

MORE CRITICAL THAN EVER: DELIVERING MDB REFORM FOR GROWTH AND RESILIENCE IN A CHANGED WORLD

Masood Ahmed, Center for Global
Development

Amar Bhattacharya, Brookings Institution

Tanu Goyal, Indian Council for Research on
International Economic Relations

Homi Kharas, Brookings Institution

Hans Peter Lankes, ODI Global

Nancy Lee, Center for Global Development

Annalisa Prizzon, ODI Global

WORKSTREAM 4

2026

T20
U.S.

An informal engagement
of global think tanks

More Critical Than Ever: Delivering MDB Reform for Growth and Resilience in a Changed World ¹

Masood Ahmed, *President Emeritus at the Center for Global Development*

Amar Bhattacharya, *Senior Fellow at The Brookings Institution*

Tanu Goyal, *Senior Fellow at the Indian Council for Research on International Economic Relations (ICRIER)*

Homi Kharas, *Senior Fellow at The Brookings Institution*

Hans Peter Lankes, *Deputy Chief Executive and Managing Director of ODI Global*

Nancy Lee, *Director for Sustainable Development Finance at the Center for Global Development (CGD)*

Karen Mathiasen, *Project Director with the Center for Global Development*

Annalisa Prizzon, *Principal Research Fellow at ODI Global* ²

Abstract

In 2023, the G20 set out to make multilateral development banks (MDBs) “better, bigger and more effective.”³ The 2024 G20 Roadmap translated that ambition into 13 recommendations covering capital adequacy, private capital mobilization, operational harmonization, MDBs working as a system, and the allocation of concessional resources.⁴ MDBs have responded on many fronts. Changes to their capital adequacy frameworks should, by the MDBs’ own estimate, create more than \$650 billion of extra lending capacity while protecting their credit ratings. Hybrid capital and portfolio guarantees have been introduced, mutual reliance agreements on procurement and safeguards have been signed, and outcome-based programs such as Mission 300 are delivering measurable results.⁵

Yet, reform is moving too slowly to deliver on the G20 aspirations. MDB commitments have grown by barely 1% a year, in real terms since the COVID-19 pandemic; much of the new headroom remains unused, and private capital inflows to low-income countries, mobilized by MDBs, have dropped. At the same time, the global context has shifted fundamentally. Official development assistance (ODA) dropped by 23% in 2025, a decline without precedent. China has shifted from being a large net provider of capital to developing countries to a net extractor. Net private flows are flat. As aid budgets shrink and bilateral lenders pull back, no other institutions can match the MDBs’ combination of affordable long-term finance, technical expertise and convening ability. Their activities have never mattered more.

¹ This note is based on a longer report with the same title, prepared by the same team, launched at the IMF/World Bank Annual Meetings in Bangkok on October 14, 2026.

² Scholars from four think-tanks supported the Independent Expert Group. They have come together to write this policy note. Brookings (Amar Bhattacharya and Homi Kharas); Center for Global Development (Masood Ahmed, Nancy Lee, Karen Mathiasen); Indian Council for Research on International Economic Relations (Tanu Goyal) and ODI Global (Hans Peter Lankes and Annalisa Prizzon).

³ G20 (2023).

⁴ G20 (2024).

⁵ See more on Mission 300 at <https://mission300africa.org/>.

This brief argues that the priorities for MDB reform are well established. The challenge now is to deliver them with greater volume, faster delivery and wider country coverage, and to judge success by impact on growth, resilience and job creation in borrowing countries, rather than by announcements and approvals.

It proposes four recommendations for the G20:

1. Ask MDBs to complete the balance-sheet agenda and commit decisively to originate-to-distribute/share models as the route to mobilizing private capital at scale;
2. Encourage MDBs to back country-led transformation with system-wide delivery arrangements and transparent outcome measurement;
3. Focus scarce MDB concessional resources on the poorest and most fragile countries;
4. Commission an independent, periodic review of progress on MDB reform.

The G20 set up a working group on MDB reform right after its first Leaders' Summit in Washington in 2008. The time is right to raise the political profile of this agenda.

