

20. WHERE WILL MDBS BE IN 10 YEARS?

Over more than 80 years, the MDB system has become one of the key instruments for supporting socioeconomic development, primarily in developing countries. For many of these countries, MDBs are the primary source of long-term investment, contributing to infrastructure development, poverty reduction, and employment growth. In addition to financial resources, MDBs play an important role as repositories of knowledge and unique country- and region-specific expertise.

In public discussions on the activities of MDBs, attention is typically focused on a limited group of the largest banks, which account for the bulk of assets and investments. In reality, however, the MDB system is significantly broader and more diverse.

MDBs vary significantly in terms of asset size, geographic scope of operations, mandates, and corporate governance structures. Smaller MDBs often have specialized mandates, while larger ones have universal mandates.

Significant differences are also observed in equity participation models: ranging from the classic structure based on the IBRD model to the use of different classes of shares, hybrid capital, and the involvement of institutional investors.

In recent decades, new MDBs have been established primarily by borrowing countries, mainly developing ones. The diversity of MDBs allows for better consideration of country-specific circumstances and encourages the search for innovative solutions.

The Group of Twenty (G20) calls on international financial institutions to improve their effectiveness and significantly increase their funding to address the global and regional challenges facing the world's nations (G20, 2024; Independent Experts Group, G20, 2023). In this regard, a Roadmap for Reforming the MDB System was developed in 2024 (Box 1).

Box 1. G20 Roadmap for Reforming the MDB System

The Roadmap (G20 Roadmap towards better, bigger, and more effective MDBs) was adopted in 2024 at a meeting of G20 finance ministers and central bank governors. The document notes that the global community remains significantly behind in achieving the Sustainable Development Goals and fulfilling the Paris Climate Agreement. Over the past decade, the financing gap required to achieve these goals has grown significantly and is currently estimated at approximately \$4 trillion annually.

The Roadmap proposes a comprehensive reform program for the MDB system aimed at building the banks' financial capacity, improving operational efficiency, and strengthening their impact on development. The implementation of these reforms should lead to an increased role for MDBs in addressing global and regional challenges.

The document outlines both short-term measures (1–3 years) and medium-term measures (through 2030). Progress is monitored by the G20 International Financial Architecture Working Group (IFAWG) on the MDB track.

The Roadmap consists primarily of 13 recommendations with corresponding implementation steps, grouped into three blocks.

1. An optimized MDB system

- enhancing the strategic vision of the MDBs to strengthen their contribution to addressing global challenges;
- strengthening national systems and optimizing the operational processes of international development banks;
- supporting country platforms and expanding the practice of joint project financing;

- improving and coordinating project preparation processes;
- increasing the effectiveness of mobilizing private capital and domestic national resources;
- expanding the scale of financing in local currencies and developing currency risk hedging instruments;
- optimizing the use of concessional financing for low-income countries.

2. A more comprehensive MDB system

- continuing to implement the reforms proposed as part of the MDB's capital adequacy review;
- conducting regular reviews of the alignment of an MDB's resource base with its strategic objectives;
- developing innovative financial instruments (including hybrid capital and portfolio guarantees), as well as exploring opportunities to allocate special drawing rights to an MDB.

3. A more effective MDB system

- strengthening measurement, reporting, and impact assessment systems;
- increasing geographic diversity, as well as the representation of women and emerging market and developing countries in MDB leadership and staff;
- creating incentives for coordinating MDB activities at the systemic and country levels.

Multilateral development banks have significant potential to improve the effectiveness of their operations. This is confirmed by a study by the ODI think tank ([Prizzon et al., 2026](#)), based on a large-scale survey of government representatives and the MDBs themselves. The study included 650 respondents from 125 countries.

The report's key findings point to systemic limitations in the current MDB model, specifically:

1 Insufficient funding flexibility. Only 20% believe that MDBs adequately take local specificities into account, and only 25% rate the aid as timely and flexible.

2 Weak coordination among MDBs at the country level. Only 48% of respondents expressed satisfaction with it.

3 Long and complex project cycles. Only 47% are satisfied with current project preparation processes.

These findings underscore the need to transform MDB approaches.

Below is the authors' perspective on possible directions for the development of the MDB system, taking into account current trends and international discourse.

