent notes.

A3 and A5 talk about the common objectives of the MDBs and their external stakeholders. A3 emphasises that different stakeholders have varying aims, although they share the same overall objective of minimising GHG emissions and protecting the most vulnerable people. The differences stem from their objective functions and different perspectives in their organisations, and the differences should be acknowledged and respected. Despite the differences, collective action is vital as global problems are of collective interest, the respondent believes.

A5 suggests that in Mozambique, the WB and its stakeholders have already acknowledged the shared priorities in climate and disaster resilience financing and are working on the basis of them. The respondent explains that this is mainly because Mozambique ranks at the top of climate vulnerability and shocks, and the country is continually impacted by droughts, cyclones, and other extreme weather events, affecting all sectors including health, roads, and education, as well as the operations of MDBs and their stakeholders. Every five years, a new government is elected, and the new government needs to approve a policy of reduction of vulnerability to climate shocks and disasters, the respondent explains, and all development partners working in Mozambique ought to align their priorities with the government's policy. The respondent suggests: “this is what brings everybody together.”

4.2.4 Knowledge translation

A4, A8, and A9 talk about translating knowledge into context-specific languages to ensure effective communication and comprehension. A9 indicates it would be beneficial to contemplate how the common understanding of climate and disaster resilience financing can be translated into different languages that these actors must use in their communication with their own constituencies and stakeholders. A4 shares a similar perspective and highlights the vocabulary used in the climate discourse:

“The main challenge [...] is that the people who need the knowledge are not climate people. So all of this dialogue and everything you read are written in climate gibberish. And they are not written in a way that is intelligible or accessible to normal policy-makers. Just simple things like the difference between mitigation and adaptation - for ministers of finance, I am not saying they are stupid, but it is just a whole set of different vocabulary. Ministries of finance are worried about public expenditure, inflation, etc. So you have to talk about climate in those ways and not use climate language. And talking to businesses, you need to talk to them about how it is going to impact their supply chains and profit and loss and shareholder valuations and access to markets, etc.”

A8, in turn, emphasises the need to bridge the knowledge gap between scientific communities, MDBs, the private sector, and other stakeholders to be better informed about the findings of the IPCC and other organisations, and to put the knowledge into action. Currently, the IPCC reports are difficult to interpret and translate into action for many stakeholders, the respondent suggests.

4.2.5 Effectivising knowledge-sharing platforms

Some informants believe there already is a substantial flow of information sharing with respect to knowledge-sharing platforms such as climate conferences and reports about climate change, resilience, disasters, and other related topics, and these could be streamlined and made more effective.

Concerning reports on these topics, A2 stresses the excessive quantity of information produced at the WB and the difficulties in engaging with the information. The respondent explains that the bank produces a wide variety of reports, and one has to be truly interested in them and know where to find the most relevant ones. In a somewhat similar manner, A1 is skeptical about the extent of knowledge-sharing and information and suggests that should the WB or other MDBs reform in this area, it would be to tighten up all the information. However, according to the respondent, knowledge-sharing to marginalised communities in remote areas in most affected

countries should be encouraged, as the information on, for instance, climate-smart agriculture and potable water, allows them to better respond to their needs amid climate change.

With regard to climate change conferences, A9 believes fulfilling the Sharm reform vision from COP27 is desired within the *modus operandi*, as opposed to introducing new venues for these activities. The most effective way forward, according to the respondent, is utilising existing platforms for coordination and stakeholder engagement, however with an improved understanding of their functions. Despite the decision-making processes initiated by COPs and others being bureaucratic and slow, the respondent adds, they are inclusive and consensus-based and aim to gather voices and concerns from a mosaic of interest groups, in the attempt of finding common ground and prompt collective action. A1, in turn, believes there are too many climate change conferences, and these climate spheres are primarily marked by “a dominant echo chamber”, which has led people to repeat the same ideas and concepts amongst themselves and not resulting in any major changes. The respondent believes it is crucial to break out of these echo chambers and venture new ideas that at first may seem at odds with the current paradigm. “The dominant paradigm is not really delivering. So we need to change it”, the respondent discloses.

4.3 Strengthening the principles of democracy, justice, and inclusion

4.3.1 Local stakeholder consultations

Several respondents underline the importance of comprehensive stakeholder consultations. For instance, A10 believes the basis for any planned interventions should be grounded in social consultations and dialogues with local people, as they establish a sense of ownership and participation in the implementation of projects, which can lead to more successful project outcomes. The respondent believes it is an essential praxis that MDBs have adopted observer groups where NGOs can have a voice, however, this should be a genuine effort. Additionally, the respondent believes the consultations ought to be thoroughly documented for the sake of transparency and accountability. Similarly, A7 highlights the involvement of local stakeholders from the beginning of any development projects in resilience work:

“Unless we hear the views and the needs and priorities of the people who are living in that context, often the solutions are not appropriate. So, one thing is that MDBs perhaps can further strengthen the engagement with local

communities, even from a very beginning stage of a project preparation, so that you really hear the communities and understand their needs.”