A Changed Landscape for Development Finance

The G20 first established an MDB Working Group to feed into its April 2009 Summit.⁶ The core focus was on counter-cyclical lending to respond to an emerging global financial crisis. A second wave of activity followed after a reset of ambition (the SDG, Accra and Paris agendas), a desire to integrate new institutions such as the AIIB and NDB, and a need to address large shocks (COVID-19) that left developing countries heavily exposed. A focus on better MDB risk management and capital adequacy emerged from recommendations made by expert groups on these topics.⁷ The current third wave of activity was initiated under India's G20 presidency as a key deliverable under its Voice of the Global South framing. As global challenges became more central to the development agenda, the role of the private sector grew in importance and attention turned to the functioning of the development finance system as a whole, including national development banks.⁸

In each case, the changing landscape and context for development finance led the G20 to review how MDBs might adapt. This brief is about deepening the recommendations of the third wave. Inadequate investment, especially in adaptation and resilience, is souring developing country growth prospects. The collapse of ODA has made MDB concessional finance even more

⁶ Working Group 4, entitled "The World Bank and Other Multilateral Development Banks"

⁷ An Eminent Persons Group on Global Financial Governance, chaired by then Deputy Prime Minister Tharman Shanmugaratnam delivered its report in October 2018. A Capital Adequacy Frameworks review was commissioned by the Italian G20 Presidency and presented to Ministers in 2022.

⁸ An independent expert group produced a two-volume report in 2023, entitled "Strengthening Multilateral Development Banks: The Triple Agenda."

important for low-income and vulnerable countries. And improving the functioning of the development finance ecosystem, with scaled-up participation by all actors including the MDBs themselves, national development banks and the private sector, is now understood to be critical, especially in middle-income countries.

Emerging markets and developing economies (EMDEs) have experienced weak and uneven growth. A quarter of developing countries have yet to regain their 2019 level of per capita income, and income per person in low-income countries is rising by under 2% a year. Heavy debt burdens, an unpredictable global trading environment, increasingly costly natural disasters, and wars with global economic consequences compound these difficulties.

What happens in EMDEs will affect the global economy. On current trends, more than 2 billion additional people in EMDEs, other than China, will have middle-class incomes by 2050, and they will expect jobs, well-run cities, dependable water supplies, and affordable power. Half the population of Africa is younger than 20 years old, and half of India's is younger than 30 years old; this is the final large youth cohort the world will see, and it can yield either a demographic dividend or instability. Meanwhile, if fragile and conflict-affected states cannot build a basis for stability and growth, nearly 800 million people may remain in extreme poverty in 2050. The investment required is vast. The G20 Independent Expert Group put the additional external financing required by 2030 at \$1 trillion a year over 2019 levels; more recent estimates put the need for foreign financing for climate and nature alone at \$1.3 trillion by 2035, compared with \$190 billion in 2022.

Technology is opening new opportunities. The price of solar panels fell from about 20 US cents per watt around 2020 to below nine cents in 2025, before rising slightly. In many large emerging economies, solar power now costs under four cents per kilowatt-hour over a plant's lifetime. Artificial intelligence could add some 0.6% a year to EMDE productivity growth in the 2030s, but only where countries have the connectivity and skills to use it. MDBs have decades of experience financing and advising on exactly these foundations.

Financing, however, is moving in the opposite direction. ODA shrank by \$38 billion in 2025. Never before had all five of the biggest donors reduced aid in the same year, and further cuts are expected in 2026. The impact falls hardest on least developed countries and Sub-Saharan Africa. Foreign direct investment in EMDEs has stagnated since 2023, cross-border project finance is still some 25% short of its 2021 high, and private net financial inflows of around \$250 billion a year are volatile. Net official bilateral transfers were negative in 2024, mainly because repayments on past Chinese loans now far exceed new Chinese lending. A notable counterweight is the growing weight of public development banks: More than 550 of them, investing about \$2.5 trillion a year, now belong to the Finance in Common System.

