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Solving the Development Bank Dilemma

Ned Rauch-Mannino

KEY TAKEAWAYS

MDBs can be a strategic soft power tool in support of America's "peace through strength" position, but they require significant adjustments.

The multilateral development banks continue to be abused by U.S. competitors to the detriment of American economic security goals.

Strategic planning, reforms, rules enforcement, and exposing China's unfair practices would repair these institutions to serve American interests.

Multilateral development banks (MDBs) afford American economic security objectives a useful tool—though one that presently drifts into globalism, enables U.S. competitors, and struggles to demonstrate a tangible return on the United States' significant investment. The new Administration is arriving at a decision point: Drive the overdue reforms to justify continued engagement or strategically disengage—granted, to the benefit of America's competitors. For these institutions to remain meaningful, adjustments made today can reorient the banks to deliver outcomes on behalf of American national security and economic freedom goals.

Multilateral Development Banks: What They Are and Why They Matter

The multilateral development banks are international financial institutions providing financing, technical assistance, and policy guidance in emerging markets and developing countries (EMDCs). Established to enable economic growth that would be unrealized if not for bank engagement, these institutions deploy participating countries' contributions through financial tools and assistance specifically crafted for emerging and challenged economies.

The banks are capable of taking first positions otherwise eschewed by private commercial lenders and investors and offering workable terms and conditions for developing states to pursue projects in sectors like infrastructure, energy, agriculture, and health care—often constructed by companies from shareholder countries. The MDBs primarily raise capital through member-country commitments and bond issuances in international capital markets, and shareholder-appointed executive directors advise board-elected presidents to manage bank operations and portfolios.

When leveraged properly, these financial institutions are a strategic tool: The MDBs offer the United States a mechanism to achieve specific development goals crucial to bolstering stability and security. By leading governance and economic reforms, the banks support stable societies less prone to conflict, extremism, or economic collapse—factors that can destabilize global markets and threaten U.S. interests. The banks also introduce American-purposed policies and rules to emerging markets, establishing fair market principles and regulatory environments friendly to American commerce.

This complements the work of U.S. government efforts, like the U.S. International Development Finance Corporation, as well, creating conditions to secure and accelerate outcomes. Financed projects can address specific issues, such as supporting overseas defense capabilities or mitigating conditions for immigration crises. Necessary infrastructure development can be undertaken by bank-supported initiatives, for example, to reinforce U.S. critical minerals deals or energy dominance goals.

As these activities leverage collective funding from participating country shareholders, the banks serve as a multiplier for any individual U.S. government investment, one requiring that peers contribute a fair share. When executive director roles are approached seriously, U.S. leadership can successfully advance American goals at the expense of, in part, its competitors.

The United States' Role

The United States is the largest shareholder in the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the Inter-American Development Bank (IDB), and is the second-largest shareholder in the African Development Bank (AfDB). Such positions initially lent the U.S. significant influence over funding priorities, procurement rules, and internal policies. However, this is an advantage that has since ebbed due to a combination of American disinterest and competitors' motivation.

As a shareholder, the U.S. government holds executive director seats with the World Bank and International Monetary Fund, the EBRD, ADB, AfDB, and IDB.[1] The U.S. Department of Treasury's International Affairs (IA) Bureau is responsible for managing these relationships through directors and staff, with additional support from the U.S. Departments of State and Commerce.

In the President's Funding Request for fiscal year 2026, Treasury's IA Bureau and MDB appropriations are included as part of "State and Other International Programs,"[2] a $31.2 billion total request (excluding recissions and cancellations). Fiscal year 2024 was the most recent full appropriation[3] and was maintained during fiscal year 2025 through the continuing resolutions passed in 2024[4] and 2025, appropriating $1.906 billion[5] to multilateral bank activities funding annual commitments and scheduled fund replenishments.

The banks' commitments in 2024 were significant to EMDCs, with the World Bank committing $117.5 billion in total loans, grants, equity investments, and guarantees;[6] the EBRD committing $16.6 billion;[7] the ADB committing $23.4 billion;[8] the AfDB committing $12.7 billion;[9] and the IDB committing $12 billion.[10]

Current Bank Issues

The banks' role in influencing and establishing financial policies around the world is immense, and without careful safeguards, leads to financial system rules bending away from U.S. expectations and creating disadvantages for American enterprise. Frustrations for U.S. government *and* enterprise readily exist, including shifts away from market-feasible projects, procurements written to disadvantage U.S. firms, and issues with accountability, transparency, and corruption.