A11 sees an extensive dialogue and collaboration among communities, academia, and experts in adaptation and resilience policy to be paramount, and yet, lacking in many countries. Having dedicated experts in each country can be expensive for some countries, especially for SIDS, the respondent points out. Nevertheless, the respondent emphasises the need to avoid relying solely on foreign technicians, as they may not fully understand the local community’s needs and may not be able to design effective strategies accordingly, hence posing a significant risk.

A8 acknowledges that MDBs’ board members making decisions are appointed by elected officials, and these members have vested stakeholder and civil society power since they are democratically elected representatives of their respective countries. However, the respondent points out, not all countries on the board of MDBs are democratic, which raises questions about whether civil society is de facto represented in these countries. Nevertheless, the respondent believes, civil society should have a more systematic and upstream function in shaping the MDBs’ strategies.

The need for MDBs to identify the marginalised and vulnerable groups, such as indigenous peoples, and empower them to have a voice in the decision-making process of the MDBs, is highlighted by A4. The respondent explains that in various finance projects of the WB, the challenges are finding the indigenous peoples, ensuring that their voices are heard and they have an agency, and securing that the positive impacts of the project are maximised. According to the respondent, the frameworks and approaches for involving these groups exist, however, what usually lacks is the dedicated time, budget, energy and focus to ensure that the involvement is executed in an optimal way.

Despite acknowledging these areas of improvement, several representatives of the MDBs initiate that there already is a requirement for their respective MDB to have a comprehensive stakeholder engagement or consultation established in every undertaken investment operation, thorough stakeholder engagement strategies are already in place, and their stakeholders are involved in the implementation process of projects. Many representatives of the banks also point out that they even have a separate department for stakeholder engagement. Further, A9 representing the GCF, notes that the fund that works closely with MDBs and channels their finance through them, have policies in place to guarantee inclusivity, transparency, and comprehensive stakeholder consultation, and it provides readiness grants to help countries build coordination systems on the ground to ensure stakeholder voices are heard.

4.3.2 Coalition approach to government involvement

Some respondents discuss the MDBs' involvement in governments' engagement strategies. For instance, A8 emphasises the need for MDBs to increase countries' policy engagement endeavours, also in countries with less steady governance systems, and to thoroughly scrutinise the reputational risks and sustainability commitments of their transactions. The respondent notes that policy engagement is demanding to quantify or report on, thus making it tough to demonstrate its impact. Additionally, the respondent discusses reputational risks linked with financing projects in countries with poor environmental records, such as countries relying heavily on coal. Therefore, MDBs supporting governments and examining their commitments is central, the respondent suggests.

A5 talks about Mozambique's government policy and implementation as well as the WB's contribution to it. The respondent initiates that financial protection is a key intervention of the WB, as it can help governments address the needs and challenges posed by the threats, especially in highly disaster-exposed countries such as Mozambique. To achieve this, the respondent advocates for an approach where all stakeholders are gathered to discuss the issue with the same vision and clarity, despite eventual differing approaches. The WB's Mozambique office has launched a *Resilience Dialogue Series*, and it has brought together stakeholders from various organisations, such as the AfDB and other MDBs, and the EU agencies, as well as the government and insurance companies. The participants of the dialogue have highlighted the need of supporting the capitalisation of the disaster management fund, which has led to the *Mozambique Disaster Risk Management and Resilience Program* supporting this goal, A5 discloses.

A5 also believes DRM and climate change adaptation should be integrated into every government's policy. The respondent explains that Mozambique's DRM law prioritises resilience and risk reduction, and it involves a national system that includes the private sector and local communities as primary responders in catastrophes. Communities are required to form DRM committees, which are trained and equipped by the government, and supported by the WB, NGOs, and other stakeholders. The WB supports disaster recovery through projects such as the *Cyclone Idai Recovery Project*, which also involves NGOs in retrofitting and reinforcing houses in a resilient fashion, the respondent adds.

Moreover, the convening power of the MDBs and its benefits are discussed by some respondents. On this account, A6 states that: "MDBs possess a convening power, since governments trust them, and therefore MDBs can engage governments at high-level dialogues." The respondent suggests that all MDBs have an advocacy role, and this engagement process could result in governments taking bolder action and ambitious measures, and strengthening and mainstreaming climate in their development planning.

