



Report

# Country perspectives on multilateral development banks

A survey analysis

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**April 2022**

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How to cite: Prizzon, A., Josten, M. and H. Gyuzalyan (2022) Country perspectives on multilateral development banks: a survey analysis, ODI report ([www.odi.org/en/publications/country-perspectives-on-multilateral-development-banks-a-survey-analysis/](http://www.odi.org/en/publications/country-perspectives-on-multilateral-development-banks-a-survey-analysis/)).

# Acknowledgements

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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 Puduserry 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.

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# Acronyms/Glossary

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<b>AfDB</b>	African Development Bank
<b>AfDF</b>	African Development Fund
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>AsDB</b>	Asian Development Bank
<b>AsDF</b>	Asian Development Fund
<b>CAT</b>	Computer Assisted Translation
<b>CAWI</b>	Computer Assisted Web Interviewing
<b>COMPAS</b>	Common Performance Assessment System
<b>CSO</b>	civil society organisation
<b>DAC</b>	Development Assistance Committee
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>GCI</b>	general capital increase
<b>GDP</b>	gross domestic product
<b>GPG</b>	global public good
<b>GDPR</b>	General Data Protection Regulation
<b>GFATM</b>	Global Fund to Fight AIDS, Tuberculosis and Malaria
<b>HIC</b>	high-income country
<b>IADB</b>	InterAmerican Development Bank
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IDA</b>	International Development Association
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>LAC</b>	Latin American countries
<b>LIC</b>	low-income country
<b>LMIC</b>	lower middle-income country
<b>MDB</b>	multilateral development bank
<b>MIC</b>	middle-income country
<b>MOPAN</b>	Multilateral Organisation Performance Network
<b>NGO</b>	non-governmental organisation
<b>OCR</b>	ordinary capital resources

<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RDB</b>	regional development bank
<b>SSA</b>	sub-Saharan Africa
<b>UMIC</b>	upper middle-income country
<b>UN</b>	United Nations
<b>UNDP</b>	United National Development Programme



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# 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 socioeconomic 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 is 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 include not only 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 GPGs, including climate change.

This survey is intended to provide evidence-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.

# 1 Introduction

## 1.1 Multilateral development banks fit for their client countries

Multilateral development banks (MDBs) were created with the ultimate goal of supporting the socioeconomic development of their client countries. Clients' demands for what MDBs offer – grants and loans in priority sectors, technical support, policy advice, convening and knowledge products – should in principle help inform and shape the lending volumes, strategies and operations of MDBs. However, we know little about the preferences of client countries, what they value about the financing and operation models of MDBs, and what weaknesses could potentially curb their demand for assistance. Looking at the academic literature, there is no comparative and systematic assessment focused on MDBs from the perspective of client countries.<sup>1</sup> Several MDBs run client surveys and their independent evaluation offices regularly assess certain functions and operations. However, by their own design and objectives, these surveys and assessments do not capture preferences or perceived demand from client countries. They also usually evaluate the performance of individual institutions rather than of MDBs as a system or comparatively.

MDBs are unique among development agencies because of their offer and its combination: financing at better-than-market rates, technical assistance and policy advice, convening power and policy-oriented research. Their clients are low-income and middle-income – but also a few high-income – countries. MDBs also offer

good value for money for shareholders and their contributions have a much larger leverage effect than any other financing options (Humphrey and Prizzon, 2020). MDBs also score better than bilateral donors on development effectiveness (Mitchell et al., 2021).

At the same time, there are many more providers of development financing, technical assistance and policy advice, partly overlapping the offer of MDBs. Financing options to support national strategies and plans in low- and middle-income countries have expanded in what has been termed an 'Age of Choice' for development finance (Prizzon et al., 2017a) beyond traditional bilateral and multilateral donors, to include emerging lenders such as China, philanthropic organisations or greater access to international capital markets for many countries that benefitted from debt relief in the 1990s and 2000s. Furthermore, especially across Africa, governments are increasingly reverting to private consulting firms to seek technical assistance and policy advice.

The essence, purpose and added value of the multilateral development system, as well as the potential demand from client countries, have been under increasing scrutiny and challenged by member states and shareholders in recent years. One reason for discontent is that MDBs have strongly resisted calls for reforms that would help the system and individual MDBs to be more effective in their mandates. Recently, several contributions and expert groups have tried to offer recommendations and advice on how the

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<sup>1</sup> Davies and Pickering (2015) and Custer et al. (2021) reviewed clients' preferences across all development partners, including MDBs, but questionnaires were not tailored to the specific functions MDBs were created for.

multilateral development system, particularly MDBs, could operate more effectively individually and as a system (e.g. CGD, 2016; EPG, 2018). However, little progress has been achieved so far.

For MDBs to remain relevant development institutions, boost the effectiveness of their support to client countries and justify shareholders' investment in them, their strategies and financing instruments should reflect the views of their clients.

This report is intended for MDB shareholders and their management, to inform how strategies and financing of MDBs should evolve to reflect their clients' perspectives. In this report, we analyse what governments in client countries value about MDBs and whether the offer of MDBs will be relevant for client countries and in demand in the medium term (in 5–10 years). Our focus is largely on sovereign lending and on the perspectives of governments. We are aware that these are partial as they do not reflect the views of the private sector or of civil society organisations. Even if incomplete, governments are among the main clients of most of the MDBs reviewed in this report and their views can shape the strategies of MDBs and their development finance offer as both clients and shareholders.

## 1.2 Research questions and abridged methods

In this report, we tackled two main groups of research questions:

### **Perceived strengths/added value and weaknesses/areas of improvements of MDBs**

- What do government officials in client countries value most about the cooperation with MDBs operating in their country?

- What are the perceived strengths and weaknesses of MDBs by government officials in client countries (financing, technical cooperation and operations)?

### **Future demand for assistance from MDBs (qualitative)**

- How and why will demand for MDB assistance and services evolve in the medium term (5–10 years), e.g., grants, loans, technical assistance and policy advice?
- And on what terms and conditions and in which sectors?

To answer these questions, we undertook a large-scale survey analysis. The analysis in this report is based on responses from 352 government officials and 135 officials from MDBs in 73 countries, approximately half of the countries that can in principle borrow from MDBs (see Table 1).

In these 73 countries, respondents were selected among those senior government officials in central and line ministries who negotiated grants and loans with MDBs, managed the relations and dialogue with MDBs, scrutinised the terms and conditions of loans from MDBs, and coordinated projects with MDBs in line ministries.

To triangulate the information shared by government officials, we also approached senior officials in the relevant country offices of each MDB. Among MDBs, in each of the 73 countries in our sample we invited colleagues negotiating country programmes and with a broad overview of the operations and conditions in that country. These included the country director/manager and the senior economist of country offices/desks in country offices.

MDBs assessed in this paper are among the six largest ones operating at the global or regional level, i.e., the World Bank Group (International Development Association [IDA] and International Bank for Reconstruction and Development [IBRD]), African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD) and the InterAmerican Development Bank (IADB).

We selected these six MDBs because of their global or regional reach; their shareholders are all governments, and they negotiate projects and programmes with governments, albeit to different degrees. In Box 1 we explain these criteria in greater detail. We also outline some of key features of MDBs that can help interpret preferences and perceptions by government officials in client countries.

### Box 1 MDBs included in this analysis: criteria and main features

We chose to concentrate our analysis on six multilateral development banks (AfDB, AIIB, AsDB, EBRD, IADB and the World Bank's private sector lending). All these institutions have governments as their shareholders. Their governance structures are broadly similar as they reflect the arrangements set for the World Bank in 1944. The only exception is the newest of the institutions, the AIIB, began operations in 2016, with a non-resident board of directors. Half of the MDBs reviewed here are dominated by creditors (i.e., non-borrowing countries have the voting majority on the board).

Other regional or sub-regional MDBs (e.g., the Arab Bank for Economic Development in Africa [BADEA], Islamic Development Bank [IsDB]) can be large lenders to some countries. However, these institutions have a much smaller membership than the MDBs reviewed in this report. In the questionnaire, a few queries were specific to individual institutions. The small size of the sample could have affected the interpretation and the relevance of some answers: this is the main reason we did not analyse other regional or sub-regional MDBs in this report. We also focused on MDBs with a general mandate to social and economic development.

The World Bank has the largest number of borrowing countries because of the global reach of its mandate. All the others (AfDB, AIIB, AsDB, EBRD, IADB) have a strong regional focus and we refer to them as regional development banks (RDBs). RDBs can overlap, however, e.g., AsDB, EBRD, AIIB in Central Asia; the AIIB can also lend outside the region, while the EBRD is planning to expand its operations to sub-Saharan Africa (SSA).

Half of these institutions (World Bank, AfDB, AsDB) offer assistance at highly concessional terms to governments in eligible countries.<sup>2</sup> Concessionalities are a measure of the 'softness' of a loan, reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value of a credit and the present value of the debt service at the date of disbursement. This difference is much higher for IDA terms than for IBRD terms.

<sup>2</sup> The IADB lends at concessional terms to Guyana, Honduras and Nicaragua only and offers grants to Haiti, but without a separate concessional window. Source: IADB ([www.iadb.org/en/idb-finance/concessional-financing](http://www.iadb.org/en/idb-finance/concessional-financing)).



All the MDBs can lend to both the public sector and the private sector, although they might do so via separate institutions (IFC for the World Bank). The weight of private sector operations can significantly differ across the MDBs, however: EBRD operations are mainly with private sector borrowers, while the proportion is much smaller at the AfDB and AsDB. In this report, we focused on the perspective of sovereign operations.

In general, all low- and middle-income countries can be eligible for financial and technical assistance from MDBs through the World Bank and its relevant RDB. Yet this is an oversimplification. For the World Bank and the AsDB, graduation from all forms of their assistance is only triggered when a country reaches a certain level of income per capita. This is around \$7,000, depending on the year and the MDB. The graduation process ends when the country demonstrates it can borrow from international capital markets at reasonable rates and will not need to access assistance from the MDB any longer. This latter stage might take some time and that means a few high-income economies still borrow and benefit from technical assistance and policy advice from certain MDBs. The AIIB does not have a graduation policy in place – all members can in principle borrow from it; the EBRD applies other rules, such as completing the transition process towards being a market economy; the AfDB and IADB, meanwhile, do not have a graduation policy in place, but regional members only can borrow. This is the reason we focused on lending categories for the analysis of this report, rather than income groups (e.g., low-income, lower middle-income, upper middle-income and high-income countries).