1 The emergence of 3–4 new MDBs over the next 10–15 years with a focus on developing countries

The fourth wave of establishing multi-lateral development banks continues, and to date, it has not yet exhausted its potential. Its key feature is the strengthening of the role of developing countries in the global economy, including through the formation and development of development institutions under their management. Between 2009 and 2025, three new banks were established, suggesting that a comparable number of MDBs will emerge over the next 10–15 years. New MDBs are being formed in conjunction with regional integration associations, with the greatest interest in their creation remaining in Asian and African countries. It seems likely that regional development funds will continue to transform into MDBs.

2 Accelerated growth in non-sovereign financing volumes

The observed rise in the prosperity of developing countries is accompanied by an increase in demand for non-sovereign transactions. Improvements in the institutional environment are creating a broad foundation for the implementation of non-sovereign projects. It is becoming preferable for governments to attract financing into their economies through so-called “bankable” projects, that is, projects with commercial viability. Such investments do not place a burden on the state budget. Consequently, the largest MDBs are steadily increasing the volume of non-sovereign financing, shifting the structure of their operations from sovereign to non-sovereign. An additional driving factor is the growing participation of private investors in MDB projects, which are geared toward higher returns.

3 Diversification of the sectoral structure of MDB financing

The financial sector, energy, and transportation have historically been the key recipients of MDB resources, reflecting the priorities of macro-economic stabilization and the removal of infrastructure constraints. At the same time, the growing needs of borrowing countries for support in the structural transformation of their economies and the enhancement of export potential are driving increased demand for financing in productive sectors, primarily industry and the agro-industrial complex. Additionally, the number of bankable projects in the social sector and urban utility infra-structure is expected to grow. This will not only expand the MDBs’ operations in these sectors, but also strengthen their contribution to human capital development.

4 Diversification of MDB investment instruments

MDB instruments are likely to be more widely represented in MDB portfolios. The share of lending will decline due to increased use of other investment instruments: equity investments, purchases of borrowers' debt securities, and documentary operations (guarantees and letters of credit). This will be linked to the expected outpacing growth in non-sovereign financing volumes.

5 Growing importance of the 'non-investment triad'

MDBs will increasingly develop the "non-investment triad" — (1) technical assistance, (2) analytical products, and (3) training programs — in response to growing demand from borrowing countries. Mature MDBs will scale up the development and dissemination of their intellectual products to transfer knowledge and build the capacity of shareholder countries, reduce project risks, and share accumulated expertise. Smaller MDBs, in turn, will more actively develop non-investment instruments, occupying specialized niches at the regional level and strengthening their expertise in specific sectors. The introduction of new technologies (AI, VR/AR, etc.) will provide a significant boost to this process, enabling increased operational efficiency of projects, improved analytical quality, and a significant expansion of the audience reach for MDBs' intellectual products.

6 Development of new capital-raising mechanisms beyond traditional ones

Given significant budgetary constraints on recapitalization, MDBs are forced to seek sources of capital expansion. Expanding the shareholder base to include non-regional participants may lead to risks of diluting control over the management of MDBs. In turn, attracting private investors carries the risk of increasing the commercialization of the banks' activities. In this regard, banks are expected to make greater use of hybrid capital. One example is the AfDB's perpetual subordinated bonds, issued in 2024 in the amount of \$750 million, which are recognized by rating agencies as capital, thereby increasing the bank's leverage.

7 Establishment of new targeted capital funds

These funds are designed to attract long-term private financing for infrastructure projects in MDB shareholder countries and allow for the specific needs of individual sectors or regions to be addressed. Equity funds allow for the mobilization of resources outside the MDB's balance sheet. This reduces dependence on shareholder contributions and expands the total volume of available financing. The main investors in such funds are typically pension funds, insurance companies, development banks, and professional asset managers. Capital funds are likely to become a common channel for attracting resources from institutional investors.

8 Expanding private capital participation in MDB investment activities

In addition to co-financing projects, this requires the active implementation of innovative financial mechanisms. One of the priority areas is the transfer of a portion of risks from MDBs' balance sheets to external investors, which allows for the release of capital and an increase in financing volumes without increasing balance sheet liabilities. Mobilizing private capital will also remain crucial as a tool for attracting private investment in MDB projects.

9 Expanding financing in local currencies

This allows borrowers to mitigate risks and enables MDBs to expand their pool of potential clients. There is high demand from countries for the expansion of this type of financing. The use of national currencies offers a number of strategic advantages: it reduces currency risks for borrowers, expands access to financial resources, stimulates the attraction of private capital, and contributes to the development of domestic capital markets. New and subregional banks are particularly active in this area. Financing in national currencies is already becoming a strategic priority for such institutions. In particular, the New Development Bank aims to increase the share of financing in the currencies of member countries to 30%.