4.3.3 Revisiting MDBs' operational model

Remarks on reshaping the operational model of the MDBs, to better address the issues of democracy and justice, are being made by some respondents. Illustratively, A2 suggests that there is a strong political bias in the WB's operations. The respondent explains, that firstly, the US invests in the bank the most and has the most voting power, and therefore is the primary shareholder. Secondly, the President of the US appoints the chief economist of the WB. Here, the respondent sees there has already been a shift in the bank's operations when the US moved from Trump to Biden. Thirdly, the respondent states that countries with more financial resources have a relatively sizable influence in the decision-making process of the WB. The board that consists of countries investing in the WB determines the amount and the geographical allocation of funds, founded on the share of the population in the world, and not necessarily on the share of the population which votes for the countries that provide more money to the bank. The respondent states:

“The bank is representative of the willingness of probably the Western developed country population. [...] They [less influential countries] do have a seat at the table and they are relevant, but still, there is this sort of weighted average and the weight is on the funds, on the financial resources that you give to the bank. So, yeah, we could do better.”

A2 concludes by stating that the whole system could be changed, however, the feasibility of the system change in practice is unclear, according to the respondent.

A10, in turn, believes striving towards a more democratic institutional model for the MDBs' decision-making processes is paramount. The respondent states MDBs should not take the lead in the reform process, but follow the process and let it evolve organically, and let various stakeholders come together and make decisions for themselves. According to the respondent, MDBs should list out the activities and funding needs, instead of dictating the funding allocation. In this process, he highlights the importance of transparency and accountability of the MDBs.

4.4 Collaborative capacity development

4.4.1 Capacity-building of the communities

Various representatives discuss the importance of building capacity at the community and organisational levels. For example, A6 emphasises the importance of building and strengthening the capacities of individuals who may not have the same level of information to ensure smoother decision-making processes. A11, in turn, believes that MDBs would require more dedicated resources and time to have an adequate level of stakeholder engagement in the countries they make financial investments in. The respondent suggests that investments in capacity-building and human resources in LDCs and SIDS would deliver more successful outcomes of the MDBs operations in these countries. There should be safeguards and minimum requirements for national adaptation plans (NAPs), the speaker initiates, but the countries would need adequate financial resources and capacity-building to fulfill these requirements.

On a more diverging note, A1 suggests that rather than focusing on collaboration, the focus should be directed more towards competition between countries and companies, as this would deliver more successful outcomes for the climate, the UN system, and various countries. Similarly, the respondent believes, it would be beneficial for the countries the WB operate in and the companies in these countries, as by making the case for investments, they would gradually receive more foreign investment. The respondent motivates this line of thinking by mentioning the advancement of solar technology during the space race of the 1900s, as the respondent believes it was a matter of national self-interest, and was marked by economic nationalism and political global competition between the Soviet Union and the US, and later, few other countries. The respondent believes a part of it was driven by climate altruism, but primarily, the aim was to support their own industries.

4.4.2 Capacity-building of national and sub-national governments

Multiple respondents discuss MDBs supporting national and sub-national governments in climate and disaster resilience financing. In terms of national governments, which many respondents consider as the primary counterparts of MDBs in most countries, there are ongoing efforts, but many things could be improved.

According to A8, a key measure to support governments is to gain knowledge on what the governments' needs are. The respondent states that currently, many countries are unable to clearly define their adaptation objectives and priorities in their NDCs, nor do they succeed in detailing holistic and location-specific plans that consider natural elements and regional differences, thus making it difficult for MDBs

to back the governments to support their governments adequately and implementing bankable projects to address climate risk.

A7, in turn, deems the role of MDBs to be bridging the gap between planning and financing critical. The respondent explains that countries' NAPs need to be formed so that they produce a suite of pipeline projects, which are bankable, inclusive, and transformative, as this would allow the MDBs to enhance their support for countries in translating their adaptation plans and policies into an investment pipeline of feasible projects. From the adaptation point of entry, specifically in the context of SIDS and LDCs, sequencing future projects becomes paramount, as there is uncertainty and risk which can create investment indecision. Similarly, in terms of current projects, the respondent highlights the importance of assessing whether they de facto enable the strengthening of adaptation or whether they are going to lock in more risk for the future. MDBs bridging the planning and financing gap is possible only when they engage with local stakeholders, because ultimately, even when developing investment pipelines are in place, MDBs have a limited amount of money to invest in projects, the respondent adds.

Also, A11 emphasises the need for MDBs to accelerate and strengthen the work together with partner countries on the NAPs and how to ensure these plans do effectively engage with communities in that it could be ensured that they include the communities' needs. In this undertaking, the respondent highlights that MDBs should not aspire to have substantial power over countries, but to create a change in concert. A6 explains that the AfDB, together with diverse governments, creates country strategy papers that prioritise the needs of both the country and the bank. In climate and disaster resilience financing specifically, the bank uses appraisal missions at the beginning of a project and assesses its impact on beneficiaries at the end, and collects feedback to improve its approach for future projects in the same country or elsewhere.