To add another layer of complexity, the World Bank, the AfDB and the AsDB have separate eligibility rules for their concessional windows for lower-income countries. The graduation from concessional to non-concessional terms is completed when the country is both lower middle income and assessed as ‘creditworthy’, i.e., able to access international capital markets. This is the main distinction we use in the report between countries that can borrow at concessional and non-concessional terms.

Finally, the combination of grants and loans is usually determined by the level of the risk of debt distress of the country, rather than by the client country<sup>3</sup> (IMF, 2018): so the entire allocation will be as grants for countries at high risk of debt distress or already in debt distress; half grants and half credits for countries at moderate risk of debt distress; and the entire allocation as loans for countries at low risk of distress. As the allocation between grants and loans is determined in this way, we did not treat grants and loans separately in the questionnaire.

We focused on sovereign operations, even though we were aware all these MDBs support private operations – either via the main organisation (AfDB, AsDB) or with a separate institution that

is part of the overall group (the International Finance Corporation [IFC] for the World Bank Group and IDB Invest for the IADB), or because their operations are largely with the private sector

3 For IDA, starting in July 2022, the allocation will be fully as loans for countries at moderate risk of debt distress too.



(EBRD). This is an important distinction, as it will affect the interpretation of some results in this report. These MDBs also have some different business models and, with some exceptions, we will mainly focus on MDBs as they operate as a system. This is the principal reason why most of the analysis in this report is on the group of MDBs, rather than on individual institutions.

We stratified the sample of countries to increase the accuracy of the survey results. Two characteristics were selected for stratifying the country universe.

- Eligibility for concessional and non-concessional assistance, as this restricts the financing options a country can benefit from (two groups: proxied by eligibility for IDA and IBRD lending as of April 2021).<sup>4,5</sup> Concessional lending from MDBs usually has long maturities (up to approximately 40 years) and no interest, but a service charge for credits. Non-concessional lending from MDBs is usually more expensive, but its terms and conditions are still usually more favourable than what many countries can get from domestic and international capital markets. Maturities are still up to 20 years, with interest rates having a mark-up of ca. 1–2%, depending on the length of the loan and on the currency used determining the interest rate benchmark.

- Broad geographical regions, as many countries are able to receive assistance from the World Bank and one regional development bank<sup>6</sup> (five regions: Africa; East Asia and the Pacific; South Asia; Eastern Europe, Central Asia and the Middle East; Latin America and the Caribbean) (Table 1).<sup>7</sup>

Appendix 1 elaborates on the methods and research protocol for selecting the mode of recruitment and data collection, questionnaire design and scripting, the sampling approach, database building and contact strategy, response rates and distribution of replies, and the weighting approach. Appendix 2 includes the texts of the electronic questionnaires sent to government and MDB officials.

### 1.3 Structure of the report

In Chapter 2 we first illustrate how financial assistance from the six MDBs reviewed in this project (AfDB, AIIB, AsDB, EBRD, IADB and the World Bank) has evolved since 2005 (Section 2.1) and its contribution to financing development. We then outline the main strengths and weaknesses in financing and operations of MDBs in general, as emerging from the literature. This review informed the hypotheses for this study and options in our questionnaire (Section 2.2).

4 'Blend countries' that can borrow both at concessional and non-concessional terms are treated as IDA countries in this report, as they have yet to officially graduate from concessional finance.

5 Graduation from concessional finance is based on similar principles across MDBs where this is relevant (AfDB, AsDB, World Bank), but there are some discrepancies between them. To keep the country groups consistent in each question, we considered the World Bank classification only (IDA and IBRD countries).

6 Albeit with some exemptions, as we elaborate in Chapter 3 and Appendix 1.

7 Countries were grouped into 10 stratification cells by borrowing eligibility and region. Within each cell, we first selected countries where the team had existing networks. For those countries where we did not have existing contacts, we applied a multi-pronged selection strategy by identifying where our broader networks might have had contacts in the Ministry of Finance (e.g., UN colleagues, academia) or approached the Ministry of Finance directly via phone calls or emails. We prioritised those governments that first replied to our request for contacts.

**Table 1** Countries included in the survey

Eligibility	Africa	East Asia and the Pacific	South Asia	Central Asia, the Middle East and Eastern Europe	Latin America and the Caribbean
IDA (and blend)	Comoros, Cabo Verde, Democratic Republic of Congo, Ethiopia, Gambia, Ghana, Guinea-Bissau, Liberia, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Uganda, Zambia (22 countries)	Cambodia, Fiji, Lao PDR, Papua New Guinea, Solomon Islands, Timor-Leste (6 countries)	Afghanistan, Bangladesh, Nepal, Pakistan (4 countries)	Kosovo, Uzbekistan, Yemen (3 countries)	Guyana, Haiti, Honduras, Nicaragua (4 countries)
IBRD	Angola, Botswana, Egypt, Eswatini, Lesotho, Morocco, Namibia, South Africa (8 countries)	Indonesia, Philippines, Viet Nam (3 countries)	India, Sri Lanka (2 countries)	Albania, Armenia, Bosnia and Herzegovina, Georgia, Jordan, Kazakhstan, Lebanon, Moldova, North Macedonia, Serbia, Turkey (11 countries)	Argentina, Brazil, Chile, Colombia, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay (10 countries)

Chapter 3 maps how important respondents perceived the roles and functions of MDBs to be for the social and economic development of their countries and how effective MDBs were in delivering them.

Chapter 4 elaborates on the strengths and the weaknesses of MDBs, as expressed by respondents, about grants and loans offered by MDBs, their technical assistance and policy advice, as well as operations.

Chapter 5 articulates how respondents saw the demand for MDB assistance – grants, loans, technical assistance and policy advice – was likely to evolve from their countries in the next five to ten years, for which sectors and which terms and conditions they would find acceptable.

Chapter 6 summarises the analysis of the online questionnaire included in the previous chapters and draws implications for the financing, strategies and policies of MDBs.

## 2 The contribution of MDBs to financing for development and the strengths and weaknesses of their model

MDBs support sustainable socioeconomic development, as well as global and regional cooperation in their client countries. Their combination of financing, technical cooperation, policy advice, policy-oriented research and convening is unique among development cooperation agencies. First, they provide countercyclical financing at terms and conditions that are better-than-market rates for most countries and that reach volumes most individual bilateral development partners would not be able to offer and manage, especially for infrastructure development. Second, MDBs provide technical expertise and policy advice, as well as research and knowledge, across many sectors and development challenges. While MDBs have traditionally focused on infrastructure development, they have progressively expanded their role to the social sectors, notably education, health and social protection, albeit to different degrees across each institution. Third, their often long-standing country presence and scale of support mean MDBs can convene global, regional, national and local public and private stakeholders. Investing in the capital of MDBs offers good value for money for their government shareholders, as these institutions can leverage their capital, benefitting from their AAA credit rating and preferred

creditor treatment to secure financial resources at scale and low-interest rates on international capital markets.

MDBs are however perceived as complex institutions with processes that can be slow. Administrative requirements and policy conditionality can also mean lower demand for their assistance, especially in upper middle-income countries (UMICs), where the low or non-existent subsidy compared to market rates might not justify the transaction costs of borrowing from MDBs. Evidence about the effectiveness of multilateral organisations, including MDBs, is mixed. ‘Working as a system’ and country-level coordination are long-standing challenges for MDBs. MDBs often operate in the same countries or sectors.

In this section, we elaborate on these points. We first illustrate how financial assistance from the MDBs reviewed in this project (AfDB, AIIB, AsDB, EBRD, IADB and the World Bank) has evolved since 2005 across MDBs and in relation to other external finance flows, by MDB, by region and by country, between 2004 and 2019 (Section 2.1).<sup>8</sup> Second, we outline the main strengths and weaknesses of their financing and operations emerging from the review of the academic and

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8 We focus on low- and middle-income countries, as information on development cooperation flows by the Organisation for Economic Co-operation and Development (OECD) excludes high-income economies. High-income countries are no longer eligible for ODA and so they are removed from the analysis of the OECD Development Assistance Committee (DAC), including on non-concessional flows from MDBs. We refer to the World Bank Group in the figures in this section, which means including the IFC. All the graphs in this section reflect the operations of the six MDBs reviewed.

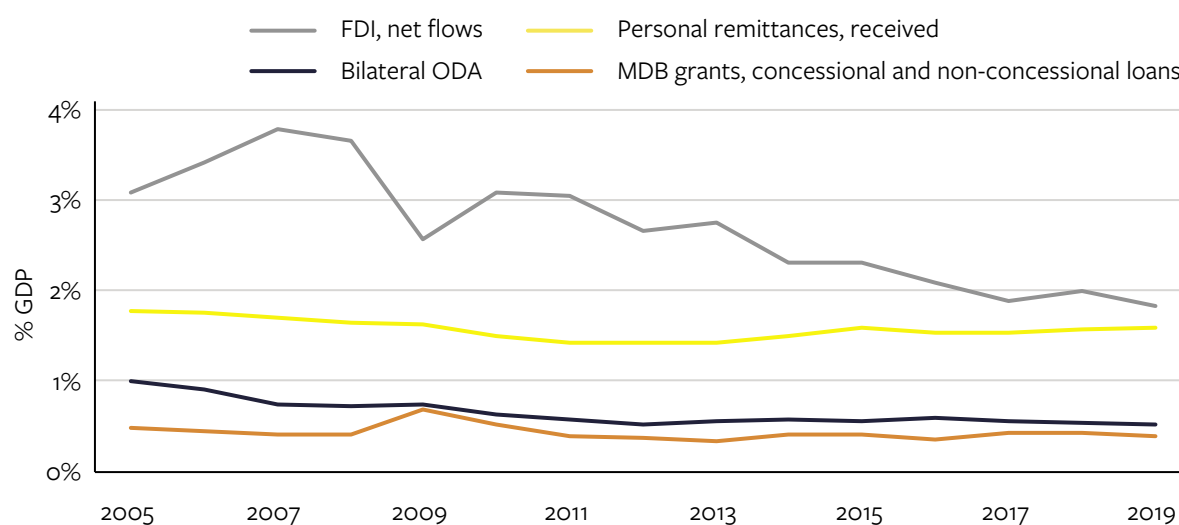
policy literature (Section 2.2). These informed the hypotheses for this study and were also used to shape the options in the questionnaire (Appendix 2).

