Readers are encouraged to reproduce material for their own publications, as long as they are not being sold commercially. ODI requests due acknowledgement and a copy of the publication. For online use, we ask readers to link to the original resource on the ODI website. The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI or our partners.

This work is licensed under CC BY-NC-ND 4.0.

Our heartfelt thanks first go to the nearly 500 survey respondents who gave up their time and shared their insights, despite the challenges posed by multiple waves of Covid-19 infections and lockdowns in 2021 in many countries.

We are indebted to the members of our informal advisory board and reviewers, Suma Chakrabarti, Ben Cormier, Samantha Custer, Nilima Gulrajani, Chris Humphrey, Florence Kuteesa, Alastair McKechnie, Simone Lucatello and Andrew Rogerson. We would like to thank them, in particular, for reviewing the inception report to this project, the survey questionnaire and this report.

We would like to acknowledge colleagues at cApStAn for their professional and timely translation of the survey and accompanying material. Noel Duff computed the results tables with impressive efficiency. Jessica Pudussery provided background research for Chapter 2 of this report.

Countless friends and colleagues in non-governmental organisations (NGOs), government departments, multilateral development banks (MDBs), United Nations (UN) organisations and think tanks generously put us in touch with relevant colleagues or shared contacts to help us build our contact database. They are too many to cite them individually, but their help has been fundamental for this study and is gratefully acknowledged.

We would like to thank colleagues at ODI, particularly Megan Jones and Eve Stanislawski, for their support in managing the project and in building the contact database for this survey. Mark Miller reviewed the final version of the report and provided overall supervision. Sherry Dixon managed the editorial process. Jane Lanigan edited this main report, aiming to make the text far easier to navigate, and Matthew Foley the executive summary. Aaron Griffith typeset the report. This project has only been possible with the financial support of the Bill and Melinda Gates Foundation.

We have taken care to validate the information presented in this report and any omissions, errors or misreporting are unintentional and the authors’ own. The views expressed in this report do not represent those of ODI or the funder of this project.

About the authors

Annalisa Prizzon
Senior Research Fellow in the Development and Public Finance Programme at ODI.

Michael Josten
Independent research and evaluation consultant in the development sector.

Hayk Gyuzalyan
Cross-country survey research methodology consultant.
Executive summary

Multilateral development banks (MDBs) share the ultimate goal of supporting the socio-economic development of their client countries. The financial terms and conditions of their loans are in most cases more convenient than those under which many governments could borrow in international and domestic capital markets. MDBs provide policy advice and technical assistance to accompany projects and programmes, and many also have policy research units and convening power.

Shareholders of global and regional MDBs have however increasingly scrutinised their roles and performance, and the level of demand for what these institutions offer. For MDBs to remain relevant development institutions, boost the effectiveness of their support to client countries and justify shareholders’ investment in them, the views and demand from client countries should inform and shape their strategies and financing instruments. However, we know little about the views of client countries regarding the relevance and performance of MDBs, what they value about their financing and operations and what their main weaknesses are.

This report is intended to inform how the strategies and financing instruments of MDBs should evolve to reflect client countries’ perspectives. To capture those perspectives, we consulted nearly 500 senior government officials and senior staff in the country offices of MDBs in 73 client countries via an online questionnaire.

MDBs’ relevance and performance

Government respondents were of the opinion that the offer of MDBs – financial and technical assistance, policy advice, research and convening power – remains very relevant to support the socio-economic development of their countries, including in combination.

In Africa and in those countries borrowing at concessional terms – those with the highest financing needs and the least financing options available – nearly two-thirds of informants rated the offer of financing at below-market rates from MDBs as extremely relevant to their national plans, strategies and budgets.

Even if they have access to alternative sources, e.g. borrowing from international capital markets, more than half of respondents in Latin America – most of them borrowing at non-concessional terms from MDBs – also found the provision of finance at better than market terms extremely relevant for their countries.

The majority of government officials also rated MDBs extremely or very effective institutions in providing financing at better than market terms, policy advice, research and convening. With its global reach, the World Bank was considered the most effective MDB. Regional development banks were also rated as highly effective by their client countries.

Future demand for the assistance of MDBs

The majority of respondents felt that the demand for grants, loans, technical assistance and policy advice from their countries would increase in the next five to ten years if there were no constraints to supply, reinforcing the long-term trend of rising assistance from MDBs.
Among respondents whose countries borrow at concessional terms and are based in Africa and East/South Asia and the Pacific, nearly two-thirds thought the demand for grants and loans from their countries would go up in the medium term.

Respondents in other regions and higher-income economies also expected the demand for financial assistance to expand in the medium term. Only 16% of respondents in countries borrowing at non-concessional terms from MDBs were of the view that demand for grants and loans from their countries would go down.

**Strengths of MDB financing and operations**

Government officials rated MDBs as effective in providing financing that is long-term, predictable and at scale, and that helps fill financing gaps. MDBs were also regarded as being aligned to national priorities, whose projects and programmes are demand-driven and focused on the poorest and most vulnerable.