A7 explains that traditionally, the ADB's and other MDBs' focal point in any country of operations is the ministry of finance, as they are implementing ministries. However, more recently, the MDBs have deepened their relationship with ministries of environment and climate change, and the respondent considers that the new relationship should be strengthened by providing them with the support they need and helping them strengthen their relationship with ministries of finance and planning. After all, the respondent adds, ultimate allocation decisions on resilience financing and the quantity of finance related to it are made by the finance and planning ministries.

MDBs' engagement at the sub-national level is discussed by A3, A4, and A7. A3 believes community-based engagement programmes of the WB could be improved, and states the WB works through national governments, but in countries where there is no legitimate government in particular, the bank engages with local decision-making bodies and NGOs. In these working modes, the respondent suggests, inclusive development approaches need to be in place to a greater extent, however, balanced with justice, political economy, and technology perspectives. A7 believes more work is happening at the sub-national level, particularly in larger countries where decision-

making is decentralised. The respondent adds: “I think MDBs can play more role in working with local governments, whether it is in the urban or the rural context to build their capacity and systems for resilience-related work.” Furthermore, according to A4, disaster-related knowledge-sharing is most relevant at the sub-national level, and the WB has seen progress in sharing knowledge and information there.

4.4.3 Strengthening social institutions

Several respondents discuss how MDBs can support countries in broad policy reforms, and in parallel, enhance their engagement with stakeholders in the countries they implement financial projects in the field of climate and disaster resilience. A10 highlights the importance of democratic social institutions as a starting point, which “communicate to everyone that everyone can play a role here as long as you follow the process”, and in which “trust certainly helps to bring the communities together and work together.”

According to A2, in some countries, the WB is facing issues of corruption, and raising the issue with the local governments can deteriorate any collaboration opportunities. This can be soothed by identifying and managing corruption risks, and providing the beneficiaries with technical assistance and resources to manage the risks, the respondent states.

A7 believes MDBs can enhance their operations by providing more support to countries in terms of larger policy reforms and strengthening national institutions. The respondent suggests that when policy reforms promote the participation of local communities, women's groups, other marginalised populations, and the private sector in decision-making with respect to climate and disaster resilience, MDBs are required to follow the same government policies. Should MDBs strengthen these governance processes of the benefiting countries, MDBs projects would benefit from these reforms, and more local voices would be heard, the respondent believes. On account of this, the respondent highlights the weight of MDBs strengthening their engagement with communities and influencing government reforms to institutionalise bottom-up approaches in national decision-making bodies.

5. Analysis

5.1 Stakeholder awareness work

Central elements of the MDBs' stakeholder awareness efforts, as observed in this study, include understanding the scope of the stakeholders being affected by the banks' projects, and comprehension of the banks' surrounding environment. When considering the array of stakeholders involved, stakeholder theory emphasises the significance of identifying potential new stakeholders as a crucial step in the work system, however, the data from the interviews does not indicate the existence of these. On the contrary, the findings suggest that the MDBs are already working with a wide range of stakeholders, and both the newly formed and the long-standing relationships could be further strengthened. One such statement by A7 concerns the MDBs' recently established relationship with ministries of environment and climate change, and another one by A4 on the relationship with marginalised groups such as indigenous peoples. Other statements by various respondents highlight the importance of deepening the relationships with the private sector, governments, and several other stakeholders. The relationship-building could be viewed as a factor in the mutual value creation activities, as by understanding the needs of stakeholders, MDBs can build stronger relationships and trust that can lead to increased support, cooperation, and collaboration in achieving shared objectives.

With respect to the MDBs' comprehension of the surrounding environment, the interview data could be interpreted that the MDBs are relatively aware of the environment which impacts the banks' internal and external stakeholders. In terms of the physical environment, the findings suggest the MDBs have acknowledged the increase in disasters and other consequences of climate change, affecting their stakeholders, especially in SIDS and LDCs. As recognition and understanding often precedes action, the perspectives given by several respondents who demonstrate that MDBs have already taken a set of actions that aim to address climate and disaster resilience indicates they have a high level of awareness of these prevalent issues. Even though several respondents emphasise there is room for further learning and improvement for the MDBs in addressing climate and disaster resilience, the findings could be interpreted that climate change, disasters, and vulnerabilities, are not neglected by the banks.

