



Proposed Reforms For Multilateral Development Banks

For Prelims: [MDB](#), [G20](#), [World Bank Group](#), [Asian Development Bank](#), African Development Bank, Inter-American Development Bank, Emerging markets and developing economies (EMDEs), [Sustainable development goals \(SDGs\)](#), [Asian Development Bank](#), [Asian Infrastructure Investment Bank](#).

For Mains: Multilateral Development Banks, [Reasons for Experts Advocating for Reforms within MDBs](#), Contributions of MDBs to support India, Important International Institutions.

[Source:IE](#)

Why in the News ?

Recently, a [G20](#) expert panel has recommended that Multilateral Development Banks (MDBs), should shift their approach from funding individual projects to focusing on sector-specific programs and long-term transformation plans as outlined by national governments.

What are Multilateral Development Banks?

- [MDBs](#) are international institutions comprising developed and developing countries.
- They offer financing and technical assistance for various projects in areas like transportation, energy, urban infrastructure, and waste management.
- Developed countries contribute to MDB lending, while developing nations typically borrow from them for development projects.
- MDBs have been instrumental in supporting the development of both low-income and middle-income countries (LICs and MICs) by addressing issues such as poverty reduction, infrastructure development, human capital formation, etc.
- MDBs include the [World Bank Group](#), the [Asian Development Bank](#), the African Development Bank, the Inter-American Development Bank, etc.

//



- The African Development Bank (AfDB)
- The Asian Development Bank (ADB)
- The European Bank for Reconstruction and Development (EBRD)
- The European Investment Bank (EIB)
- The Inter-American Development Bank (IADB)
- The Islamic Development Bank (IsDB)
- The World Bank Group (WBG)

Why are Experts Advocating for Reforms within MDBs?

- **Climate Crisis:** The G20 expert panel argues that the climate crisis necessitates reforms in MDBs to address global challenges, especially in emerging markets and developing economies (EMDEs)
- **Long Term Transformation :** MDBs should align their operations with the [Sustainable Development Goals \(SDGs\)](#) identified by national governments, focusing on long-term transformation plans.
- **Private Sector Engagement :** Greater private sector engagement should be central to MDB operations, breaking from their historical separation of private and sovereign financing arms.
- **Coordination:** The success of MDBs depends on enhanced coordination among various stakeholders. The reforms should aim to mitigate coordination failures between domestic and international stakeholders, public and private.
- **National Involvement :** National governments should have a more prominent role in shaping a unified vision of goals, policies, investments, and financing.

How have MDBs Traditionally Lent in India?

- **World Bank's Commitment to India:**
 - The **World Bank**, established in 1944, has committed USD 97.6 billion in lending to India, encompassing both active and closed projects.
 - Out of the total commitments, 19% has been dedicated to projects in the public administration sector, 15% to agriculture, fishing, and forestry, and 11% to the transport sector.
- **Asian Development Bank's (ADB) Involvement:**
 - The **ADB, based in Manila** and established in 1969, has committed USD 59.7 billion in assistance to India, covering both project and technical assistance.
 - Of the total assistance, 34% has been allocated to the transport sector, 25% to the energy sector, and 10% to urban infrastructure.
- **Asian Infrastructure Investment Bank's (AIIB) Contribution:**
 - The **AIIB, headquartered in Beijing** and founded in 2016, has approved USD 9.9 billion in financing for India.
 - Of this amount, 42% has been designated for the transport sector, 14% for the energy sector, and 12.6% for economic resilience.

UPSC Civil Services Examination Previous Year's Question (PYQs)

Prelims:

Q. With reference to Asian Infrastructure Investment Bank (AIIB), consider the following statements: (2019)

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Which of the statements given above is/are correct?

- (a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Ans: (a)

Mains:

Q. India has recently signed to become a founding member of New Development Bank (NDB) and also the Asian Infrastructure Bank (AIIB). How will the role of the two Banks be different? Discuss the strategic

significance of these two Banks for India. **(2012)**

PDF Referenece URL: <https://www.drishtias.com/printpdf/proposed-reforms-for-multilateral-development-banks>