## 2.1 The contribution of MDBs to financing development: a data analysis<sup>9</sup>

**Grants, concessional and non-concessional loans from MDBs grew much faster than overall official development assistance (ODA) between 2005 and 2019, particularly at the time of the 2008–09 Global Financial Crisis.** Assistance from MDBs did not experience

the same decline, as a share of gross domestic product (GDP), as overall ODA (Figure 1).<sup>10</sup> This was largely because MDB shareholders ramped up their capital base in response to the Global Financial Crisis. The non-concessional arms of MDBs borrow from international capital markets – leveraging on the paid-in capital of their shareholders – and receive reflows from existing loans. However, MDB credits and grants remain far smaller compared to foreign direct investment (FDI) inflows and workers’ remittances to low- and middle-income countries, despite these private flows, as a share of GDP, having fallen or remained stable since 2005 (Figure 1).

**Figure 1** Assistance from MDBs in context, 2005–19



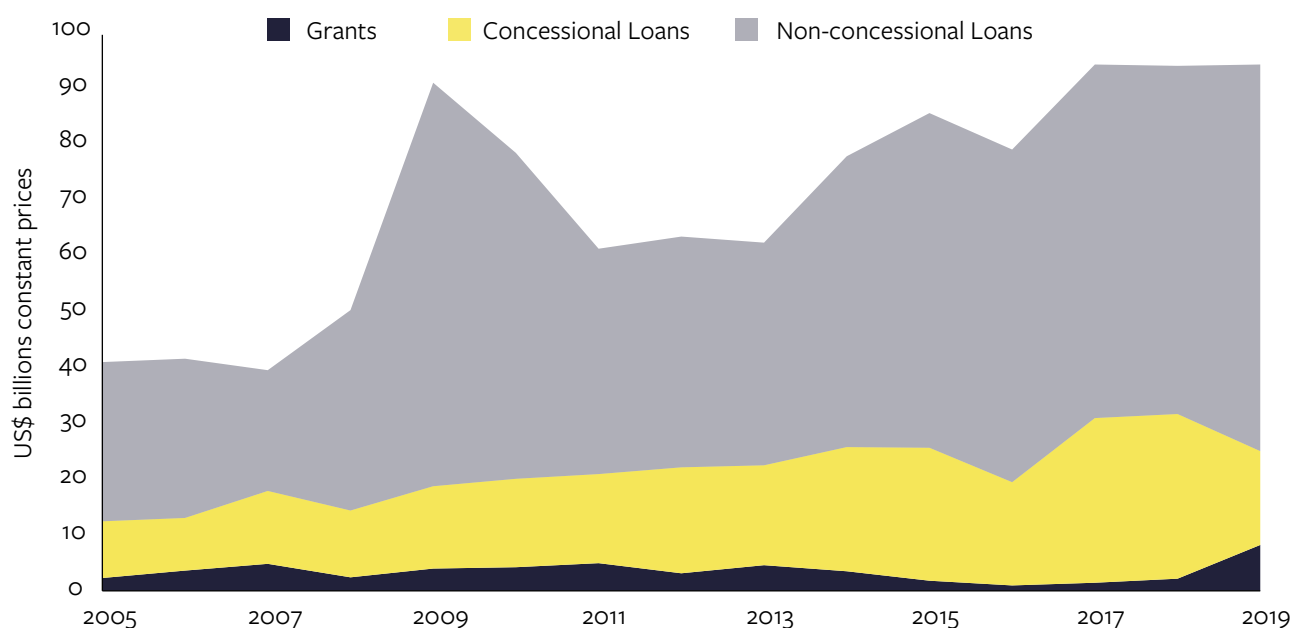
Source: OECD Creditor Reporting System and World Bank World Development Indicators [accessed November 2021].

- <sup>9</sup> It includes all flows to low- and middle-income countries and all are in constant 2019 prices if not otherwise specified. We consider data reported to the OECD DAC for ODA and other official flows, as these figures have been harmonised by calendar year and all are based on 2019 prices compared to the annual reports of each MDB.
- <sup>10</sup> Bilateral ODA includes concessional finance by definition for low- and middle-income countries. DAC members are not required to report non-concessional official flows. This is the reason we excluded these from this graph.

**The overall volume of financial assistance from MDBs – both concessional and non-concessional – more than doubled between 2005 and 2019**, from \$41 billion in 2005 to \$94 billion in 2019, in real terms.<sup>11</sup> The proportion of

concessional finance (grants and concessional loans) fluctuated over time but was approximately one-third of the overall commitments of the six MDBs (Figure 2).<sup>12</sup>

**Figure 2** Concessional and non-concessional assistance from MDBs, 2005–19



Source: OECD Creditor Reporting System [accessed November 2021]. It refers to the six MDBs reviewed in this report

**The rise in assistance from MDBs from 2005 to 2019 was due to a combination of several factors** (Figure 3).<sup>13</sup> First, as mentioned above, MDBs expanded their lending without compromising their AAA rating thanks to a series of general capital increases,<sup>14</sup> especially to respond to growing demand at the time of the 2008–09 Global Financial Crisis.<sup>15</sup> Second, the merger of the AsDB in 2015 combined the lending operations

of the AsDF with its ordinary capital resources (OCR) operations, almost tripling the equity of the AsDB. Third, since 2017, IDA can also borrow from international capital markets, leveraging its equity. The IDA19 (2017–19) replenishment was 50% higher compared to the overall envelope of IDA17 (2014–16). Finally, the AIIB started its operations in 2016.

<sup>11</sup> EBRD reporting to the OECD started in 2009 and for the IFC in 2012.

<sup>12</sup> We focused on commitments rather than disbursements, as the latter are not provided for all MDBs in the OECD Creditor Reporting System.

<sup>13</sup> The AIIB offered its first loans in 2016, reaching a volume of more than \$4 billion in 2019.

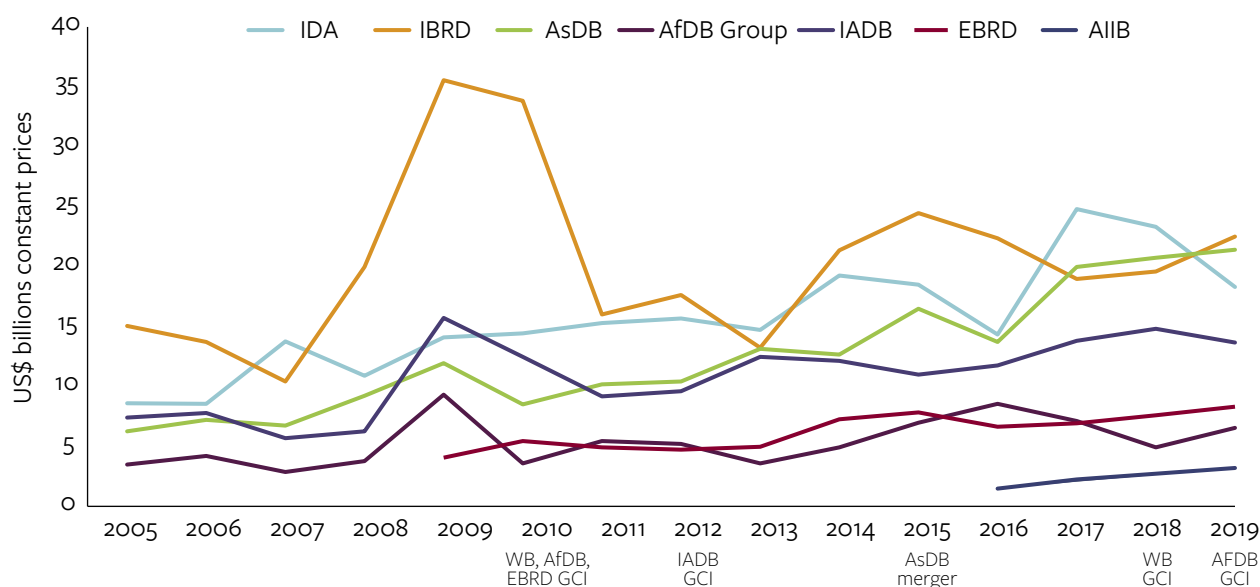
<sup>14</sup> At the EBRD (in 2010), IADB (2012), World Bank (first in 2010 and then 2018) and AfDB (2010 and then 2019).

<sup>15</sup> Their credits and grants rose by 70% between 2008 and 2009 (Humphrey and Prizzon, 2020).

Commitments rose by double digits in each MDB between 2005 and 2019 in real terms, tripling for

the AsDB and doubling for IDA, AfDB and EBRD (Figure 3).<sup>16</sup> The exception was the AfDF, with an annual growth in its grants and credits by only 7%.

**Figure 3** Commitments by MDBs, 2005–19



Source: OECD Creditor Reporting System [accessed November 2021].

Note: GCI = general capital increase.