Concerning the political landscape, the interview data can be interpreted as the MDBs have recognised the political winds blowing globally, as they have acknowledged the external political push-through taking place before, during and after COP27. The push could be seen to affect MDBs' internal stakeholders in particular, as the MDBs are encouraged by their external stakeholders to align their vision, practices, and operations with the Paris Agreement, thus influencing several MDBs' decision-makers' and employers' work. To illustrate this point, A1, A3 and A4 bring up the establishment of the WB's *Evolution Roadmap* post-COP27 which aims to guide the bank's operations to better address climate change and global public goods. Similarly, A2 suggests the external push from COP27 has prompted the behavioural changes needed to address climate change within the WB, particularly in terms of sharing knowledge internally among the bank's employers and recognising the positive externalities in doing so. By MDBs being aware of the environment around them, the conclusion can be made that they can identify the needs of their stakeholders and develop strategies to meet them, resulting in joint value creation.

Overall, several advantages can be identified in stakeholder awareness work as a part of the efforts of realising the MDBs' reform vision and strengthening climate and disaster resilience financing, based on the findings. The benefits prevail in the MDBs being knowledgeable of the repercussions of climate change and disasters in SIDS and LDCs, the political climate surrounding the reform, and the banks arranging their activities in alignment of these. Further, extending the newly established relationships with the banks' stakeholders could be regarded as an advantage in this undertaking as this can result in strengthened understanding and collaboration.

5.2 Stakeholder identification work

With respect to the stakeholder identification work of the MDBs, conclusions based on the interview data could be made that the MDBs have recognised a diverse array of stakeholders that are affected by the banks' projects and investments and who affect the MDBs' operations in turn. The findings also suggest the banks have determined which stakeholders could contribute to the value-creation activities of the MDBs or the value-creation for the environment and the overall society.

As MDBs are supranational development organisations and not private corporations that often have the ability or authority to select particular stakeholders that they regard as the most significant to their value creation activities, MDBs could be seen to have the interest in and, to a certain extent, an obligation to include a much wider range of stakeholders in these activities. The findings suggest that the external stakeholders MDBs have included in the value creation in the context of this study

constitute their development partners, such as other MDBs, the UNFCCC, and climate funds, as well as national and sub-national governments, local communities, marginalised people, and NGOs in SIDS and LDCs, and the private sector, scientists and researchers in these countries and elsewhere. Many respondents deem these stakeholders to be valuable collaboration partners to the MDBs, and some even regard them to be crucial to be included in the efforts of fulfilling the reform vision. The key internal stakeholders identified by the respondents are the MDBs' employees, their shareholders, and their high-level decision-makers such as their board members, and in the case of the WB, the bank's new President.

The value creation in the identification work could be interpreted as a process that includes these stakeholders, as a means for enabling the MDBs to achieve the reform vision and to strengthen their climate and disaster resilience in SIDS and LDCs. It could be regarded this to be advantageous both for the MDBs and the overall society, including the wide range of the banks' stakeholders, and particularly, the communities in these vulnerable and exposed countries.

5.3 Stakeholder understanding work

Relating to the stakeholder understanding work in the context of the study, the findings indicate that the MDBs have undertaken efforts to attain a comprehension of their stakeholders' needs and expectations. The findings show that the MDBs and their stakeholders often share a common understanding and vision on several matters related to climate and disaster resilience financing, however, the perspectives on the ways in which the common objectives can be reached vary partly due to differing objective functions of individuals and organisations. Furthermore, the findings suggest that the understanding work is crucial in disaster risk and resilience work in particular, as each context is one-of-a-kind and needs tailored solutions. With these considerations in mind, the understanding work should be introduced at the earliest convenience of the MDBs' financial investment projects, the findings imply.

The mutual value creation that is linked to the understanding work in stakeholder theory is explicitly mentioned by A3. The respondent emphasises the importance of MDBs identifying the sources of co-value creation, including individual values for stakeholders and what they bring to the table, and mapping out the value added by each partner holistically. The respondent also highlights the need for the MDBs to have open dialogues with their stakeholders and gain a true understanding of diverse viewpoints, however simultaneously, refraining from a community-washing approach. This could be viewed as an attempt of actively seeking and incorporating stakeholder perspectives to achieve sustainable and mutually beneficial outcomes.

Relating to achieving the mutual understanding, some respondents indicate that MDBs could support the governments in SIDS and LDCs in finding out their needs to contribute to filling their climate and disaster resilience objectives. For instance, A8 and A11 suggest that many countries fail to define their adaptation objectives and holistic and location-specific plans clearly in their NDCs, which hampers the MDBs' understanding of these countries' financial needs to, for instance, address their disaster risks. However, in the case of Mozambique, which is an LDC, A5 suggest the WB and their stakeholders broadly share the same priorities, as the country is one of the world's most vulnerable and hardest hit by climate disasters, affecting the MDBs and their stakeholders from all sectors in the country. The collective experiences and common understanding bring all stakeholders together, the respondent suggests. This indicates a strong consensus as a driving force in the collaborative efforts.

