



Multilateral or bilateral engagement: International organizations and the United States¹

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Summary

This article analyzes considerations that are likely to inform the decision-making process of the second Trump administration (the Administration) in the case of multilateral development banks (MDBs) and the United Nations (UN) System. The MDBs and the UN System are related because several MDBs—International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and International Finance Corporation (IFC), all of which are World Bank Group (WBG) members—are parts of the UN System.² The United States (US) is the largest shareholder of Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), IBRD, IDA, IFC, Inter-American Development Bank (IDB), and Multilateral Investment Guarantee Agency (MIGA), and it is the largest contributor to the UN System.³

Objectives and constraints

An executive order (EO) issued by President Donald Trump demands a review of all international organizations of which the US is a member to identify misalignment with US interests.⁴ The EO asks whether organizations that run contrary to US interests can be reformed and requests recommendations as to whether the US should withdraw from any organization.

With US participation in any international organization conditioned on the organization's conformity with US interests, the US is not a member of every international organization; for instance, while numerous US allies are members, the US is not a member of Asian Infrastructure Investment Bank.⁵ The claim that any vacuum left by the US will be filled by a US competitor is based on two false beliefs: there is a US competitor with virtually unlimited resources and the US conflates objectives with goodwill.⁶ Of course, there does not exist a US competitor, or a coalition of US competitors, with virtually unlimited resources. Moreover, being the world's largest economy, the US is less constrained financially than its competitors.⁷ Similarly, with the Administration's attention on national interests, goodwill is not an objective but a means to an objective. So, if the US wishes to achieve {X} and a US competitor

is willing to deliver {X}, the US will allow its competitor to proceed and divert the resources necessary to achieve {X} to other objectives.

To decide when to engage multilaterally and when to engage bilaterally, the US will have to establish a set of objectives and a set of constraints.⁸ The US may realize that what it considers a constraint is considered an objective by others. For example, MDBs are meant to maximize development impact, so Environmental, Social, and Governance (ESG) matters and Diversity, Equity, and Inclusion (DEI) matters should be constraints.⁹ However, ESG, which has historically fallen under risk management, has incorporated Climate and Gender as objectives, while DEI, which is different from "equal opportunity," is incompatible with the policies of the Administration.¹⁰ Accordingly, during the review process, mission creep, perhaps accompanied by multiple objectives with unspecified weights, is bound to be exposed.¹¹

As it evaluates its interests in the sovereign space¹² and the non-sovereign space¹³, the US may concentrate on two factors: (a) in the sovereign space, the developing countries with the weakest credit profiles obtain loans from the MDBs at interest rates lower than the interest rates paid by the US; and (b) in the non-sovereign space, foreign direct investment (FDI) is equity by definition¹⁴. Upon identifying the main beneficiaries of MDBs' high credit ratings as sovereign-guaranteed borrowers, the US will have to decide whether it is committed to regular—and, theoretically, infinite—general capital increases and replenishments.¹⁵ Depending on its experience with the US-Ukraine deal related to "strategic minerals, energy and state-owned enterprises," the US may discern various developmental, financial, and strategic benefits in FDI.¹⁶

As it decides which objectives should be achieved through a multilateral (such as, ADB, AfDB, EBRD, IBRD, IDA, IDB, IFC, or MIGA) and which objectives should be achieved through a bilateral (such as US International Development Finance Corporation (DFC)¹⁷), the US will assess the significance of intermediaries, such as local financial institutions and national development banks (NDBs)¹⁸. Also, the US will ascertain which of

its objectives are diluted through the MDBs and scrutinize cases in which its contributions—including the generation of goodwill—are diluted. The US will aim to address Climate, DEI, and Gender "mainstreaming" at MDBs to its satisfaction¹⁹, and it may disagree with the assertion that EBRD was created to be an MDB with "a European backbone" that is "strategically aligned with [European Union (EU)] policy priorities"²⁰. EBRD, as well as other MDBs, may pose a dual challenge: EBRD has mainstreamed Climate, and Europeans have deliberated their Africa strategy by weighing EBRD against European Investment Bank (EIB)²¹, although EBRD is a multilateral in which the US is the largest shareholder²² and EIB is an EU bank in which the US is not a shareholder²³.

In addition to "hard" objectives, the US may also have "soft" objectives. According to an informal agreement, the WBG head has always been American, and the International Monetary Fund (IMF) head has always been European.²⁴ If convinced that David Malpass departed the WBG prematurely under inappropriate pressure, the US may seek to replace the current IMF and WBG heads before the ends of their respective terms.²⁵ To deter what it tends to characterize as questionable tactics, the Administration may endorse Americans for both positions.²⁶

Judicious use of resources

Devoted to effectiveness, efficiency, and common sense²⁷, the Administration may exploit its competitive advantage vis-à-vis the MDBs in US dollar (USD) funding: even the highest-rated MDBs borrow USD at rates less attractive than the rates at which the US borrows²⁸. DFC, which was created in 2019 through the merger of Overseas Private Investment Corporation and the Development Credit Authority of US Agency for International Development (USAID), is an institution that can be structured to deliver on a wide range of US policy goals.²⁹