**MDB assistance grew in every region, but at rather different rates.** Overall commitments (grants, concessional and non-concessional loans) to Africa more than tripled between 2005 and 2019 – mainly driven by a four-fold increase in World Bank operations – and tripled to Eastern Europe, Central Asia and the Middle East (Figure 4).<sup>17</sup> Commitments to the East/South Asia and the Pacific region more than doubled in constant prices over the same period. Commitments to Latin America grew by only 34% between 2005 and 2019, the smallest increase for the four

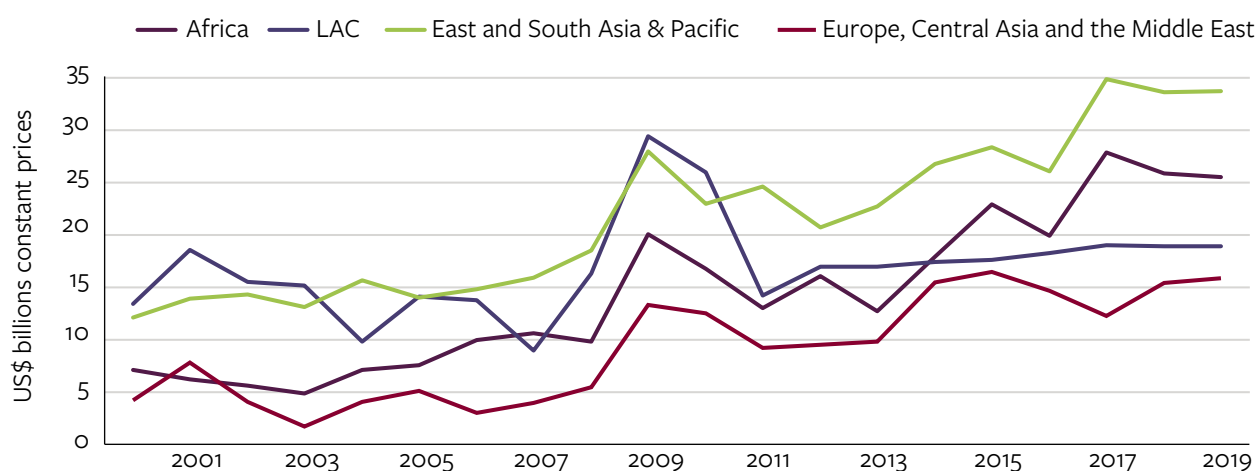
regions reviewed in this report. This latter trend was mainly driven by a fall in IBRD<sup>18</sup> commitments of nearly 25%, as in this period IADB loans and grants to Latin America nearly doubled in real terms.<sup>19</sup>

<sup>16</sup> This doesn't include IDB Invest, the private sector arm of the IADB.

<sup>17</sup> EBRD data have been recorded in the OECD dataset since 2009.

<sup>18</sup> IBRD commitments to Latin America declined from \$6.3 billion in 2005 to \$4.8 billion in 2019.

<sup>19</sup> IADB commitments to Latin America increased from \$7.4 billion in 2005 to \$13.6 billion in 2019.

**Figure 4** Commitments from MDBs, by region, 2005–19

Source: OECD Creditor Reporting System [accessed November 2021].

**The vast majority of eligible countries have seen financial assistance from MDBs rise between 2014 and 2019.**<sup>20</sup> Overall commitments from the six MDBs grew in real terms in two-thirds of client countries between 2014 and 2019 (92 countries precisely) (these are all those above the bisecting line in Figure 5) and fell in the remaining third (44 countries) (all the countries below the bisecting line in Figure 5).<sup>21</sup> In this latter group, it was more likely for assistance from MDBs to decline in UMICs (MDB assistance fell in 20 of the 55 countries classified as upper middle income) than in lower middle-income countries (LMICs) (16 of 55 classified as LMICs) and especially in low-income countries (LICs) (grants and loans from MDBs fell in only four LICs).<sup>22</sup>

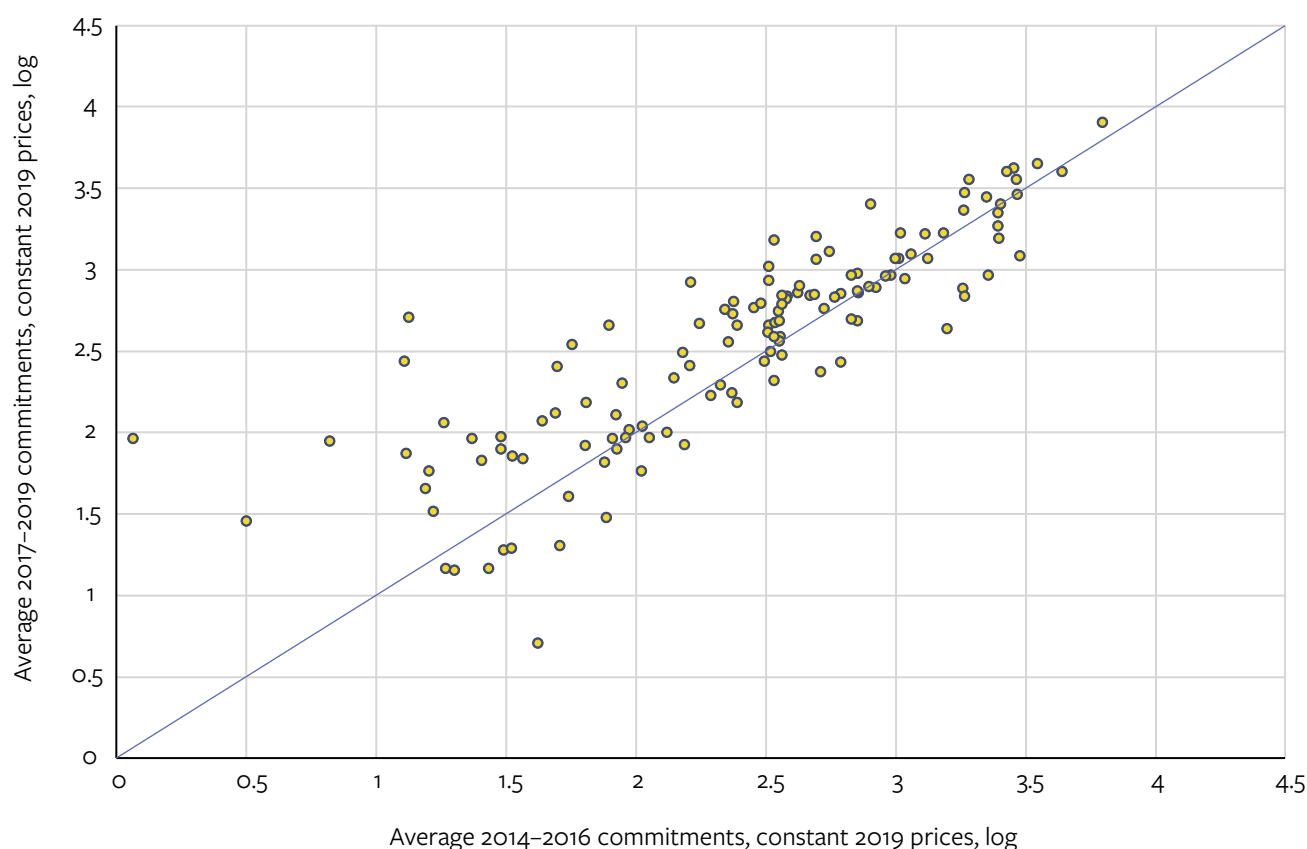
## 2.2 The roles, strengths and weaknesses of MDBs: a review of the literature

The volume of financial assistance from MDBs has more than doubled between 2005 and 2019 in real terms, albeit at different speeds across regions. Most of their client countries have seen assistance rising between 2014 and 2019. Even if volumes are smaller than international private flows – e.g. foreign direct investment or workers’ remittances – the role of MDBs in international finance has grown over time.

<sup>20</sup> Please note that data are included only for low- and middle-income countries (eligible for ODA and whose other official flows are tracked). The list of countries differs between the OECD and the World Bank (the latter includes high-income countries that are still eligible for World Bank assistance).

<sup>21</sup> Data were not available for seven countries covered in the OECD dataset because no operations with MDBs were recorded in the years reviewed (Barbados, Croatia, Iran, Republic of Korea, Saint Kitts and Nevis, Slovenia, and Trinidad and Tobago).

<sup>22</sup> Burundi, Eritrea, Liberia and Sudan.

**Figure 5** Changes in MDB assistance, by country, 2014–16 versus 2017–19

Source: OECD Creditor Reporting System [accessed November 2021].

Against this backdrop, what do client countries value about the offer of MDBs and, more specifically, what are the perceived strengths of these development institutions? What are the main weaknesses of the financing, policies and operations of MDBs that could disincentivise demand or influence the effectiveness of MDBs across countries and in specific country groups? In this section, we review the academic and policy literature on these two main questions. The findings and reflections of this literature then informed the structure of the questionnaire used in the survey for this project and the multiple options offered to respondents to be explored. We analysed the strengths and weaknesses of the business model, financing and operations from the viewpoint of client countries rather than from the perspective of non-borrowing shareholders.

It is worth noting that most MDBs reviewed in this report have an independent evaluation function to assess their performance. Most MDBs also run client surveys (see Section 2.2.3 on this). By design, the focus of these reviews is on individual institutions or specific aspects of MDB financing, policies and operations. Independent external assessments across MDBs have either been phased out (for instance, the Common Performance Assessment System [COMPAS]) or are meant to measure the performance of individual institutions in-depth and at different times, depending on the review cycles (as with, for example, the Multilateral Organisation Performance Network [MOPAN]).

Furthermore, bilateral development agencies, such as the former Australian Agency for



International Development (AusAid), the Swedish International Development Cooperation Agency (Sida), and the UK's former Department for International Development (DFID), all sought to examine the performance of individual international organisations they funded, including MDBs, at least until the mid-2010s. We omitted these bilateral assessments from this review. These were meant to compare and rank institutions to inform the resource allocation of bilateral agencies, while also being based on the alignment of multilateral agencies to donors' priorities (Lindoso and Hall, 2016).

This short review of the academic and policy literature on the strengths, weaknesses and effectiveness of MDBs' finances and operations has some limitations itself. In particular, assessments of the effectiveness of development institutions seldom explicitly distinguish MDBs from other multilateral organisations (such as the UN agencies that do not lend or provide grants from their own resources) but that we consider applicable to MDBs. We specify when this is the case. We also included only those assessments across MDBs here, rather than those focusing on a single MDB.

### 2.2.1 Strengths of MDB financing, operations and strategies

In general, MDBs are expected to provide countercyclical finance at more affordable rates than markets can offer for most borrowing countries, at scale and with greater risk tolerance than, for example, bilateral donors. Many governments, especially in low- and lower-income countries, cannot borrow domestically or internationally, and central banks might not have enough leverage. The maturities of MDB loans for sovereign operations are usually far longer than those international capital markets can offer (the

latter for most lower-income countries being up to 10 years) – for example, being up to 38 years under the regular option for the International Development Association (IDA) (Tyson, 2015). Client countries value loan concessionality, even in UMICs (Prizzon et al., 2020). The scale of MDB operations means they can support large-scale long-term and complex government programmes, especially in the infrastructure sector (Davies and Pickering, 2015).