The political backdrop has also become harder. Wars, heightened frictions over trade and security, and growing skepticism about multilateral institutions mean that MDBs must prove their worth to borrowers and shareholders. Ever more concretely than before, they must weigh

the demand for secure, affordable energy against mounting signs that climate adaptation and nature loss are already straining public budgets. MDBs used to top up bilateral flows; increasingly, they are now substituting for them.

Reform Progress: Broad-based but still running behind needs

MDBs deserve credit for what has been achieved since 2023. They have expanded headroom through changes to risk management policies, introduced hybrid capital, shortened internal lending processes, and portfolio guarantees, and pioneered new models for distributing assets to private investors. Joint reporting across institutions on climate finance, private mobilization, and reform plans is now standard practice. MDBs have also acted collectively through shared sector initiatives such as Mission 300 and Water Forward. Individual institutions have shortened lending processes, retooled their knowledge functions and deepened partnerships.

But the headline reforms have not yet translated into commensurate results. MDB commitments booked on their own balance sheets have only grown at about 1.2% a year in real terms since 2020, under a tenth of the rate needed to meet the Independent Expert Group's goal of tripling real lending over ten years. The International Bank for Reconstruction and Development (IBRD) lowered its minimum equity-to-loan ratio from 20% to 18%, yet its actual ratio has barely moved from around 22%. Private capital mobilization grew by about 15% a year in real terms between 2021 and 2024, but 61% of it is in high-income countries; in 2024 it rose by 3% in middle-income countries and fell by 36% in low-income countries.

Borrowing countries have noticed. Fewer than 48% of surveyed government officials rate MDB coordination in their country as good, unchanged since 2021, and 44% regard project preparation and approval as very or extremely slow, a figure that has not improved since 2022.⁹ At the same time, the International Development Association (IDA), which accounts for more than 85% of concessional lending by multilateral institutions, directed just 36% of its FY25 commitments to low-income countries.

These gaps point to four tests for the next phase of reform. Scale: can MDBs lend enough to change the trajectory of development outcomes by promoting larger, priority investments? Speed: can they move from transactions to programs fast enough to reshape development pathways and rapidly mobilize financing packages to support such investment? Reach: can they channel concessional and non-concessional funds to the countries that need them most and are most exposed to falling aid? And impact: will governments and people in client countries see MDB reform pay off through more investment, faster growth and more jobs?

⁹ Prizzon et al. (2026), xxi, xxii.

Why This Matters for the G20

The G20 authored the MDB reform agenda, and G20 members are the principal shareholders of the institutions concerned. The credibility of the G20 as a forum for economic cooperation is therefore bound up with whether the reforms it initiated are delivered.

As bilateral aid and lending are increasingly steered by donors' national interests, the rationale for multilateral channels grows stronger. MDBs stretch modest amounts of shareholder capital a long way, offer long maturities at affordable rates, and are the one group of creditors whose new disbursements still exceed the debt service they collect. MDBs have built up significant expertise in understanding the system changes now required: in energy, food and land use, urban and digital transformations. In a world of constrained budgets, they offer shareholders exceptional value for money.

Yet, the broad support for reform that borrowers and non-borrowers across regions rallied behind in 2023 has since eroded. There is still an opportunity to act, but it will not stay open long. Decisions taken now about power grids, transport, food systems and care services in developing countries will determine their development paths for decades to come. As with many areas of international cooperation, the G20 does not need another framework. It needs to finish the job it started, and to ensure that existing commitments produce tangible results.

Recommendations and Next Steps for the G20

1: Finish the Balance-Sheet Agenda and Place a Big Bet on Originate-to-Distribute

Firstly, the priority is to put existing lending headroom to work. The G20 Presidency should ask each MDB to set out a time path for its actual capital utilization ratio (for example, an equity-to-loan ratio or equivalent) to make full use of the risk tolerance its board has already approved, and report progress to its board at regular intervals. This will require a vigorous step-up in the development of project pipelines, including through action at the sectoral level as discussed below (recommendation 2). MDBs should also review the rules that discourage long-maturity lending. IBRD now offers maturities of up to 35 and 50 years, but few borrowers have taken them up, since average maturities are still limited to 20 to 25 years, starting at project approval, not disbursement. Loosening these constraints would raise net flows to countries and help them sustain macroeconomic balance.