The previous Administration diluted opportunities to protect national interests by accommodating unproven, fringe political agendas and stretching feasibility to fund projects that would not outperform subsidies—giving rise to bank presidents and internal policies inconsistent with American interests. This only enabled U.S. competitors, as unserious policies replaced sound financial practice.

At the project delivery level, MDBs struggle to enforce current anti-corruption policies. Though an acknowledged need, stringent oversight stands unfulfilled and concerns that commercial lenders would not tolerate remain under-addressed, like cost inflation, delays, fraud, and waste. In addition to damaging of U.S. goals *and* EMDC prosperity, inefficiency issues are exploited through unfair shareholder practices to advance globalist aims.

China's Abuse Within Multilateral Development Banks

The MDBs are an economic front line against China. The Chinese Communist Party (CCP) leverages its influence within the MDBs to advance projects favoring Chinese companies, limit competition, and undercut economic freedoms to create market conditions preferred by Chinese interests. As a result, U.S. goals for counter-corruption, accountability, and standards reforms erode procurement-by-procurement. China is a shareholder with the World Bank and four regional banks, but is also a *beneficiary* of World Bank programming.

As a shareholder, China is alleged to exert political influence by tying loans to diplomatic or strategic concessions and deploys a "bag of tricks" to enhance its own global expansion aims, like state-sponsored subsidies, existing debt pressure, weak standards, and exchange-rate gimmicks to undermine quality solutions with cheap ones. As a borrower, the CCP can take advantage of shareholder-funded programs intended for true EMDCs.

Recommendations for the Administration

President Donald Trump has been unmistakenly clear about his expectations for remaining in multilateral institutions, chief among them a return on American investment, alignment to U.S. national and economic security objectives, and intolerance for corrupt, unaccountable, and unproductive programs.

To restore the purpose of American leadership within these institutions, the Administration should consider the following:

- **Define bank strategic plans.** A bank-by-bank strategy would align MDB approaches with U.S. strategic interests and identify specific areas to coordinate with allies and block adversaries. This would improve commercial diplomacy coordination between MDB U.S. executive directors and U.S. foreign policy leadership, and respond to challenges, funding priorities, necessary reforms, and measurable goals. Bank strategies could identify areas for greater U.S. business participation and troubleshoot barriers to American enterprise bids.

- **Combat accountability, transparency, and corruption issues.** If these institutions are to deliver on American objectives, bank governance policies require immediate attention. The U.S. could require stricter oversight mechanisms, spending audits, and enforcement of anti-corruption policies to ensure funds are used appropriately. Requiring future programs adopt performance-based measures and meet prescribed benchmarks would reinforce results, too, providing guardrails against ongoing poor project implementation and avoid repayment extension cycles.

- **Expose and eliminate China's unfair advantages.** China's expansionism within each bank must be confronted through procurement reform to mitigate the CCP's manipulation and raise project standards to level the playing field. Requiring borrowers to disclose Chinese debt should be mandatory to expose influence. The U.S. should always actively challenge projects or policies that appear driven by competing geopolitical agendas—such as China's Belt and Road Initiative—ensuring MDBs remain focused on fair development.

- **Support commercial wins with real action.** As a top shareholder, U.S. executive directors are positioned to make demonstrable gains for U.S. commercial interests, including real actions like promoting fair competition, supporting American-aligned bank president candidates, strengthening regulatory frameworks, and financing the complementary infrastructure to advance other reciprocal deals. Reinforcing the value of free-market principles, executive directors should organize internal coalition-building with like-minded international peers.

Ultimately, should MDBs fail to respond, the only remaining decision point would find an Administration with zero tolerance for an unproductive status quo reconsidering its participation. As seen during the President's budget request, the cancellation of the United States' $555 million contribution to the AfDB's African Development Fund[11] signals a commitment to intentional reevaluation. Whether piecemeal or to the fullest extent, disengagement stands as a failsafe for any ineffective institution or program and against enabling unfair practices.

Conclusion

The United States holds a valuable position in the MDB community, irreplaceable to advancing fair and free markets—one that America's competitors would readily wish to see vacated. Consistent with the America First lens correcting every other international relationship, it is imperative this Administration leverage its leadership to return bank activities consistent with U.S. goals. Tangible improvements are unquestionably required lest these institutions risk becoming obsolete to American interests.

Solving long-standing issues, the banks can be reoriented as a tool for U.S. economic security, accomplishing peace-through-strength objectives, and to weaken Chinese economic expansion. By applying the same deliberate leadership committed elsewhere, the new Administration can readjust the multilateral development banks to deliver a clear return on investment to the American people.

Ned Rauch-Mannino is a Visiting Fellow in the Douglas and Sarah Allison Center for National Security at The Heritage Foundation.

Endnotes

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