



Eurasian  
Development Bank

# Cooperation of Multilateral Development Banks

in Emerging Markets and Developing Countries:  
Untapped Opportunities



Mobilizing  
capital



Capital  
markets



Financing in  
local currencies



Cross-border  
projects



Project  
expertise



Pooling  
knowledge



Technical  
assistance

Report 26/1

Almaty – 2026

Vinokurov, E. (ed.), Kuznetsov, A., Malakhov, A., Zaboev, A., Ahunbaev, A., Chkoniya, A.-M., Berdigulova, A., Klochkova, E., Aldanazarov, M., Usanov, A. (2026) *Cooperation of Multilateral Development Banks in Emerging Markets and Developing Countries: Untapped Opportunities*. Report 26/1. Almaty: Eurasian Development Bank.

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## Abstract

Multilateral development banks (MDBs) play a crucial role in boosting regional connectivity and infrastructure growth. Developing countries are facing an ever-increasing need for infrastructure. Strengthening links between MDBs, both vertically and horizontally, is a powerful solution. The report explores seven areas in which these institutions could collaborate: 1) mobilizing capital, 2) capital markets, 3) local currencies, 4) project expertise, 5) pooling knowledge, 6) technical assistance, 7) cross-border projects. Such partnerships could amplify their impact, making investments more efficient and scalable. The greatest effectiveness of cooperation between MDBs is seen in these sectors: a) the water, energy, and food nexus, b) sustainable transport connectivity, c) sustainable and climate finance, and d) cross-border infrastructure. Cooperation between MDBs could accelerate progress towards global and national development goals.

**Keywords:** multilateral development banks, international financial institutions, investment project, finance, regional cooperation.

**JEL:** F15, F21, H54, L32, L94, P33, R11.

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# WHAT?

VECTORS FOR COOPERATION

# HOW?

COOPERATION FORMATS

# WHY?

COOPERATION ADVANTAGES



Mobilizing capital

1

- Co-financing
- Fund-like arrangements
- Loan guarantees

- Implement large-scale projects
- Close EMDCs' financial gap
- Unlock economic potential of EMDCs
- Share risks of the MDBs



Capital markets

2

- Participation in equity
- Mutual bonds purchases
- Climate finance & GSS bonds
- Trust funds
- Regional agents & consulting
- Islamic finance

- Development of EMDC financial markets
- Diversification of geography
- Increased sources of funding for MDBs
- MDBs' rating support



Financing in local currencies

3

- Mutual bonds purchases in local currencies
- Hard currency targeted loans for local currency project finance
- Cross-currency swaps

- Meet EMDCs' needs
- Better terms for MDBs compared to market conditions
- More capabilities for local currency financing
- Improved conditions for capital-intensive infrastructure
- Currency risk mitigation for borrowers



Project expertise

4

- Sharing experience & best practices
- Coordinating technical expertise
- Being a "mediator" in PPP projects
- Sharing knowledge of the region

- Improve MDBs' project outcomes
- Leverage comparative advantages from regional specialization
- Reduce risk and facilitate better project implementation



Pooling knowledge

5

- Comparative analysis
- Joint research
- Long-term research projects (e.g., databases)
- Joint forums and workshops

- Facilitate open access research as a public good
- Improve the efficiency and save resources of EMDC-MDBs
- Develop joint action to address development challenges



Technical assistance

6

- Cost sharing through joint TA
- Pooling knowledge and regional expertise
- Harmonising TA approaches and procedures

- Increase the scale and reach of projects
- Increase the quality and effectiveness of projects
- Align and coordinate MDB development efforts
- Reinforce future cooperation post-TA



Cross-border projects

7

- Expertise at the national level
- Coordinating interactions among EMDCs
- Co-financing
- Fund to promote investment in private companies

- Increase the scale of cross-border projects
- Be an anchor for commercial financing
- Increase trade & investment and create jobs
- Mitigate EMDCs' political risks

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# INTRODUCTORY REMARKS



**Nikolai Podguzov,**  
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Management Board

Growing financing gaps, especially in infrastructure, are major obstacles to achieving the Sustainable Development Goals in emerging markets and developing countries (EMDCs). The tightening of monetary policy in developed economies has led to higher interest rates, which limit countries' financial capacity to invest in development. This is a significant stumbling block for the developing world.