Second, new headroom must be created, since faster lending growth would soon exhaust current prudential lending limits. MDBs should complete their capital adequacy reforms by agreeing a common approach to capital adequacy frameworks, discussing callable capital with rating agencies, and publishing comparable data so shareholders can assess progress. They should scale up hybrid capital, portfolio guarantees and contingent capital, and consider offering non-voting shares to foundations and sovereign investors. Shareholders, for their part, should settle on a medium-term path for the allocation of MDB net income to reserves (that form part of equity), rather than addressing this on an annual basis. Similarly, they should lay out a strategic pathway

for allocating net income to concessional funding windows. The goal should be capital capacity sufficient to triple lending within a decade. As part of this, shareholders should lift the gross underwriting capacity of the Multilateral Investment Guarantee Agency (MIGA), whose exposure of \$36.8 billion is approaching the 2025 statutory \$44.3 billion cap, so that it can carry \$100 billion in guarantees by 2035.

Third, MDBs must bring in private investment in far larger volumes. Originate-to-distribute/share models have already been shown to work; examples include the African Development Bank's Room2Run transactions, the Inter-American Development Bank's Scaling4Impact program, the Asian Infrastructure Investment Bank-supported Project Chamonix, and the International Finance Corporation's securitization programs. Moving away from holding loans to maturity toward creating loans and selling them is probably the most powerful lever for mobilizing private finance by MDBs. Each bank would need to commit formally and use standard documents so that investors can assess pools of loans rather than individual deals. A first step would be a securitization pilot pooling assets from several MDBs.

Finally, volume alone is not enough. The G20 should commission a joint MDB stocktake of private capital mobilization strategy that examines additionality, risk appetite and instrument mix. In order to take private capital mobilization to a much higher level, MDBs will have to shift from business models centered on 'financing' towards 'enabling finance.' Much of MDB private-sector lending mirrors what commercial lenders would do anyway, instead of taking on risks they would not. Senior loans still dominate MDB finance rather than more catalytic instruments like equity, guarantees and local-currency products. The stocktake should produce system-wide goals for riskier instruments and a wider set of results measures. It should make information on how development finance investments perform freely available, widening the Global Emerging Markets Risk Database to cover all G20 bilateral development finance institutions (DFIs) and export credit agencies.

2: Back Country-Led Transformation with Delivery Systems and Honest Measurement

The G20 Roadmap called for transformation rather than incrementalism, but MDBs continue to work mostly one project and one institution at a time. What slows them down in the short term is how they operate, not a lack of money. Multi-country sectoral 'missions' are one promising approach, discussed below. Country platforms, government-led mechanisms that align development partners around a shared national strategy, offer another promising way to deliver. Beyond the first energy transition partnerships (South Africa, Indonesia, Vietnam, Senegal), they now include economy-wide climate prosperity plans (Bangladesh, Ghana, Barbados) and natural-resource-focused platforms in Brazil and Egypt. In practice, they have proved hard to run as partners lack common co-financing rules, few have strong project preparation teams, and too many are steered by donors rather than by governments.

The G20 should ask MDBs to prioritize support for country-led transformative investments and to target transformational scaling, that is, durable shifts in the policies, institutions and incentives

of whole systems, rather than the replication of pilots. This means explicitly funding the institutional architecture of platforms, strengthening sector-level policy and regulatory frameworks so that infrastructure becomes bankable, and closing the gap between diagnostic work and operational programs. It also means rewarding staff and departments for working through country-led platforms, which is often slower and messier than a stand-alone project but far more consequential in the medium-term.

Partnership may be the biggest untapped opportunity in the reform agenda. MDBs should work far more closely with national development banks, which bring local knowledge, domestic currency funding and project pipelines, building on the newly formalized Finance in Common System and on experience such as the IDB's partnerships with more than 40 national development banks. MDBs should also work better with each other, through further harmonization of environmental, social and procurement standards, joint project preparation, the area where borrowers' expectations and MDB performance diverge most, and delegation of decision-making to country offices and management.