Since (1) MDBs' high credit ratings are intended to maintain low borrowing costs that are mainly passed on to sovereign-guaranteed borrowers, (2) MDBs' sovereign-guaranteed lending has been traditionally denominated and settled in foreign currencies³⁰, and (3) the preeminence of the USD is vital to the Administration³¹, the US

will probably adjust its multilateral-bilateral exposure with a greater emphasis on bilateral engagement. If the adjustment is to be cost-neutral, the US may have to redeploy resources from MDBs and UN entities to DFC, a Ukrainian NDB, etc.³² When redeploying capital from the MDBs, the US will take into account that (i) MDBs do not pay dividends³³ and (ii) an MDB without “US content” may suffer a decrease in the proportions of its bonds purchased by central banks and official institutions,³⁴ or even lose its access to US markets.

Market access and financial resources should not be the principal contributions of the US, and the US may attempt to tackle unsustainable debt burdens and local currency financing with creativity and innovation.³⁵ On the one hand, the US may construe major contributions as more expedient through a US bilateral, such as DFC, than through a multilateral. On the other hand, the US may appreciate the ability to steer global discourse through the MDBs.

Unlike the MDBs, the UN was not created to maximize development impact: the UN's primary mission was to maintain international peace and security.³⁶ Because the UN System is funded with a combination of assessed and voluntary contributions, with the US the largest contributor, the US has leverage to implement reforms.³⁷

UN system reforms

In terms of operations, the US may initially focus on ensuring that UN entities—agencies, funds, programs, and other organizations—function within their charters and mandates. Partnership frameworks among UN entities that allow for the outsourcing of—and, therefore, the fundraising for—activities that the entities are not allowed to perform themselves may be terminated. With the issue of charters and mandates unresolved, not only can a national agency, such as USAID, hide behind UN entities, but also one UN entity can hide behind another UN entity.³⁸ Also, adherence to charters and mandates safeguards against mission creep; for instance, the US may perceive that the IMF has strayed from its mission.³⁹

In terms of governance, the US may insist that UN entities be subject to oversight similar to that of MDBs. In particular, Member States should approve individual projects, verifying that General Assembly (GA) decisions are applied and ensuring that Member States have adequate influence on entities' behaviors. At present, an entity can institutionalize policies that the Administration finds categorically unacceptable⁴⁰, and a Member State can promote an operation that has not received the approval of the other Member States⁴¹.

The US may conclude that, in the absence of robust systems and oversight, some UN entities have evolved into ineffective and inefficient deployment or financing platforms. Actually, some deployment and financing operations exist outside the international financial archi-

ture, with grants and deeply concessional guarantees and loans given to the private sector (even Blended Concessional Finance requires minimum concessionality⁴²), and with potentially unapproved products (such as guarantees) utilized in the process⁴³.

In the case of non-sovereign operations, the choice between a grant and a deeply concessional loan, or a deeply concessional guarantee, is a false choice.⁴⁴ Grants should not be given to the private sector: only financial instruments and technical assistance should be given to the private sector. Deeply concessional loans and guarantees—and, certainly, grants—distort markets and incentivize fraud. Development organizations should neither crowd out the private sector nor pick winners and losers: all operations should be additional, and there should not even be the appearance of fraud.⁴⁵ Thus, the Administration may induce UN entities to abandon all “development impact” activities—which are the bread and butter of the MDBs and DFI— and embrace exclusively “humanitarian impact” activities.

Naturally, should the US feel that a UN entity cannot be sufficiently reformed, the US may proceed either to defund or to exit the entity.

Footnotes

1. Based on a paper of February 25, 2025
2. <https://www.un.org/en/about-us/un-system>
The UN is one part of the UN System.
3. MIGA is a WBG member. Japan and the US hold equal shares of ADB. The US is the second largest shareholder in African Development Bank (AfDB). <https://home.treasury.gov/system/files/136/2024-NAC-Report.pdf>
<https://www.congress.gov/crs-product/IF10354>
4. <https://www.whitehouse.gov/presidential-actions/2025/02/withdrawing-the-united-states-from-and-ending-funding-to-certain-united-nations-organizations-and-reviewing-united-states-support-to-all-international-organizations/>
5. <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>
6. <https://www.foxnews.com/world/former-usaid-official-warns-china-already-looking-fill-void-left-paused-programs>
7. See Gross Domestic Product (GDP) here: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>. See GDP per capita here: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.
8. Regional, operational, and thematic choices will be needed. Regionally, the US may choose to prioritize Asia and Latin America & the Caribbean. Operationally, the US may prefer non-sovereign operations to sovereign operations. Thematically, the US may emphasize Financial Institutions and Infrastructure, and disregard Climate and Gender.

