Mutual Reliance: Cooperate for International Cooperation

- Mutual reliance is, at its core, cooperation designed to enable more international cooperation.

Uncertainty, Emerging Markets & the Growing Role of Institutions

In today's volatile geopolitical landscape, marked by commodity shocks, currency pressures, tighter global financial conditions, and heightened investment risk, uncertainty in emerging markets is of sizable magnitude.

In such an environment, mutual reliance among multilateral development banks (MDBs) and international financial institutions (IFIs) is now more needed than ever to reduce economic pressure for emerging markets, increase efficiency, reduce costs and enhance impact; thus delivering at scale.

This is particularly crucial to provide tranquility and confidence amidst choppy market jitters.

From Parallel Efforts to Shared Execution

Mutual reliance is not merely cooperation.

There are several examples, the collaboration between the World Bank and the Asian Development Bank under their Full Mutual Reliance Framework being one. Similarly, cooperation between the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) through the Mutual Reliance Agreement reflects efforts to harmonize standards and align environmental and social safeguards.

Therefore, mutual reliance is structured interdependence powered by common objectives and by leveraging on the comparative advantages of different institutions.

Instead of multiple institutions applying parallel procedures to the same project, one lead partner manages implementation under agreed standards. The result would be: reduced administrative burdens for countries, faster delivery, and greater efficiency; all towards a greater common good.

Leveraging Comparative Advantage

Each MDB brings specific strengths, be it sectoral expertise, regional knowledge, risk appetite, or capital structure, and mutual reliance allows these strengths to complement one another rather than compete.

Hence, it is important to note that rethinking financial architecture does not require reinventing institutions, instead it requires leveraging on these comparative advantage.

At this juncture of geopolitical uncertainty, this approach is expected to crowd in private capital more effectively to emerging markets, accelerate climate and infrastructure projects, reduce transaction costs for borrowing countries, and expand reach without duplicating resources.

In practical and simpler terms, cooperation becomes a force multiplier.

The MDBs mutual reliance in emerging markets enhances capital mobilization, improves risk management, improves financing efficiency, and scales sustainable development. This expedites calls by the G20 to enhance country-level coordination and co-financing and aligns with the recommendations of "Roadmap for Better, Bigger, and More Effective Multilateral Development Banks (MDBs)"; calling for the international community to work more cohesively to maximize impact and address development challenges at a faster rate.

Through collaborative, synchronized, and co-financed projects, MDBs effectively: enhance capital mobilization to catalyze private sector investment; increase additional lending headroom for development projects, provide financing in local currencies, reducing exchange-rate risks for developing countries; improve project quality by sharing expertise in structuring public-private partnerships (PPPs) and pooling technical assistance to enhance the effectiveness of infrastructure projects; foster a stable investment environment and encourage private sector participation through policy-based lending and budget support.

Cooperation to Enable Cooperation

Mutual reliance is, at its core, cooperation designed to enable more international cooperation.

As discussed in the previous article, global public goods can serve as a powerful catalyst for international cooperation, but delivering them at scale will require more than ambition alone. Stronger frameworks of mutual reliance among institutions can help expedite the delivery of shared priorities into tangible outcomes.

By aligning procedures and sharing responsibility, institutions can focus less on process and more on outcomes. Through synchronized, co-financed efforts, MDBs can enhance capital mobilization, catalyze private sector investment, provide financing in local currencies to mitigate exchange-rate risk, and strengthen the investment climate in emerging markets.

International development cannot be built through isolated action, however, it will be built through mutual reliance: deliberate, disciplined, and designed for impact.

If development banks, governments, and private actors can better leverage comparative advantage and operational alignment, scarce capital can go further, implementation can accelerate, and emerging markets can navigate geopolitical uncertainty with greater resilience.