Speed requires accountability. Mission 300, in which the World Bank and African Development Bank aim to bring electricity to 300 million Africans by 2030, reached more than 50 million people in its first three years. What sets it apart is how progress is tracked: publicly, every quarter, using a transparent methodology that spells out what does not count and reports results country by country. Other outcome programs, such as Water Forward and the other targets the World Bank Group has adopted, lack comparable safeguards against double-counting and inflated attribution. The G20 should ask MDBs to shift toward multi-country outcome programs and apply the Mission 300 standard of measurement to all of them, so that MDBs can be held to account and judged on speed and impact.

Finally, lasting impact depends on durable public finances. Seventy-one developing countries collect less than 15% of gross domestic product (GDP) in tax revenue, the emerging minimum endorsed in the 2025 Compromiso de Sevilla. IMF analysis suggests that sustained, well-coordinated efforts could lift tax revenue by 5% of GDP or more. MDBs, particularly regional development banks with deep relationships in low-income and fragile states, should integrate their work on tax collection, the quality of public spending, and debt management.

3: Put Concessional Resources Where They Are Needed Most

The collapse of ODA has hit low-income countries hard, making MDB concessional finance even more critical for them. Donors' commitment will be tested first and foremost in the 22nd replenishment of IDA, and G20 members should support a strong outcome. But even if IDA 22 is funded at the top of the range, demand for concessional funding in EMDEs will far exceed supply, making prioritization unavoidable.

Fewer than half of the 78 IDA countries have income levels below IDA's income threshold of \$1,325 per capita, and several of the largest borrowers have incomes above it.¹⁰ In FY25, roughly half of IDA's new commitments went to countries with incomes above its income cap, several of which are creditworthy enough to borrow from IBRD.

IDA allocations respond far more to policy performance ratings than to need: Doubling a country's per capita income cuts its allocation by just 8.3%, while a 15% improvement in its performance rating doubles it. Graduation is slow and discretionary; only Moldova and Mongolia have graduated since 2017. The G20 should ask IDA to review how its graduation policy, allocation formula and eligibility thresholds combine to divert concessional finance away from low-income and conflict-affected countries, and to ask whether resources can really be targeted when 78 countries are eligible.

Earlier graduation must be matched by smoother transitions. Many lower-middle-income countries remain in the IDA "gap" category because requesting an IBRD creditworthiness assessment risks triggering a cap on concessional resources and starting the graduation clock. Côte d'Ivoire is the sole gap country to have become a blend borrower since 2017. The African Development Bank's case-by-case approach offers a better model by decoupling access to non-concessional windows from country classification. All MDBs should initiate creditworthiness assessments for gap countries with strong public investment programs within two years of their crossing IDA's operational cut-off for two consecutive years, without affecting their IDA allocations.

4: Commission an Independent, Periodic Review of Progress on MDB Reform

Although each MDB has its own business model and governance structure driving its reform agenda, the G20 interest is in understanding better how MDBs as a system are performing. Client surveys offer useful perspectives on impact.¹¹ However, the G20 cannot rely on outside think tanks for such information. Neither can they count on a host country putting the matter on its agenda. They should institutionalize a periodic review, perhaps once every three years, to take stock, considering that the G20 has been invested in the idea of MDB reform since 2008.

Such reviews should also address the politically fraught issue of governance. MDB reform will falter if borrowing governments experience it as a new form of externally imposed conditionality. The G20 should follow through on its commitments to enhance developing-country voice and representation, including through voting shares. Where consensus across all institutions proves elusive, pragmatic coalitions of MDBs should advance reform on specific issues. A fragmented approach is less efficient than system-wide cooperation, but it is better than stalling. Non-borrowing shareholders, for their part, should avoid using MDBs to advance their own agendas at the expense of borrowers' development priorities.

¹⁰ Mathiasen, Landers, and Martínez (2026).