The Eurasian Development Bank (EDB) is constantly looking for the best ways to address this problem in its region of operations. In our view, objective constraints related to the bank's capital and risks suggest that more effective cooperation with other multilateral development banks (MDBs) might be one of the most promising ways to deal with the problem. We assume

that these issues are of particular relevance to other sub-regional MDBs established by EMDCs. They are deeply involved in ensuring regional connectivity, reducing infrastructure gaps, and often possess deep in-house expertise regarding local companies and industries, which allows these MDBs to respond quickly to their needs.

The report addresses both horizontal cooperation among such MDBs as well as their vertical cooperation with global and regional MDBs (often referred to as 'legacy' MDBs), which are generally much larger and have top credit ratings. Improved cooperation among MDBs would help their member countries to build up their transport, energy, water, and social infrastructure.

In this report, we discuss the potential areas for cooperation among MDBs. One possible area is capital mobilization, which could promote effective implementation of large-scale projects. We also suggest cooperation on capital markets and financing in local currencies. We discuss the importance of pooling efforts to provide technical assistance and share project expertise, thereby reducing individual MDBs' costs, thereby expanding MDBs' competencies and creating more opportunities for borrowers. Conducting joint research projects can produce open-access data and knowledge as public goods.

The water, energy, and food nexus, sustainable transport connectivity, and climate finance are the most promising sectoral areas for cooperation. Cross-border public-private partnership infrastructure projects are another area where MDBs could play a very useful role.

I believe in the ongoing dialogue among all MDBs to advance deeper cooperation. This research is a practical step in this direction.

# EXECUTIVE SUMMARY

Building horizontal linkages is a challenge for the emerging markets and developing countries. Currently, EMDCs typically have more extensive links with developed countries. These can be referred to as 'vertical linkages'. Building horizontal links and enhancing collaboration among the EMDCs themselves is a new step to unlock their potential.

By pooling resources and expertise, EMDCs can work together to build and develop shared infrastructure such as transport networks, energy grids, and communication systems in order to improve their connectivity. Obstacles to the development of horizontal cooperation include the difficulty of aligning the interests of the EMDCs and their growing financial needs.

Greater investment needs, primarily in infrastructure, will require better cooperation among the EMDCs. To achieve the Sustainable Development Goals by 2030, developing countries face an annual financial deficit of around \$4 trillion—up from \$2.5 trillion in 2015. There are also estimates that, in order to achieve infrastructure-related SDGs by 2030, EMDCs will need \$1.8 trillion, including \$1.3 trillion for road infrastructure.

Advanced cooperation among MDBs would help their member countries to build up their transport, energy, water, and social infrastructure. Overlapping shareholders stimulate and facilitate horizontal cooperation—i.e., direct interaction among MDBs established by EMDCs. MDBs' cooperation could promote the efficient allocation of resources, stimulate structural changes in member states, and optimize cross-border projects.

The role of MDBs in the EMDCs has been rapidly growing. Between 2012 and 2024, the volume of loans issued on the balance sheets of MDBs established by EMDCs (EMDC-MDBs) increased threefold in nominal terms to around \$150 billion.

Surveys show that only half of government officials in borrowing countries believe that the MDBs in their country coordinate well among themselves.