Government officials further thought the technical assistance and policy advice offered by MDBs fill capacity gaps in government, are demand-driven, highly specialised, led by knowledgeable staff and of high quality.

**Weaknesses of MDB financing and operations**

Government officials found MDBs less effective in relation to the flexible use of funding, despite this being rated as the most relevant characteristic grants and loans should have. Complex, rigid or unfamiliar procurement and financial management rules were seen as the main disadvantage of negotiating and managing projects with MDBs, followed by the policy conditionality and strings attached to funding, especially in lower-income countries. For four out of five government officials, policy conditions (e.g. macroeconomic reforms attached to assistance) affect their decisions about borrowing from MDBs.

 MDBs do not perform well on management and reporting requirements, processing times and the use of local contractors. Less than half of government respondents rated the performance of MDBs as good or very good on these aspects of their operations.

Government officials also thought that MDBs do not deliver technical assistance and policy advice that has long-term impact (this received the lowest performance rating, despite it being the most relevant characteristic officials think technical assistance and policy advice should have). The minority of government respondents rated the technical assistance and policy advice as good value for money or less expensive than other options, and that it is independent and responsive.

**Divergent perspectives between government and MDB officials**

While the majority of government respondents felt that their views were captured in the priorities and strategies of MDBs, our analysis has shown significant discrepancies between the priorities and preferences of government officials and the perceptions and views of MDB staff. MDB officials tended to either underestimate the importance of certain roles and characteristics of the financing and operations of MDBs for government officials, or overestimate their own performance, especially when it comes to the provision of technical assistance and policy advice.
The starkest difference in opinion was on the relevance attributed to the long-term impact of technical assistance and policy advice once a project is completed: 92% of government respondents rated this feature as very or extremely important, but only 58% of MDB staff thought the same. While knowledge of the local context and culture, timely and flexible policy advice and technical assistance and impartial advice were either very or extremely relevant for about 90% of government officials, these were judged as relevant by only 74–78% of respondents from MDBs.

MDB officials also overestimated how important certain sectors are for government officials. In most cases, only one of the top three sectoral priorities selected are shared between government and MDB officials. This holds especially true for climate change mitigation and adaptation.

Conclusions and preliminary recommendations

The evidence gathered from the survey of nearly 500 government officials and MDB staff suggests the following recommendations for shareholders and MDB management if MDBs are to better reflect the needs, priorities and perspectives of client countries in their strategies, financing instruments and operations.

- **Don’t forget that MDBs are banks for their client countries.** Government officials value MDBs’ overall offer of financing, technical assistance, convening and research. Receiving financing at better than market terms, in high volumes and predictably, is deemed extremely or very important. This view is shared across regions, and is largely valid for countries borrowing both at concessional and non-concessional terms from MDBs.

- **Serve both lower- and higher-income countries.** All country groups along the income spectrum – borrowing from soft or hard windows of MDBs – find what MDBs offer relevant to support their development strategies, and countries consider them effective institutions.

- **Invest in general capital increases and replenishment rounds.** Some MDBs will soon face constraints in their lending capacity without a general capital increase or a more generous replenishment round to meet potentially rising demand from their client countries.

- **Reconsider policy conditions on new lending to meet clients’ demand for more flexible funding.** Client countries value the flexibility in development financing, but this is also the area where the performance of MDBs is rated the lowest. A preference for flexible funding would also suggest a prioritisation for instruments akin to budget support. However, in general, we found government officials would opt for investment project finance if they had the choice. These are not flexible, but are also not conditional on policy reforms. Looking to the future, MDBs may have to accept that their ability to use their finance to directly influence policy through conditions will become increasingly limited over time.

- **Make lending from MDBs simpler.** This would not only include simplifying procurement and financial management rules, but also further shortening the initial stages of the project cycle from concept note to first disbursement.

- **Reassess the offer of technical cooperation and policy advice and its long-term impact beyond individual project cycles.** There are significant gaps in the perception of both the relevance and the quality of technical assistance and policy advice between MDB staff and government officials. The long-term...
impact of technical assistance was a clear priority for government officials, but was under-estimated by MDB staff and was the aspect of technical assistance where MDBs were rated the least effective.

- **Address the constraints to demand financing on climate change and more broadly for global public goods (GPGs).** MDB staff are more likely than government officials to suggest that MDBs should focus their operations on climate change adaptation and mitigation. One potential explanation is that countries are not willing to bear the financial costs for projects and programmes on climate change mitigation whose benefits will be regional and global too. Future reforms will need to deal with the long-standing tension between MDBs being well-placed to finance GPGs given their multi-country operations and areas of intervention, and their current country-based financing and resource allocation model, which disincentivises demand for loans for GPG-related projects and programmes. This would include understanding what incentives for borrowing countries will help expand their demand for financing for GPGs, including climate change.

This survey is intended to provide evidenced-based inputs to inform and help shareholders and the management of MDBs review their strategic direction, operations and instruments to better reflect clients’ perspectives. The future of MDB financing and operations is ultimately reliant on sustained demand from member countries for grants and loans in priority sectors, technical support, policy advice, convening and policy analysis.