¹¹ See Prizzon et al. (2026)

Conclusion

There has been broad agreement on what MDB reform should achieve, since 2023. What has changed is the urgency. With aid collapsing, bilateral lending in retreat and private flows stagnant, MDBs are no longer one source of development finance among many. For a growing number of countries, they are the source that remains.

The reforms of the past three years have created real capacity. Headroom has expanded, instruments have been developed, and new models of outcome-based delivery have been tested. But capacity that is not used does not build a single power line, train a single worker, or protect a single community from climate shocks.

Delivering MDB reform at scale, with speed, reaching those most in need and measured by impact, should be a central priority of the UK's forthcoming G20 Presidency. This will require MDBs to use the balance sheets they have and expand them further, to organize around country-led programs or sectoral missions rather than individual projects, and to direct concessional resources to where they matter most. It will require shareholders to provide the capital, guidance and governance reforms that sustain these changes.

The G20 asked for “better, bigger and more effective” MDBs. They have the tools, the mandate and the track record to anchor the global financing response to current crises. Whether they do so now depends on the resolve of their shareholders and the leadership of their management.

References

- Baer, K., M. Bellon, M. Davies, R. de Mooij, V. Gaspar, A. Lemgruber, M. Mansour, F. Sawadogo, M. Takebe, and C. Vellutini. *Building Tax Capacity for Growth and Development: Evidence-Based Analysis for Mobilizing Domestic Revenue*. IMF Departmental Paper No. 2025/007. Washington, DC: IMF, 2025.
- E3G. “What Worked: Early Wins from South Africa’s First Just Energy Transition Partnership.” London: E3G.
- G20. *Boosting MDBs’ Investing Capacity: An Independent Review of Multilateral Development Banks’ Capital Adequacy Frameworks*. 2022.
- G20. *G20 Roadmap towards Better, Bigger and More Effective MDBs*. Washington, D.C., October 2024.
- G20. *G20 New Delhi Leaders’ Declaration*. September 9, 2023.
- G20 Independent Expert Group. *Strengthening Multilateral Development Banks: The Triple Agenda*. Volumes 1 and 2. 2023.
- Gilmour, A., H. Tanaka, and S. Colenbrander. *Designing and Governing Country Platforms: What Role for the MDBs?* London: ODI, 2024.
- International Energy Agency. *Global Energy Review 2026*. Paris: IEA, 2026.
- International Monetary Fund. *Macroeconomic Developments and Prospects in Low-Income Countries—2026*. IMF Policy Paper. Washington, DC: IMF, 2026.
- Kharas, Homi and Masood Ahmed. *More Critical Than Ever: Strengthening Growth and Resilience through the Multilateral Development Banks*. Brookings Institution, Center for Global Development, ICRIER, and ODI Global, 2026.
- Mathiasen, Karen, Clemence Landers, and Nico Martínez. *A Better Outcome for the Poorest: Finding the Right IDA-IBRD Balance*. Washington, DC: Center for Global Development, 2026.
- MDB Task Force on Mobilization. *Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions in 2024*. Joint Report, May 2026. Multilateral Development Banks. *Multilateral Development Banks Comparison Report 2025*. September 2025.
- OECD. *Preliminary Official Development Assistance Levels in 2025*. Paris: OECD, April 2026.
- Platform for Collaboration on Tax. *Progress in Strengthening Frameworks for Building Tax Capacity*. IMF, OECD, UN and World Bank.

Prizzon, Annalisa, Fatlum Zeka, with Hayk Gyuzalyan and Arpine Aghjoyan. *Reforming Multilateral Development Banks: Perspectives from Client Countries*. ODI Report. London: ODI Global, 2026.

United Nations. *Compromiso de Sevilla*. Fourth International Conference on Financing for Development, 2025.

UNCTAD. *World Investment Report 2026*. Geneva: United Nations, 2026.

World Bank. *From Paper to Practice: A Practical Guide to Formulating and Institutionalizing Long-Term Strategies*. Washington, DC: World Bank, 2026.

World Bank. *Global Economic Prospects, January 2026*. Washington, DC: World Bank, 2026.

World Bank. *World Development Report 2026: The Promise of Artificial Intelligence*. Washington, DC: World Bank, 2026.