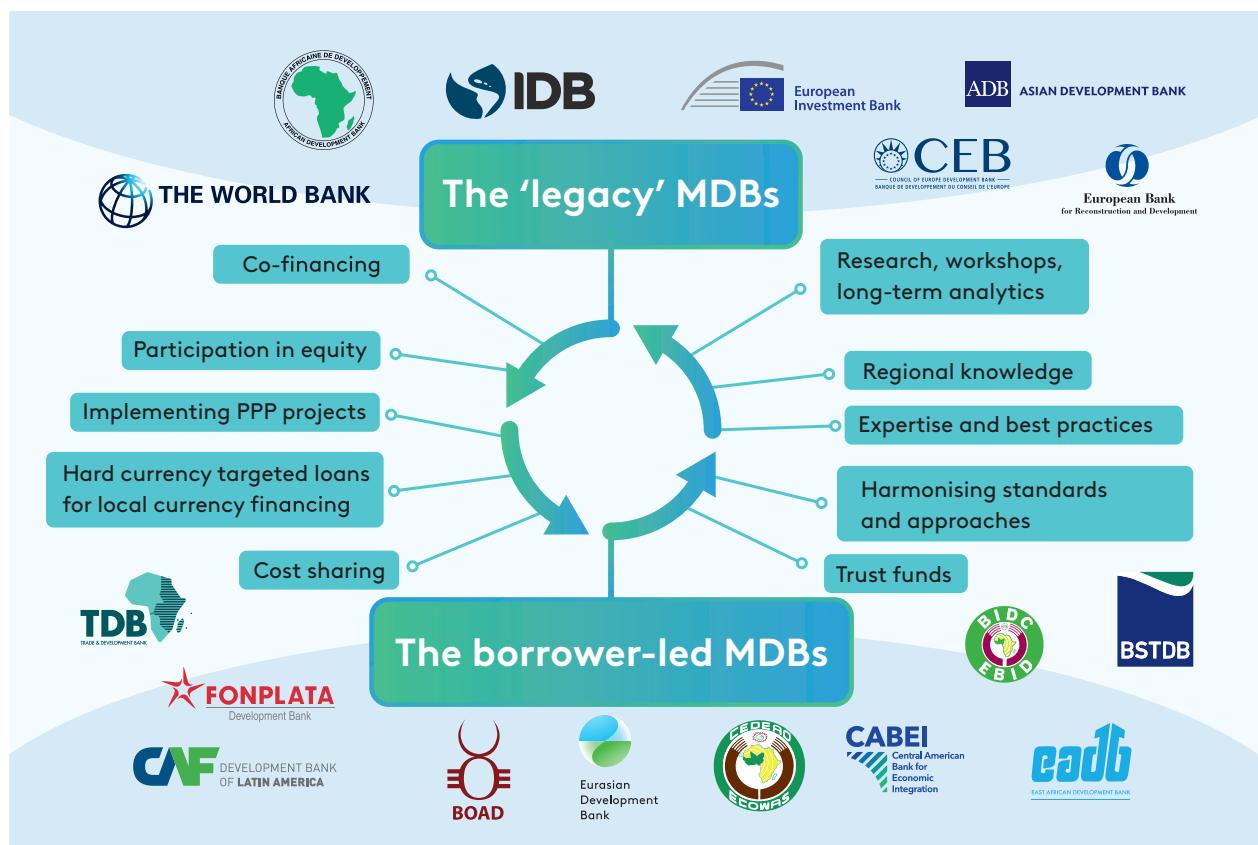
The Group of Twenty (G20), an intergovernmental forum which includes leading EMDCs, has paid a lot of attention in recent years to enhancing the role and impact of MDBs. These cooperation efforts are directed mainly, if not exclusively, at the largest MDBs, leaving out the majority of MDBs.

MDBs owned by emerging markets and developing countries are also known as borrower-led MDBs. These are regional financial institutions whose priorities are to finance capital-intensive infrastructure, ensure regional connectivity, and reduce development gaps within and across member countries. They have deep in-house

expertise regarding local producers and industries and their specific problems, which allows them to respond quickly to their clients' needs. Borrower-led MDBs have better understanding of the region where they operate and have a physical presence. They are leaner and more responsive to the needs of their members. They have close relations with member governments and do not try to impose their own vision for development on them. These MDBs are an important source of innovation in development finance. At the same time, they have smaller capital and tend to have lower credit ratings, which limit their ability to raise long-term, low-cost funds.

This research suggests developing more active horizontal linkages between borrower-led MDBs, as well as vertical linkages between larger MDBs and borrower-led MDBs (Figure A). Better cooperation among MDBs could be fruitful in many areas.