Some countries at high risk of debt distress receive their entire allocation of concessional finance as grants (see Box 1 in Section 1.2). Most countries are able to benefit from grant financing for project preparation or technical assistance. MDBs, together with the European Union, are the development financiers that provide funds that are flexible across sectors and priorities, i.e., budget support (AfDB and World Bank, n.a). MDBs can also offer the type of risky long-term investments needed to support structural changes in economies in a way that commercial banks or capital markets might avoid, while at the same time mobilising additional public and private resources (OECD, 2020; Broccolini et al., 2020; Kharas, 2010). Because of their global or regional membership, and scale of operations and expertise in areas such as on climate change mitigation and global health, MDBs are considered as natural candidates for the provision and finance for global public goods (GPGs) (Kharas, 2010; Kaul, 2017; OECD, 2020; OECD, 2010).

Usually in combination with their financing packages, MDBs offer technical support and policy advice. In the context of MDBs, technical assistance is provided specifically to facilitate the implementation of a project (Faure et al., 2015). Policy advice has a broader scope, supporting policy design and implementation, building capacity, strengthening institutions, and

informing development strategies or operations. MDBs operate across countries at the global and regional levels and have accumulated substantial expertise over the years across several sectors. The technical assistance and policy advice offered by MDBs are valued given the depth and relevance of their pools of expertise, both locally based and international (Davies and Pickering, 2015; OECD, 2020), and their advice is considered to be the most useful to other development partners (Custer et al., 2015). Multilateral actors – among them MDBs – are also perceived to be trustworthy, flexible and responsive and with valuable technical skills and policy expertise (Davies and Pickering, 2015; Custer et al., 2015). In most cases, MDBs have country offices or a country presence to support and coordinate technical assistance programmes and policy support in close proximity and over time.

Furthermore, most MDBs have world-class research centres, generate rigorous and well-respected research, offer open data and contribute to data collection, in particular the World Bank.<sup>23</sup> As much as the case of technical assistance and policy advice, a key strength of MDBs is their long-standing global or regional cross-country expertise and policy-oriented research.

While it might be a loose concept to define, one of the strengths of MDBs lies in their convening power. In this report and in the questionnaire, we used the World Bank (2020b) definition of: ‘bringing together relevant actors to act collectively to address global or regional development challenges’. With their long-standing relations with client countries and shareholders, country presence, cross-sector and global/regional

work, and greater independence compared with bilateral development partners, MDBs are usually in a position to corral relevant stakeholders for debates that require collective actions in the public and private sectors, as well as with civil society organisations and other international organisations.

One of the main strengths of the offer of MDBs lies in the combination of all these functions – financing at below market rates, technical assistance and policy advice, research, and convening power (Gurria and Volcker, 2001; CGD, 2016). Client countries usually benefit from all of these functions as part of the projects and programmes they receive and as shareholders, without directly paying for the services on top of the loan repayments and credit charges.

While the combination of finance at below market rates, technical assistance and policy advice, research, and convening power is unique to MDBs and one of their strengths, the relative importance attributed to these four functions can also evolve as countries move away from concessional finance. In the review of Prizzon et al. (2020), respondents in LICs and LMICs, in particular, valued concessional finance more than technical assistance and policy dialogue. Countries with access to international capital markets usually placed less emphasis on the use of MDB loans to address their financing gap. They have alternative options, with fewer or no policy conditions, as we mentioned earlier in this report. While finance still mattered for respondents in UMICs, there was a more pronounced preference for technical assistance and policy advice from government respondents in the review by Prizzon et al. (2020) on the demand for external assistance for rural

23 In the analysis of Engen and Prizzon (2018) between 2000 and 2019, the World Bank produced almost twice as many papers as all of the other banks combined (more than 22,000 compared to around 12,000).

development and for the cross-country and highly specialised technical expertise of MDBs in the analysis by Calleja and Prizzon (2019).

MDBs have developed tools to provide funding in high-risk environments and to manage high-risk events. By being a multilateral organisation, they also create a risk buffer between a country and a bilateral partner (e.g., reactions of a bilateral legislature when there is an episodic corruption or human rights event) and have the legitimacy to carry out dialogue with a country to resolve such issues (Prizzon et al., 2017b). MDBs can work in challenging contexts where bilateral donors might not have enough clout or experience (or that are simply politically challenging), as well as on issues that can be politically sensitive to handle for some bilateral donors (such as human rights, peacebuilding, security).

Multilateral development organisations score better than bilateral donors on the development effectiveness agenda, especially in terms of having greater alignment to national priorities (financing and projects that match sector needs and priorities); greater predictability of disbursements; better reporting and forward-looking planning; greater use of country systems and public financial management systems; and less fragmentation (OECD, 2020; OECD and UNEP, 2019; Gulrajani, 2016; Davies and Pickering, 2015; Klingebiel, 2013). Mitchell et al. (2021) ranked 49 bilateral and multilateral development partners based on the quality and effectiveness of their programmes:<sup>24</sup> the three top performers were all MDBs.<sup>25</sup>

Finally, MDBs' soft windows channel more resources to the poorest countries and those most in need than the DAC average (Gulrajani, 2016; Klingebiel, 2013). Soft windows of MDBs offer grants and highly concessional loans, hard windows of MDBs less concessional loans (but still at better-than-market terms). For example, the concessional lending windows of the African Development Bank and the World Bank allocated 64% and 36% of their resources to the most severely fiscally constrained countries respectively on average between 2016 and 2018, far more than the 25% average across DAC bilateral donors (Manuel et al., 2020).

## 2.2.2 Weaknesses of MDB financing, operations and strategies

While MDBs offer a unique combination of financing at scale, often concessional or at better-than-market rates, policy dialogue, technical cooperation, research and convening power, their operational and financing models share a series of weaknesses and challenges.

### Financing

The financial support offered at concessional terms to lower-income countries is at far better terms than these countries might be able to obtain from domestic and international capital markets (even if they have a credit rating, which is rarely the case). However, for countries with market access, the difference between the rate they can borrow at commercially and the prevailing rate from the non-concessional windows of MDBs can be small. Some governments might find borrowing from MDBs at non-concessional terms no longer

<sup>24</sup> Measured using the prioritisation of the poorest countries, ownership of development programmes, transparency, and untangling and evaluation of aid flows.

<sup>25</sup> International Fund for Agricultural Development (IFAD), AfDF and IDA in that order. Note that only MDBs offering concessional assistance were considered in the assessment.

viable if they factor in the indirect costs of rules and processes, policy conditionality, or the ‘hassle factor’ of negotiating and managing projects with MDBs (CGD, 2016; Humphrey, 2015; Humphrey, 2020). Some high-income economies still eligible for MDB assistance can borrow on cheaper terms from the markets than from MDBs (see, for example, the case of Chile in Calleja and Prizzon, 2019).

The countercyclical response of MDBs was on average far stronger at the time of the 2008–09 Global Financial Crisis than it has been to finance the recovery from the crisis triggered by the Covid-19 pandemic in 2020–21 (Fleiss, 2021; Lee and Aboneaaj, 2021; Humphrey and Prizzon, 2020). Shareholders have partly addressed this challenge by bringing forward the replenishment of IDA by one year, to prevent a significant drop in IDA credits and grants in 2022. However, the relatively small expansion of operations across MDBs during the Covid-19 crisis is also explained by their current insufficient financial capacity. As we have seen in Section 2.1, MDBs were recapitalised to scale up their funding in the early 2010s to respond to the demand for assistance triggered by the 2008–09 Global Financial Crisis.

MDBs can fund projects and programmes at much greater scale than traditional donors, especially if the funding of bilateral donors is largely restricted to grants. The exception is lending from emerging lenders like China (via the Chinese Development Bank and Ex-Im), which is comparable to the largest MDB, the World Bank (Ray and Simmons, 2020).

Well before the Covid-19 crisis began, several borrowing countries were heading towards a debt crisis (IMF, 2020a). The situation has worsened since then (World Bank, 2022a). Even though the resource allocation of concessional windows of

MDBs shifts towards grants if the future debt situation of a country worsens, client countries might be concerned about the pressure on public debt sustainability of additional borrowing from MDBs, constraining demand in the future. Considerations for future debt sustainability of additional non-concessional loans from MDBs were one of the motivations driving low demand in countries moving away from concessional finance (Viet Nam and Bangladesh) (Engen and Prizzon, 2018; Prizzon et al., 2020). Some governments simply refuse to borrow if loans are not concessional (Bangladesh) or if they exceed their own debt ceiling (Brazil, Peru, Viet Nam) (Prizzon et al., 2020).

Furthermore, the offer of MDB lending by sectors might not match the countries’ preferences. More specifically, demand for external development assistance across all sectors tends to evolve as countries move from concessional to less concessional finance, shifting from social to economic/productive sectors. In a review of eight LMICs, Engen and Prizzon (2018) found that their governments were reluctant to borrow for social-sector projects because these do not tend to generate immediate financial returns; rather, loans were more likely to be invested on infrastructure. Gatti and Mohpal (2019) confirmed that, as countries graduate from IDA and lending terms harden, investment in ‘soft sectors’ – those related to human development, such as education, health and social protection – declines.

Finally, while MDB finance is expected to catalyse other financing and lower transaction costs to borrowers, e.g., through project-related co-financing, trust funds and incremental private finance, leverage has been low – in particular in low-income countries (see Attridge and Gouett, 2021).

## Technical assistance and policy advice

Focusing on the technical assistance and policy advice offered by MDBs, client countries would like to tap into them but without them being linked to projects and programmes; this is particularly the case in UMICs (Calleja and Prizzon, 2019; Prizzon et al., 2020). While knowledge and technical assistance are core activities of MDBs, more than 50% of respondents in the survey by Davies and Pickering (2015) felt that multilateral institutions – including MDBs – could do more to ensure their country offices supported the development of local capacity.

In general, the provision of technical assistance by bilateral and multilateral development partners has been criticised for being short-sighted, not tailored to the local context and culture, not having a long-term impact and effective capacity building, being of low quality and not targeted, being supply- rather than demand-driven, not aligned to the country's priorities, not being timely, responsive, flexible or partial, and not offering good value for money.<sup>26</sup> We tested these hypotheses on the performance of MDB staff on technical cooperation and policy advice in our questionnaire.