9. For example, see <https://www.gov.br/fazenda/pt-br/assuntos/g20/declaracoes/2-3rd-fmcbg-communique.pdf>.
10. <https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-president-donald-j-trump-protects-civil-rights-and-merit-based-opportunity-by-ending-illegal-dei/>
11. If objectives have unspecified weights, then the objective function is undefined.
12. Grants and concessional sovereign-guaranteed debt as offered by IBRD and IDA.
13. Primarily market-rate and not sovereign-guaranteed equity, debt, and guarantees as offered by IFC.
14. <https://www.convergence.finance/resource/how-equity-capital-markets-can-promote-fdi-in-ldcs/view/relevant-deals>
15. An alternative approach is suggested here: https://journals.co.za/doi/abs/10.10520/ejc-defa_v8_n5_a4.
16. <https://thehill.com/business/5159923-bessent-says-us-ukraine-deal-has-implicit-economic-security-guarantee/>
17. Because it engages solely in operations that are not sovereign-guaranteed, DFC is a development finance institution (DFI).
18. For example, the creation of a Ukrainian NDB is recommended here: https://journals.co.za/doi/abs/10.10520/ejc-defa_v9_n1_a3.
19. <https://www.whitehouse.gov/presidential-actions/2025/01/putting-america-first-in-international-environmental-agreements/> and <https://www.whitehouse.gov/presidential-actions/2025/01/ending-radical-and-wasteful-government-dei-programs-and-preferencing/> are not compatible with, say, <https://www.worldbank.org/en/topic/climatechange/overview> and <https://www.ebrd.com/news/2024/ebrds-fifth-tcdf-report-meets-commitment-to-transparency-highlights-full-paris-alignment.html>.
20. <https://www.ebrd.com/ebrd-eu-factsheet.pdf>
21. https://www.consilium.europa.eu/media/40967/efad-report_final.pdf
22. <https://www.ebrd.com/who-we-are/structure-and-management/shareholders/usa.html>
23. https://european-union.europa.eu/institutions-law-budget/institutions-and-bodies/search-all-eu-institutions-and-bodies/european-investment-bank-eib_en
24. <https://crsreports.congress.gov/product/pdf/R/R42463/8>
25. <https://www.theguardian.com/business/2023/feb/15/david-malpass-world-bank-president-steps-down>
26. <https://thehill.com/policy/3667256-house-democrats-demand-resignation-of-world-bank-chief>

- over-climate-remarks/
 27. <https://theconversation.com/president-trump-promises-to-make-government-efficient-and-hell-run-into-the-same-roadblocks-as-presidents-taft-roosevelt-roosevelt-truman-eisenhower-carter-reagan-clinton-and-bush-among-others-247957>
 28. <https://www.ifc.org/en/pressroom/2024/ifc-launches-2-billion-five-year-global-bond-to-drive-private-investment-in-emerging-markets>
 29. DFC was launched by the first Trump administration: <https://www.nytimes.com/2018/10/14/world/asia/donald-trump-foreign-aid-bill.html>.
 30. The main foreign currency in MDB sovereign-guaranteed lending is the USD. To minimize currency risk, the majority of MDB liabilities are in USD; for instance, if an MDB borrows in Japanese yen, the exposure is usually swapped to USD.
 31. <https://fortune.com/asia/2025/02/14/trump-threatens-brics-tariffs-challenge-us-dollar/>
 32. Resources can be redeployed from a variety of international organizations. A redeployment of resources means a decrease of US participation: it does not imply withdrawal.
 33. The fact that MDBs do not pay dividends is often ignored: <https://nypost.com/2025/01/29/business/ex-commerce-secretary-says-elon-musks-doge-should-target-world-bank/>.
 34. Of the IFC bond referenced above, 40% was taken by central banks and official institutions, with 58% of investors based in the Americas.
 35. Some ideas are proposed here: https://journals.co.za/doi/abs/10.10520/ejc-defa_v8_n8_a2 and https://journals.co.za/doi/abs/10.10520/ejc-defa_v10_n1_a4.
 36. <https://www.un.org/en/our-work/maintain-international-peace-and-security>
 37. <https://crsreports.congress.gov/product/pdf/IF/IF10354>
 38. <https://www.devex.com/news/usaids-inspector-general-warned-of-oversight-failures-before-aid-shutdown-109277>
 39. <https://www.imf.org/external/pubs/ft/ar/2022/in-focus/climate-change/>
 40. See <https://documents.un.org/doc/undoc/gen/n24/085/26/pdf/n2408526.pdf>.
 41. Voluntary contributions make this possible at some entities.
 42. <https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works#principles>
 43. When the GA establishes an entity to extend grants and loans to governments, the entity should not extend grants, loans, and guarantees to the private sector without a GA decision.
 44. Just because it is funded with grants and has no financial performance targets, an entity should not take mispriced risks that are expected to generate losses. The opinion that not having a credit rating is an advantage is in contradiction to the fact that an entity must pay for a credit rating: <https://www.uncdf.org/who-we-are>. A credit rating is advantageous to an entity that issues bonds or guarantees.
 45. <https://www.ifc.org/en/insights-reports/2018/201809-mdbs-additionality-framework>