↓ Figure A. Linkages among MDBs



Source: EDB.

The research presented here highlights the advantages and untapped opportunities for MDBs' cooperation to reduce costs and make projects more effective through seven areas: 1) mobilizing capital, 2) capital markets, 3) local currencies, 4) project expertise, 5) pooling knowledge, 6) technical assistance, and 7) cross-border projects.

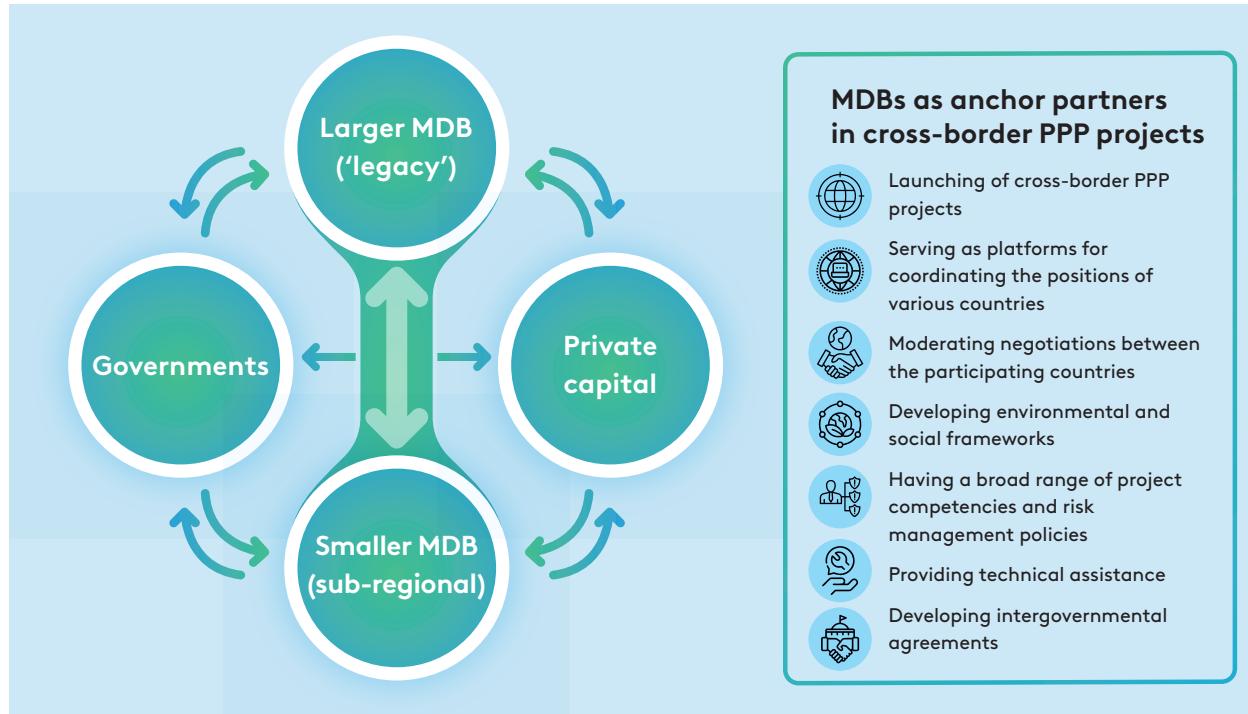
1. **Mobilizing capital.** A single MDB often cannot finance large infrastructure projects due to capital constraints, risk limits, diversification requirements, and project size or tenure. Joint participation allows MDBs to undertake large-scale investments. Exposure Exchange Agreements are an innovative tool for sharing risks; the first EEAs were signed in 2015 among the AfDB, IDB, and IBRD, covering about \$6.5 billion.
2. **Capital markets.** Larger MDBs can expand available funding and improve financing terms for smaller MDBs through equity participation. Higher-rated MDBs can also support lower-rated peers by investing in their bonds, thereby strengthening regional capital markets. Climate finance and labelled bonds (green, social, sustainable) create additional opportunities for cooperation.
3. **Local-currency financing.** Lending in local currencies protects borrowers from exchange-rate risks and reduces financial distress during depreciation. The share of local-currency operations in MDB portfolios is expected to grow. Cooperation can enhance such financing: larger MDBs may provide hard-currency loans to smaller MDBs, which then on-lend in local currency while hedging risks.
4. **Project expertise.** MDBs can improve collaboration by combining their strengths in structuring long-term projects. Cross-regional cooperation of MDBs facilitates knowledge transfer. Their role in public-private partnerships (PPPs) is especially significant due to established relationships with member states, strong risk-management policies, in-house expertise, and specialized financial instruments supporting project viability.
5. **Pooling knowledge.** MDBs maintain strong analytical capacity in regional and country contexts. Joint work enables knowledge exchange, creation of shared research programs, and maintenance of large databases. Such cooperation enhances efficiency and supports cross-border projects. Internal institutes, academies, and training platforms can further facilitate knowledge sharing.
6. **Technical assistance.** Joint TA projects help MDBs finance resource-intensive project preparation. Pooling expertise improves quality and may pave the way for future joint development initiatives and investment projects.
7. **Cross-border development projects.** Cooperation enables MDBs to participate more effectively in cross-border initiatives by coordinating countries' work, providing expertise, and supporting feasibility studies. Joint MDB action can help finance large projects, mitigate political risks in EMDCs, and serve as an anchor for private investment.