## Operations

MDBs are also perceived to be complex institutions (OECD, 2010), with processes and policies that were too slow and rigid (Davies and Pickering, 2015). While policy conditionality might have evolved since the Washington consensus of the 1990s, especially in terms of those measures towards financial and trade liberalisation, conditions on policy reform remain on certain instruments (e.g., development policy finance on fiscal policy and macroeconomic reforms). Furthermore, together with alternative financing

options, evidence suggests that MDB policy conditionality – as well as conditionality imposed by other donors – might become less effective (Prizzon et al., 2017a). The implementation of projects and programmes funded by MDBs is awarded via international competitive bidding. Local suppliers might find it hard to access procurement markets, making foreign firms more likely to win and also more likely to use more imported goods and foreign labour with limited use of local contractors (Miller et al., 2020).

As we pointed out earlier, the proximity of MDB staff in country offices can strengthen the dialogue with government counterparts and help deliver or supervise technical cooperation programmes. Many MDBs have progressively increased the proportion of staff operating in country offices over the past decade, prioritising the decentralisation of their operations (e.g., AfDB, the International Fund for Agricultural Development [IFAD], World Bank). However, decentralisation processes do not come without challenges (such as greater costs, vacancies that are harder to fill, the need for a framework for the delegation of authority) (see World Bank, 2020a, for a review of the issues). One of the MDBs reviewed here (AIIB) had yet to open country offices at the time of this research.

Country-level coordination between MDBs is also a long-standing challenge. While MDBs have increased their collaboration on several issues and improved the coherence of their operations (e.g., on safeguards) in their country-level operations, recipient country governments still find their processes burdensome and fragmented (Bhattacharya et al., 2018; Prizzon et al., 2017a). Furthermore, while the presence of multiple MDBs

<sup>26</sup> See Cox and Norrington-David (2019) for a recent review of the challenges of technical assistance for development cooperation programmes.

means greater choice for client countries, MDBs tend to compete on policy advice, pricing and financing (Bhattacharya et al., 2018). Enhancing coordination between MDBs was one of the main recommendations of the Eminent Persons Group report on the future of the global financial architecture (EPG, 2018). In our questionnaire, we tested how client countries rated the coordination of MDBs on the ground.

### 2.2.3 Country perspectives on MDBs: a review of survey analyses

Survey analyses – either online questionnaires, semi-structured interviews or both, with government officials and opinion leaders – have already been used in the literature to map preferences of client countries about the effectiveness of MDBs, the strategic priorities of MDBs and the evolution of demand for assistance.

These analyses are clustered into two main groups. First, client surveys that have been run or commissioned by an MDB on the performance of its own institutions (see Table 2). Second, assessments of MDBs conducted by research institutes or international organisations (see Table 3).<sup>27</sup>

Table 2 and Table 3 summarise the main research questions focusing on those analyses that overlap with the objectives of this report (strengths and weaknesses of MDBs from a client perspective and the future demand for assistance); the type of informants targeted by the survey and interviews (e.g. government, development partners); which institutions were under scrutiny (e.g., only MDBs,

bilateral development partners); the methods (online survey, interviews or both) and the countries covered.

**MDBs conduct client surveys to assess their own performance and they do so at regular intervals: they have limitations in capturing a comparative perspective of client countries in their own design and scope.** The surveys summarised in Table 2 usually focused on the effectiveness of their own institution. Being administered directly or commissioned by the same institution under scrutiny could create a bias in the responses of informants. The surveys are intended to improve delivery and policies at the margin, rather than reflecting on or challenging the role of MDBs in financing and supporting socioeconomic development. Some of the MDBs reviewed in this report had not run a client survey in the five years leading up to this research. Future demand for assistance is usually estimated at the time of the replenishment rounds and general capital increases rather than being assessed through client surveys.

<sup>27</sup> MOPAN considered options to integrate a client survey in the assessment according to its revised methodology in 2019 (MOPAN, 2019).



**Table 2** Client surveys conducted by MDBs

Paper/survey	Objectives	Group of respondents	Countries (number and criteria if applicable)
AsDB (2021)	Assess client usage and perception of the usefulness of AsDB knowledge products, services and events; perceived development effectiveness of AsDB; responsiveness and collaboration with development partners.	Government officials in central and line ministries and local governments, civil society organisations (CSOs), private/business sector, media, universities, think tanks and academia.	40 member countries in the region and 20 countries in other regions.
IFAD (2021)	Measure IFADs' performance on the effectiveness of programmes, partnership building, country-level policy engagement, knowledge management and transparency.	Government officials, development partners, civil society, private sector (46% government officials).	43 countries.
IADB (2016)	Assess the country strategies, technical cooperation operations, sovereign guaranteed loan operations; financial products and programming.	Government officials, development partners, civil society, private sector (51% government officials).	Not available.
EBRD (2015)	Measure the level of satisfaction with EBRD operations (overall service, financial products).	Senior company representatives.	14 countries where the EBRD invests (and 10 additional ones): 409 client and potential client companies.
AfDB (2012)	Assess policies and procedures and how regional stakeholders saw 'their Bank' in 2010.	Policy-makers and senior officials, regional partners, private sector companies, civil society organisations and MPs.	More than 80 structured interviews with senior leaders (no countries specified).
World Bank (country surveys)	Measure the perception of the World Bank's work (speed, effectiveness, relevance, etc.), knowledge, and engagement on the ground to improve World Bank results.	Government officials, development partners, civil society private sector.	Nearly all the World Bank's client countries are surveyed in three-year cycles, in principle. Analyses are at the country level, not across client countries.

Note: all surveys conducted via questionnaires (either online or paper based) except for EBRD (2015) and AfDB (2012), which were both based on interviews.

**Looking at the academic and policy literature beyond MDBs, only two systematic surveys (Custer et al., 2021;<sup>28</sup> Davies and Pickering, 2015) captured the perspectives of partner countries on the effectiveness of MDBs or on the future demand for development assistance,** the two main objectives of our project (Table 3). However, the focus of these surveys was either on specific aspects of development policy (agenda-setting influence and helpfulness in policy changes in Custer et al., 2015; 2018; 2021) rather than MDB policies and financing; or they did not represent all the countries that borrowed from MDBs (Davies and Pickering, 2015, concentrated on low- and lower middle-income countries).

There were other limitations of the contributions in the academic and policy literature in terms of helping us answer questions in this report. Studies might have not considered MDBs separately from multilateral institutions (OECD and UNDP, 2019); might have not compared them with other development actors (Prizzon et al., 2020); or have included respondents from the largest non-borrowing shareholders rather than client countries (OECD, 2020). To the best of our knowledge, the analysis in this paper is the only one to focus on the specific case of MDBs, on borrowing shareholders, on clients' preferences, and to be independent from MDBs. Chapter 3, 4 and 5 present the main findings emerging from the questionnaire.

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28 This should also include the 2015 and 2018 editions of the study.



**Table 3** Survey analysis including MDBs conducted by academia and international organisations other than MDBs

Paper/survey	Research questions/ and areas of investigation	Future demand of assistance assessed	Institutions analysed	Group of respondents	Methods	Countries (number and criteria)
Custer et al. (2021)	Which international donors' leaders see as their preferred development partners on two dimensions their agenda-setting influence and helpfulness in policy changes, advice and assistance.	No.	31 MDBs or inter-governmental organisations, 96 bilateral aid agencies and foreign embassies, and 3 private foundations.	Government, parliament, development partners, NGOs/CSOs, university and think tank experts, private sector.	Online survey.	141 low- and lower middle-income countries and semi-autonomous territories – 6,807 survey responses.
OECD Multilateral development finance report (2020)	Strengths and weaknesses of MDBs, areas individual MDBs should focus on.	No.	MDBs and multilateral institutions.	DAC members.	Online survey.	Not applicable.
Prizzon et al. (2020)	Future demand for international development cooperation, preferences and terms and conditions / Focus on rural development.	Yes.	All development partners, no direct comparison.	Government, development partners, experts.	Survey and semi-structured interviews.	30 low- and middle-income countries.
OECD-UNDP Monitoring survey on development effectiveness (2019)	Assessment of principles and indicators of development effectiveness (e.g., alignment of project objectives, use of country systems, predictability).	No.	By groups of development partners, if applicable (DAC, MDBs, non-DAC, UN, vertical funds) / Not all dimensions are compared across development partners.	Government, development partners, CSOs, private sector.	Data collection.	The exercise is country-led. Partner country governments, voluntarily, opt to conduct the monitoring exercise in their country. 86 countries involved.
Davies and Pickering (2015)	Most important sources of funding in 5–10 years / Performance by provider.	Yes, in part.	Comparison between DAC donors, non-DAC donors and multilateral donors (by groups, not individual).	Government officials primarily in ministries of finance and planning.	Online survey and follow-up interviews. swith approximately half of them	40 LICs and LMICs that received more than \$300 million ODA in 2011 / Dependency on aid ODA/ GNI > 3%.

### 3 The relevance of the roles and functions of MDBs and their perceived effectiveness

In this and in the next two chapters, we report the viewpoints informants shared through the questionnaire and elaborate on any difference between groups (in terms of regions as well as lending terms) that are statistically significant (on a 95% significance level). Respondents were largely government officials in central and line ministries in 73 countries. We also invited their counterparts in the country offices of MDB, to triangulate and compare their answers to those of government officials.<sup>29</sup> Government officials were asked to answer all the questions, while MDB officials were only presented with a subset of questions. For example, we excluded questions for which respondents from MDBs would have been explicitly asked to assess the performance of their own institution or MDBs as a whole. The survey questionnaires are in Appendix 2. Unless specified, we refer to both government and MDB officials in the answers in Chapters 3, 4 and 5.

Respondents were divided into four regions (Africa; East/South Asia and the Pacific; Eastern Europe, Central Asia and the Middle East; and Latin America), usually having access to assistance from the World Bank and from at least one regional development bank.<sup>30</sup> Categories also reflected countries that could either benefit from grants or primarily borrow on concessional terms (labelled

‘IDA countries’) or that could receive loans only on non-concessional terms (‘IBRD countries’). By definition and most importantly, IBRD countries have greater access to domestic and international capital markets. We therefore expected preferences about the core functions of MDBs, illustrated in Section 2.2, to vary between the two lending groups, for example with stronger demand for financing at better-than-market terms in IDA countries than in IBRD countries.