Based on the findings, it could be interpreted that the understanding work of the MDBs, in many cases, is commenced beyond the point of optimal impact. A7 notes that MDBs should improve their engagement with local communities, starting from the initial stages of project preparation, to truly understand and cater to their needs. A8 suggests the EBRD has mechanisms in place to address grievances and collect feedback from diverse stakeholders, however, they are implemented too late in the transaction process. The respondent believes that civil society should have a more systematic and upstream function in shaping the MDBs' strategies.

Based on these findings, it could be interpreted that the MDBs having dialogues and paying attention to the perspectives of the stakeholders could increase the awareness of their needs and expectations. Similarly, by understanding the value created by each stakeholder and synthesising these values added, the MDBs can understand the broader ecosystem they are operating in and develop enhanced engagement strategies. These could be seen as advantages in the process of realising the reform and strengthening climate and disaster resilience financing.

5.4 Stakeholder prioritisation work

The prioritisation work concerns the choices made by MDBs relating to which demands of stakeholders they prioritise. Multiple respondents suggest the banks place great importance on resilience, adaptation, disaster vulnerability reduction, and DRM in SIDS and LDCs, as these activities are vital for these countries. Also, some respondents suggest that bridging the gap between adaptation and mitigation for SIDS and LDCs is a necessary undertaking for the MDBs, and this could be seen as another priority the MDBs have made concerning the resilience of the stakeholders in the vulnerable and exposed countries. In this regard, the priorities that are shared by the

MDBs and their stakeholders could be viewed as advantages in further building the foundation for the MDB reform and strengthening climate and disaster financing.

In terms of which demands of stakeholders the banks prioritise, it is also worth discussing the presumed political bias in the WB's operation, as per the statements made by A2. As the US is the primary shareholder, and the country's President elects the bank's Chief Economist, the WB can be seen to have a vested interest in prioritising the interests and expectations of the US. Correspondingly, considering the indications of the respondent, countries with more financial resources have a relatively sizable influence and money power in the decision-making process of the WB, which includes many countries that represent the Western developed world. The respondent initiates the system could be changed; however, it could be difficult to execute in practice.

5.5 Stakeholder engagement work

A central element of analysing the stakeholder engagement work is to map the stakeholder engagement activities the MDBs have already implemented to align their operations with the reform vision and strengthen climate and disaster resilience financing. However, as the focus of the paper is on the reform agenda of the banks and the advantages of stakeholder engagement as a means to fulfill the objective and enhance the financing, it is also of interest in this study what the respondents believe the banks should focus more on doing in their future initiatives. Therefore, both the existing methodologies and the future engagement initiatives suggested by the respondents could be interpreted as a part of the mutual value-creation process.

The findings suggest the MDBs have implemented a multitude of stakeholder engagement activities and strategies, involving stakeholders in project planning, implementation, and evaluation. This could be illustrated, for instance, by the statement of A6 from the AfDB which explains that the bank works with governments to create country strategy papers that prioritise the needs of both the country and the bank. At the beginning and end of projects in climate and disaster resilience financing, the bank uses appraisal missions to assess their impact on beneficiaries and collect feedback for future projects. Similarly, A3 from the WB notes that the bank is focusing on co-producing the research agenda with stakeholders to integrate evidence into decision-making. Also, A5 highlights the importance of financial protection in disaster-exposed countries such as Mozambique, and the WB's support for disaster recovery through projects including the *Cyclone Idai Recovery Project*, which also involves local NGOs. The WB's Mozambique office has launched a *Resilience Dialogue Series* to bring together stakeholders from various organisations to address disaster risk management and resilience, the respondents suggest.

The findings suggest there are various forms of stakeholder engagement work of the MDBs yet to be done in the effort to realising the vision of the banks' reform and strengthening climate and disaster financing in SIDS and LDCs. From the strategic point of view, as suggested by the statements of A9, strengthening political leadership could facilitate catalysing the climate objectives and operationalising the Sharm vision, and this would require major efforts of MDBs' external and internal stakeholders. Internally, at the WB, the new President of the bank has the potential to lead the bank towards climate and global public goods, as stated by A3. The *Evaluation Roadmap* can also guide the work of the WB in this endeavour, and influence other MDBs, some respondents believe. Externally, the banks' governing system can change if the countries who have the voting power strongly show support for aligning the operations of the MDBs with the objective of the reform, the statement by A9 suggests.

The MDBs seizing the opportunities in their convening power and advocacy role can strengthen the reform agenda, the findings suggest. The convening power of the banks allows them to engage governments in high-level dialogues due to their trusted relationship with governments, as indicated by A6. The respondent also suggests that MDBs have an advocacy role in the stakeholder engagement process could lead to governments taking more ambitious measures and mainstreaming climate in their development planning. Similarly, A7 believes that MDBs can foster partnerships with NGOs and the private sector to address the challenges countries are facing, and suggests that MDBs' financing could be used strategically to unlock further financing by collaborating with other partners. Various respondents also highlight the opportunities in MDBs supporting government reforms in order to institutionalise community participation approaches in national decision-making bodies.