Based on case studies and best practices, this report illustrates possible areas for MDB cooperation and its potential economic impact for developing countries. The greatest effectiveness of cooperation between MDBs is seen in these sectors: a) the water, energy, and food nexus, b) sustainable transport connectivity, c) climate finance, and d) cross-border infrastructure. MDBs have particular potential to participate in cross-border PPP projects, where they play an anchor role.

- a. The water, energy, and food nexus.** MDBs are able to support the establishment of regional water and energy consortia. Two options can be considered: the establishment of a full-fledged international organization or the establishment of project investment consortia for large-scale projects. This entails, for example, the creation of a project consortium using the BOT (build – operate – transfer) or BOOT (build – own – operate – transfer) model. MDBs might play a crucial role as financial operators for consortia, having multiple roles, from arranging long-term syndicated lending, to the provision of settlement and payment services and technical assistance. MDBs will effectively mobilize and pool funds from international donors and various stakeholders. Additionally, MDBs can host a Secretariat (e.g., a Water, Energy and Food Nexus Development Centre), which will provide advisory services, research, and capacity building for sustainable finance in the region.
- b. Sustainable transport connectivity.** Priorities for MDB cooperation include sustainable, high-quality transport infrastructure development, creation of economic corridors, well-connected cities, soft infrastructure improvement, and contribution to low-carbon mobility. MDB cooperation mechanisms include: (i) joint implementation of transport infrastructure projects, including co-financing; (ii) coordination of infrastructure development plans among member states; (iii) cooperation in soft infrastructure improvement along international transport corridors (border-crossing facilitation, freight and vehicle insurance mechanisms, digital infrastructure, participation in coordination committees for managing the transport/economic corridors, etc.).
- c. Sustainable and climate finance.** MDBs can arrange joint syndicated loans, provide technical assistance for national and multilateral climate projects, share the expertise required for feasibility studies, mitigate risks or offer guarantees for their reduction. Another mechanism is the targeted issuance of GSS+ bonds and loans. MDBs could also support local green finance centres and local government funding agencies. Additionally, MDBs may help develop, introduce, and improve sustainable finance and ESG standards. One of the biggest facilities for MDB cooperation in sustainable finance is the EBRD's Green Economy Financing Facility (GEFF), established to support enterprises and households willing to invest in green technologies.

d. **Cross-border infrastructure.** Cross-border projects require massive resources and coordinated financial planning among countries. MDBs have the potential to make a significant contribution to this process, serving as a vital link for cross-border projects, particularly those involving PPPs (Figure B).

↓ Figure B. MDBs' role in cross-border PPP projects



Source: EDB.