Further methodological details about how the survey was designed and implemented can be found in Appendix 1. It includes the specifics of how the sample was built and how the 487 respondents were distributed by affiliation (government or MDB), region and lending terms (concessional or non-concessional). Table 4 indicates the distribution of answers by regions and lending groups.

<sup>29</sup> This approach is also covered in Custer et al. (2021) to map the views of development leaders in low- and middle-income countries for survey analysis and in Prizzon et al. (2017a) to reflect the perspectives on preferred aid modalities in semi-structured interviews. See Table 2 and Table 3 in Section 2.2 for a review of respondents included in similar surveys.

<sup>30</sup> Up to three regional development banks in countries in Central Asia and Egypt.

**Table 4** Completed questionnaires by lending group and region, % of total respondents

	Africa	East and South Asia, Pacific <sup>†</sup>	Eastern Europe, Central Asia and the Middle East	Latin America	Total
IDA	33.7	14.6	4.3	4.3	56.9
IBRD	8.2	4.9	12.3	17.7	43.1
Total	41.9	19.5	16.6	22.0	100

<sup>†</sup> Stratification and post-stratification consider five regional groups. We opted for four regional groups in the descriptive analysis for ease of presentation.

### 3.1 Do the roles and functions of MDBs matter for the country's socioeconomic development?

**The functions and the roles that MDBs are intended for and meant to perform were seen as relevant for the socioeconomic development of the countries' respondents.** In Section 2.2, the literature pointed out four main functions of MDBs: offer finance at better-than-market terms; provide technical assistance and policy advice; generate knowledge; and convene stakeholders. One of the strengths of the offer also lies in the combination of all these functions in a single institution. But before assessing how effective MDBs were perceived to be in delivering them, did client countries think that the functions were still relevant and mattered for the socioeconomic development of their country? Did different groups of client countries attribute a different weight to these roles? As we have seen in Section 2.2, for example, higher-income countries

often have stronger demand for targeted technical assistance rather than financial transfers (Calleja and Prizzon, 2019).

Most respondents (more than 80%) found all four functions and roles described in the literature and their combination to be either very relevant or extremely relevant for the socioeconomic development of their country (Figure 6). Among them, technical assistance and policy advice, as well as the combination of the functions of MDBs, were the two most valued dimensions of the offer of MDBs.<sup>31</sup>

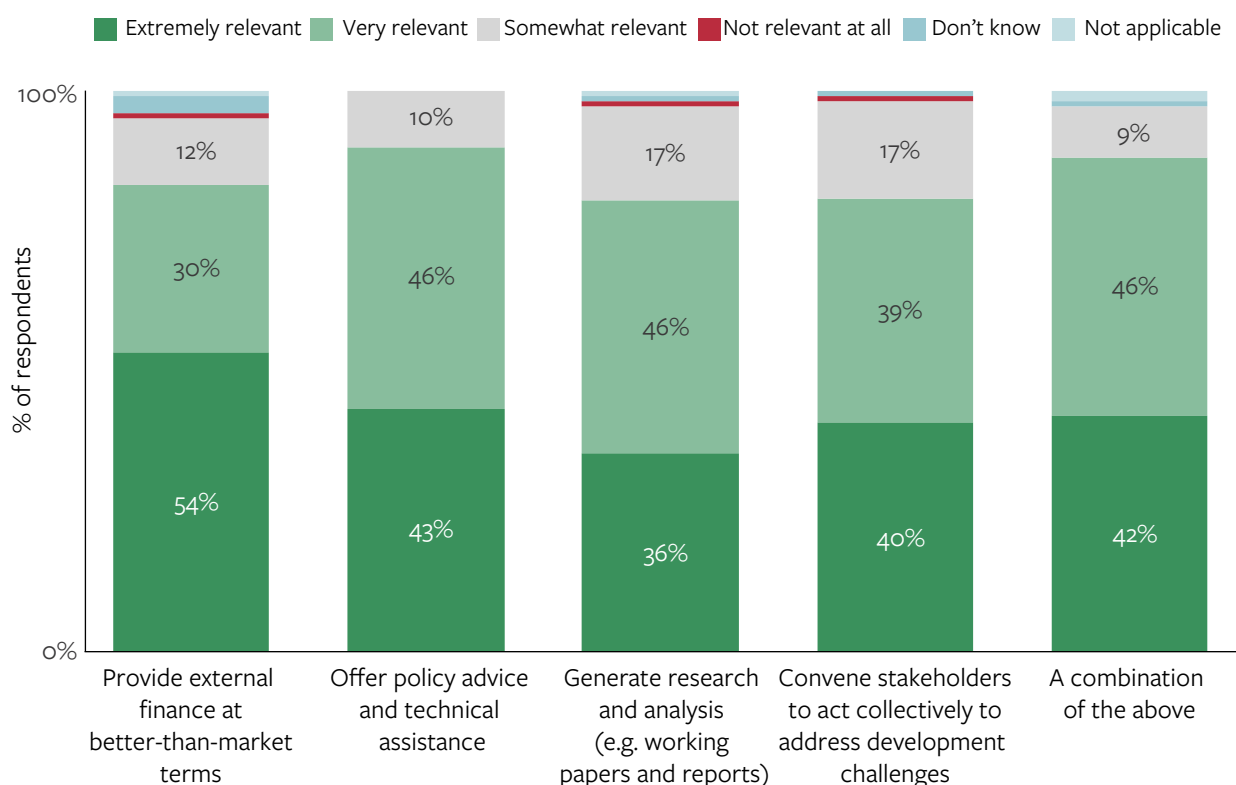
Furthermore, more than half of the informants (54%) found the provision of external finance at better-than-market rates to be extremely relevant, more often than any other function and role among the options offered. The provision of finance at better-than-market terms was particularly valued in the selected African countries and in IDA countries (many of them African). Nearly two-thirds of informants (64% in

31 89% and 87% of respondents considered them *extremely* or *very* relevant, respectively. Differences between government and MDB informants were not statistically significant, except for the assessment on the relevance of technical assistance and policy advice, but percentages were still quite high in both groups (95% of respondents from MDBs rated it as extremely or very relevant; this figure was 87% among government officials).

African countries and 63% in IDA countries, these two groups being largely overlapping) rated this offer from MDBs as extremely relevant to support their national plans, strategies and budgets.<sup>32</sup> This is no surprise, however, as on average African – especially sub-Saharan African – countries record the largest financing gap, for example, in achieving selected Sustainable Development Goals (Benedek et al., 2021) and have less or more

expensive access to domestic and international capital markets. Still, the relevance attributed to the provision of finance at better-than-market rates was not only the case for respondents from the selected African countries. More than half the respondents in Latin America – most of them IBRD countries – also found the provision of finance at better-than-market terms to be extremely relevant for their countries (53% of respondents).<sup>33</sup>

**Figure 6** The relevance of the roles and functions of MDBs



Source: Authors' survey. This refers to answers provided by 487 respondents (rounded figures). Question: *How would you rate each of these items in terms of their relevance for the long-term social and economic development of #country#?* In the online questionnaire, items were randomised.

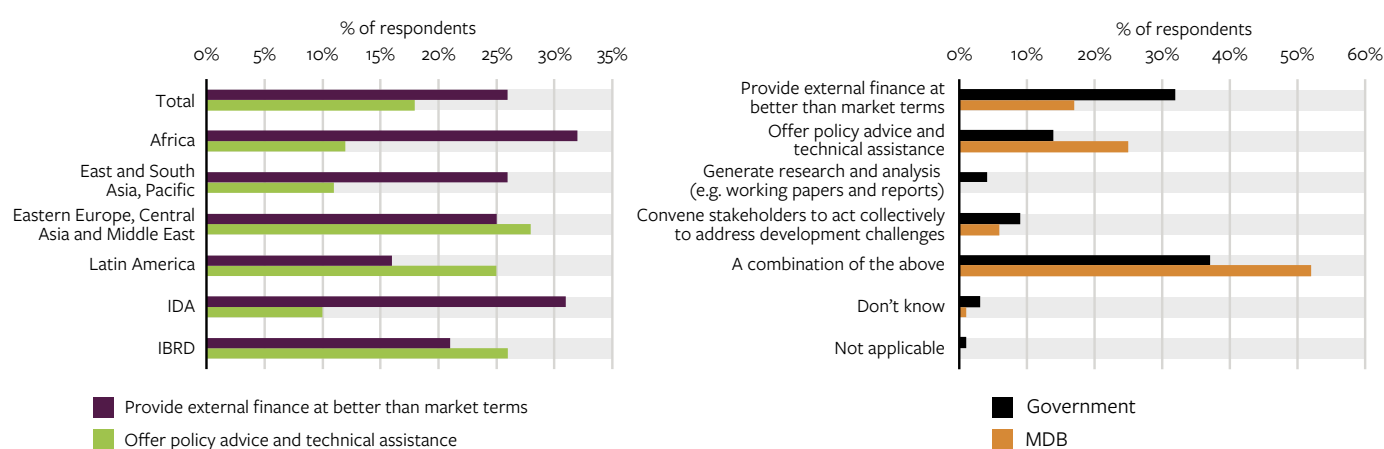
<sup>32</sup> Results are not shown in Figure 6. This share was only 44% among respondents based in IBRD countries.

<sup>33</sup> Results are not shown in Figure 6. This percentage goes down to 39% for respondents in Eastern Europe/Central Asia/Middle East.

When respondents were given the opportunity to rank the options offered and choose the most relevant one, two-fifths of them selected the combination of all roles and functions of MDBs (41%), making it the most popular option globally and in each region. This corroborates how the combination of financing, advisory services,

research and convening roles in a single institution is one of the strengths of the overall offer of MDBs. The next most relevant options were the provision of financing at better-than-market terms (26%) and the offer of policy advice and technical assistance (18%).

**Figure 7** The most relevant role and function of MDBs



Source: Authors' survey; 487 respondents. Question: *And of these items, which one do you find is the most relevant for #country#?* Please select one option only. In the online questionnaire, items were randomised.