Monitoring and evaluating projects is another stakeholder engagement activity that could be strengthened, based on the findings. A6 suggests MDBs should increase their investment tracking to assess how the investments align with the Paris Agreement and present the information so that everyone can comprehend the allocation decisions and the particular climate targets they address. Similarly, A9 recommends that MDBs assess their successful cases with high operational efficiency and outcomes, and identify ways to replicate them across their portfolios, by introducing mandatory features or institutionalising them in the banks' investments.

The need for the MDBs to involve local stakeholders from the very beginning of any development projects in climate and disaster resilience work is underlined by several respondents. This is shown in statements such as by A8 who suggests that civil society should have a more systematic and upstream function in shaping the MDBs' strategies, and by A10 who believes the observer groups of the MDBs establish a sense of ownership and participation in the implementation of projects, but what should be a sincere effort. A10 also advocates for a democratic institutional model for the decision-making processes of the MDBs, and the respondent suggests that the banks

should not initiate the reform process, but rather allow it to develop naturally, with various stakeholders coming together to make their own decisions.

The role MDBs can play in bridging the gap between planning and financing is critical, the findings suggest. As per several respondents' statements, including the ones by A7, A6, and A11, LDCs' and SIDS' NAPs need to be designed so that they produce a suite of pipeline projects. Sequencing future adaptation projects becomes crucial, particularly in the context of these countries in question, as the presence of uncertainty and risk may lead to MDBs hesitating on investment decisions. The findings suggest that MDBs could intervene in this undertaking by investing in human resources and capacity-building in LDCs and SIDS, and engage more with local stakeholders. Consequently, the interview data suggests, the MDBs could enhance their support for the countries in translating their adaptation plans and policies into an investment pipeline of bankable, inclusive, and transformative projects.

What particularly stands out in the findings, are the perspectives given by A1, who suggests that the global community should not be held back in the dominant echo chambers of collaboration. The respondent initiates the focus should be placed more on promoting competition among countries and companies to better succeed in emission reductions and catalysing more foreign investment to low-income countries, including SIDS and LDCs. This differs from various other respondents' beliefs who emphasise collaboration and cooperation.

Overall, in terms of the stakeholder engagement activities of the MDBs, the findings indicate a multitude of advantages in collaboration between MDBs and their stakeholders. Several initiatives in comprehensively engaging the banks' stakeholders are already taking place, however, further engagement actions could unlock additional advantages, the study suggests.

6. Discussion

The analysis of the findings through the lens of stakeholder theory reveals a myriad of advantages in the stakeholder work system that can contribute to the realisation of the MDBs' reform vision and strengthen climate and disaster resilience financing in SIDS and LDCs in particular. The findings indicate that while MDBs have implemented several activities that foster mutual value creation and grant advantages across all five stages of the work system, there is room for improvement in certain stakeholder work activities and enhancing relationships with diverse stakeholders.

Regarding the stakeholder awareness work, the findings suggest the MDBs have identified a broad range of stakeholder groups that bring value to the banks and the overall environment, and they have established that relations with several of these could be further strengthened. In the identification work of the MDBs, the data implies involving external and internal stakeholder voices in the banks' decision-making more thoroughly is necessary for fulfilling the Sharm vision. As per understanding their stakeholders, the conclusions point to that while the MDBs have taken measures to comprehend the needs and expectations of their stakeholders, these actions need to be incorporated into project planning and implementation at earlier stages, particularly as in disaster risk and resilience, every situation is unique, requiring contextual understanding prior to each operation. With respect to the prioritisation work, the findings indicate the banks have integrated resilience, adaptation, vulnerability reduction, and DRM activities that are vital to SIDS and LDCs on their list of priorities. In parallel, the study finds, decision-making processes and voting within an MDB such as the WB are still dominated by high-income countries, particularly the US, suggesting that these countries' views receive more consideration than those of the most affected low-income countries. Relating to the engagement work, the research outcomes propose, *inter alia*, the capacity-building of stakeholders in SIDS and LDCs, including technical, financial, social, and public policy support, as well as understanding, dialogue, and collaboration between the MDBs and their stakeholders, can bolster collective action and therefore advance climate and disaster resilience. The findings highlight the need for stronger leadership by the banks to integrate climate and risk into their investments and shift towards a more democratic and just operational model of the MDBs.

