

What are Multilateral Development Banks?

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In news—Under the aegis of India's G20 Presidency, a G20 Expert Group on Strengthening Multilateral Development Banks (MDBs) has been constituted.

The objectives of the Expert Group are:

- A roadmap for an updated MDB ecosystem for the 21st century, with milestones and timelines, touching upon all aspects of MDB evolution, including but not limited to vision, incentive structure, operational approaches and financial capacity so that MDBs are better equipped to finance a wide range of SDG and transboundary challenges such as climate change and health.
- An evaluation of various estimates regarding the scale of funding required by and from MDBs for addressing their and member countries' increased financing needs for SDG and transboundary challenges, taking into account the additional capacity that can be derived from the CAF recommendations alongside other important sources such as the private sector and public sector funds (AND)
- Mechanisms for coordination among MDBs for them to address and finance global development and other challenges more effectively.

About Multilateral Development Bank(MDB)-

- It is **an international financial institution chartered by two or more countries** for the purpose of encouraging economic development in poorer nations.
- Multilateral development banks **consist of member nations from developed and developing countries.**
- MDBs **provide loans and grants to member nations** to fund

projects that support social and economic development, such as the building of new roads or providing clean water to communities.

- Multilateral development banks are subject to international law.
- They and other international financial institutions, **such as the International Monetary Fund (IMF), originated in the waning days of World War II when the United States and its allies established the Bretton Woods institutions** to rebuild war-ravaged nations and stabilize the post-war international financial system.
- **The World Bank**, which has been semi-officially dominated by the U.S. since its founding, is one of these institutions.
- Unlike commercial banks, **MDBs do not seek to maximize profits for their shareholders**. Instead, they prioritize development goals, such as ending extreme poverty and reducing economic inequality.