The employment of stakeholder theory in MDBs' Paris alignment and climate and disaster resilience efforts in this study fills research gaps identified in previous studies. Concurrently, some of the findings align to a large extent with previous studies

presented in the literature review, such as the study by Humphrey (2022) and Gugliotta (2021) who underline the advantageous position MDBs are in supporting and coordinating the work of national and local governments as well as other stakeholders. The findings also align with the study by Lipper et al. (2021) who found that the banks can further promote their climate objectives by not only incentivising their stakeholders, but also the private sector. Moreover, this study draws similar conclusions with the literature using stakeholder theory in related fields of study, such as Yeleliere et al. (2020), Pasquier et al. (2020), and Lopes de Sousa Jabbour et al. (2020), who illustrate the benefits of integrating stakeholder voices in the stakeholder work system of diverse organisations.

When considering the findings of this study, the representation of the respondents needs to be remarked. Firstly, it should be noted that a substantial majority of these are representatives from MDBs. On the one hand, this brings valuable insights and perspectives on climate and disaster resilience and the MDBs' reform from the representatives of the banks themselves. On the other hand, this leaves less room for external stakeholder experiences and perspectives on the topic of the study which would also be highly relevant to take into account, since the operations of the banks also affect their external stakeholders. Secondly, although NGOs Recourse and CANSA were represented in this study, additional representatives from environmental NGOs could have eventually brought more diverse perspectives from outside the banks' direct operations. Similarly, the needs and experiences from representatives from local and indigenous communities in SIDS and LDCs, as well as a range of governments, intergovernmental organisations, academia, the media, the private sector, and others, could have offered some additional valuable viewpoints on the research topic. It could also be discussed that the study included five representatives of the WB and only one representative from the ADB, the AfDB, and the EBRD. Although the WB is a central MDB, a larger representation of other banks could have led to a more comprehensive understanding of the best practices and areas for improvement in the multilateral development system and the individual banks alike. As discussed in the method section, various representatives from other MDBs and stakeholder groups were contacted but they were ultimately not able to participate in the study. Lastly, a broader representation of young people and all genders in the study could have led to an increased understanding of gender and age-related experiences and views.

As a final point in the methodological considerations of the study, it can be remarked that the interview questions were predominantly based on the premises of stakeholder theory, but some questions were slightly outside the theory's realm. By fully aligning the questions with the theory, the methodological coherence could have been strengthened, the basis for interpreting the findings could have been increased, and the study could have contributed to the literature utilising stakeholder theory to a larger extent. Regardless, the basis for the analysis is predominantly in line with the theory to draw conclusions on the advances of MDBs' stakeholder engagement

activities in meeting the reform objectives and strengthening climate and disaster resilience financing in SIDS and LDCs.

7. Conclusions

The study underlines the advantages of stakeholder engagement in achieving the reform vision of MDBs and strengthening climate and disaster resilience financing in SIDS and LDCs. The study suggests there is a need for ongoing efforts to enhance stakeholder awareness, identification, understanding, prioritisation, and engagement work to create mutual value and achieve shared objectives that can benefit the MDBs' stakeholders and the overall environment and society. By engaging in open dialogues with stakeholders at the earliest possible stage, i.e., in project planning, implementation, and evaluation of each financial operation, the banks can unlock more advantages in stakeholder engagement, the findings suggest. The conclusions also point that MDBs can strengthen their convening power and advocacy role to engage governments, to support government reforms, to foster partnerships, and bridging the gap between planning and financing, which could enhance climate and disaster resilience financing. Furthermore, democratising the decision-making processes of the banks is an area where additional advantages could be found, albeit it might pose practical challenges, the study suggests.

The limited scope of the study has resulted in certain crucial aspects remaining unexplored in terms of the reform agenda, climate and disaster resilience financing, and stakeholder engagement of MDBs. Therefore, future studies could, for instance, explore the perspectives of different stakeholders in greater detail, such as indigenous and communities, local NGOs, the private sector, and government officials, to gain a more comprehensive understanding of their unique experiences and contributions. Studies could also delve deeper into the power dynamics and equity issues in the stakeholder engagement of MDBs by examining how power imbalances and inequities may affect the participation of, for example, some of the most marginalised stakeholders. Other possible research directions could involve focusing on the impact assessment of already existing practices for stakeholder engagement of the banks.

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Annex

Interview guide

1. In your opinion, what are some of the most central ways MDBs can help strengthen climate and disaster resilience financing in SIDS, LDCs?
2. From your point of view, how could spaces for knowledge-sharing and dialogue about climate and disaster resilience be improved?
3. In your opinion, how can MDBs best work with national and/or local stakeholders in SIDS, LDCs and other countries to ensure that climate finance meets their needs?
4. How do you think MDBs could involve the voices and diverse opinions of as many groups in society as possible?
5. From your perspective, what facilitates building understanding between all the various stakeholder groups and promotes collaboration across them?
6. Is there anything you would like to add to the topics we have discussed, or would you like to raise any issues we have not touched upon?



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