However, preferences on individual roles and functions differed across regions, lending groups and type of respondent (Figure 7).

- **In wealthier economies, technical assistance and policy advice were prioritised over and considered more relevant than financial assistance at better-than-market terms.**

Technical assistance and policy advice, as well as research and analysis, were valued to the same extent across country groups.<sup>34</sup> However, when informants were asked to prioritise their preferences, a significantly higher proportion of respondents across the selected countries in Eastern Europe/Central Asia/Middle East and

Latin America indicated that policy advice and technical assistance would be their top choice – 28% and 25% of respondents respectively – followed by financing at better-than-market terms (the top option for 25% and 16% of informants in these two regions, respectively). This was also the case for respondents in IBRD countries (26% of respondents rated policy advice and technical assistance as the most relevant function of MDBs; 21% chose financing at better-than-market terms). This might be explained by the fact that governments in Eastern Europe/Central Asia/Middle East and Latin America and in IBRD countries (many of them in those two regions) tend, on average,

34 Results are not shown in Figure 6 by lending groups.

to have greater access to international capital markets and rely less on assistance from MDBs than in the other two regions reviewed in this report or in IDA countries. This corroborates what other authors (see the analysis and review in Calleja and Prizzon, 2019) have found in semi-structured interviews in selected Latin American countries, as discussed in Section 2.2.

- **In IDA countries, financing at better-than-market terms was seen as the second-most relevant function of MDBs, after the combination of the four roles in a single institution.** Three in 10 respondents in the selected IDA countries (31%) chose financing at better-than-market rates as the most relevant function of MDBs, which was significantly higher than the two in 10 respondents in IBRD countries (21%). These answers reflect what we already elaborated earlier: there is a much greater need to access finance at concessional terms among IDA countries, while there is a greater choice of options for IBRD countries to borrow from international capital markets, often at rates that are similar to those offered by MDBs but with fewer or no conditions.
- **Government and MDB respondents had a different perception of the relevance of the roles and functions played by MDBs** (Figure 7). While the ranking of the five options did not change between the two groups, the proportion of respondents that chose each option was statistically different. **On average and across all countries, for example, government informants attributed greater relevance to financing at better-than-market terms and MDB officials to technical assistance, policy advice and the combination of the four functions for MDBs.** Nearly one-third of government respondents indicated financing at better-than-market terms to be the most relevant function (32%) while this figure was less than

one in five among MDB respondents (17%). On the other hand, more than half of MDB respondents identified the combination of the MDB offer as the most relevant aspect (52%), compared with only slightly more than one-third of government informants (37%). One in four MDB respondents thought the most relevant function of MDBs was the provision of technical assistance and policy advice (25%) in contrast with 14% among government officials. There might be several motivations behind this. First, government officials might place greater emphasis on the financial support they receive from MDBs that, despite the ‘hassle’ factor of negotiations, conditions and management, can still be more affordable than the markets offer, even in upper middle-income countries with capital market access. Second, the combination of the financing and services is a key component of the offer of MDBs: MDB officials might be more aware of this and give it more importance. Finally, MDB officials might attribute greater emphasis to the impact of the soft component of capacity building and policy advice on socioeconomic development compared to development financing (e.g., 95% of respondents among MDBs rated technical assistance and policy advice as extremely or very important, a share that fell to 87% among government officials).

### 3.2 How effective are MDBs in their roles and functions?

In the previous section, we found that what MDBs offer as a group – financing at better-than-market terms, technical assistance and policy advice, research, and convening, as well as their combination – matter for client countries to support them in their development trajectories, across regions and lending groups, albeit to different extents. The information we gathered

strongly suggests that the operations and contributions of MDBs are in principle still very much valued by client countries. But to what extent are individual MDBs effective in performing their roles and functions? We elaborate on these questions in this section.

Before illustrating and interpreting the results, we should reiterate the methods we applied. First, the questions on the effectiveness of individual institutions were submitted only to government

officials because of the potential conflict of interest posed to respondents from MDBs.

Second, the online questionnaire was structured in a way that allowed rating an institution only if the respondent's country was eligible for assistance from it.<sup>35</sup> Finally, we omitted results for the AIIB in this analysis as very few respondents were aware of AIIB operations in their countries, despite being in principle eligible for AIIB operations (see Box 2).

### **Box 2 The AIIB was yet to be captured in countries' preferences and assessments**

Questions about the AIIB were raised only to respondents from countries that could potentially borrow from the AIIB – i.e., the list of member countries as of March 2021. Since its operations began in 2016, the membership of the AIIB has progressively expanded well beyond Asia.

Approximately 50% of eligible respondents did not know how to respond or did not think that AIIB had operations in their country across the four core functions and roles. Only a few respondents provided a rating. As we could not infer any conclusions from those answers, we omitted the case of the AIIB in this section. However, this could also suggest a general lack of awareness or visibility of the AIIB in its member countries (at least among those that were part of this survey).

One might have expected these results. The AIIB is the newest MDB, while its sectors of operation, which largely focus on infrastructure development, are fewer than in other MDBs. Nor did the AIIB have any country offices at the time of this research. In Section 4.3.4, we discuss how government respondents to this survey expressed a preference for MDBs to have a country office, staffed with senior personnel.

Nonetheless, the future of AIIB positioning was of great interest to our informants. More than 80% of eligible respondents expressed an opinion on the AIIB's future sectors of operation. Chapter 5 elaborates on this.

<sup>35</sup> For example, the AfDB was included as an institution for assessment only to regional borrowing countries. In this case, both AfDF and AfDB were included.



**The bottom line is that most government informants thought that MDBs were effective in delivering their roles and functions.** At least half of government respondents found each MDB to be either very or extremely effective in delivering and performing its offer and roles (Figure 8). However, there were perceived differences between the MDBs.<sup>36</sup>

**The World Bank stood out as it was invariably perceived as the most effective MDB across nearly all the four functions and roles, but the AfDB, AsDB and the IADB reached similarly high assessments on some of their functions.**<sup>37</sup>

Among government informants, 79% of them rated the World Bank's delivery of technical assistance and policy advice to be either very or extremely effective; this figure was 77% for its research function, 75% for its offer of financing at better-than-market rates, and 67% for its convening power.<sup>38</sup> These were the highest proportions across all MDBs, but there were two important exceptions as they related to the most relevant functions of MDBs in each region. First, in their regions, the AsDB and the IADB were considered to be similarly effective as the World Bank in the provision of technical assistance/policy advice, as well as research capacity. Second, the AfDB and the World Bank were also considered equally effective in offering finance at better-than-market rates. The results for the World Bank are likely justified by the fact that it is the MDB with the most comprehensive offer, compared to regional development banks.

**While the majority of respondents found all MDBs to be effective in convening stakeholders, this function received the lowest rating.** Nearly one in three respondents thought the World Bank was somewhat effective or not effective at all (28%) in this area. At 44%, this share of respondents was particularly high among government stakeholders in the selected countries in Latin America. A similar concern was demonstrated about the performance of the IADB (36% of respondents found the bank to be somewhat effective or not effective at all in convening stakeholders). Thus, these responses seem to point to a regional pattern and concern that MDBs in the region do not have strong convening power. This might suggest other institutions could be better placed to convene stakeholders (e.g., the UN or regional organisations), but this area deserves further investigation, via semi-structured interviews, to understand the main rationale behind these replies.

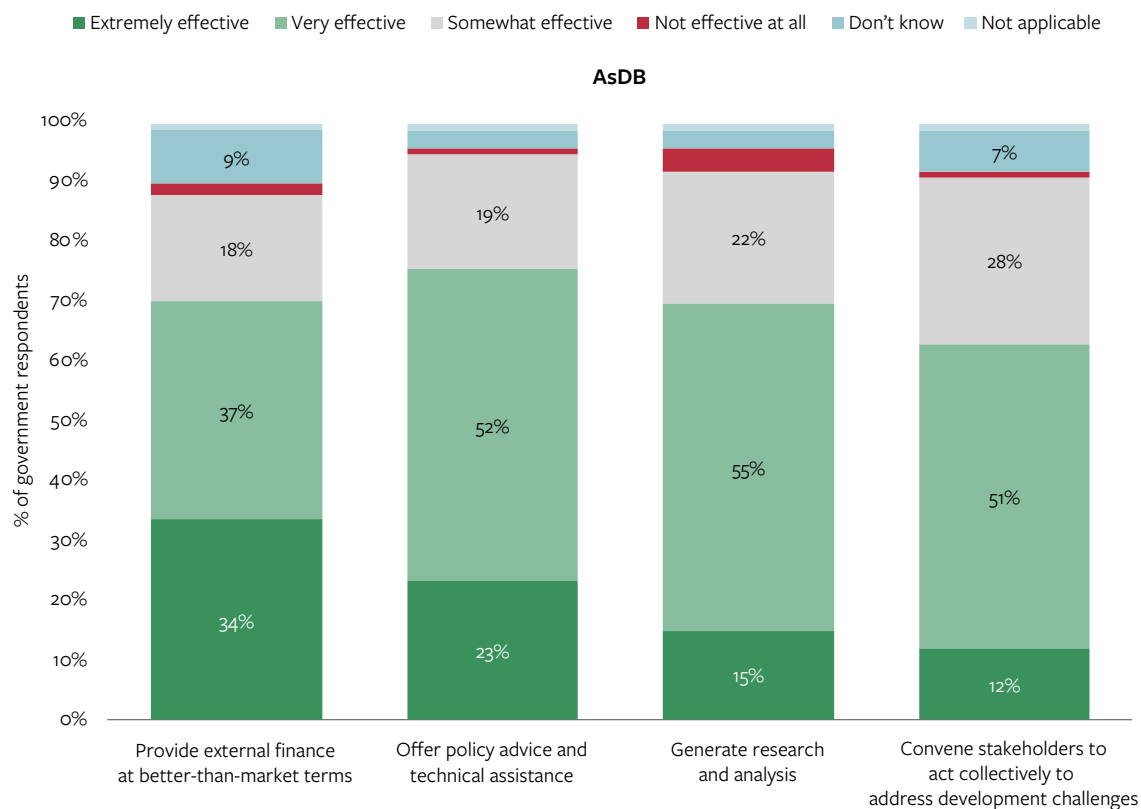
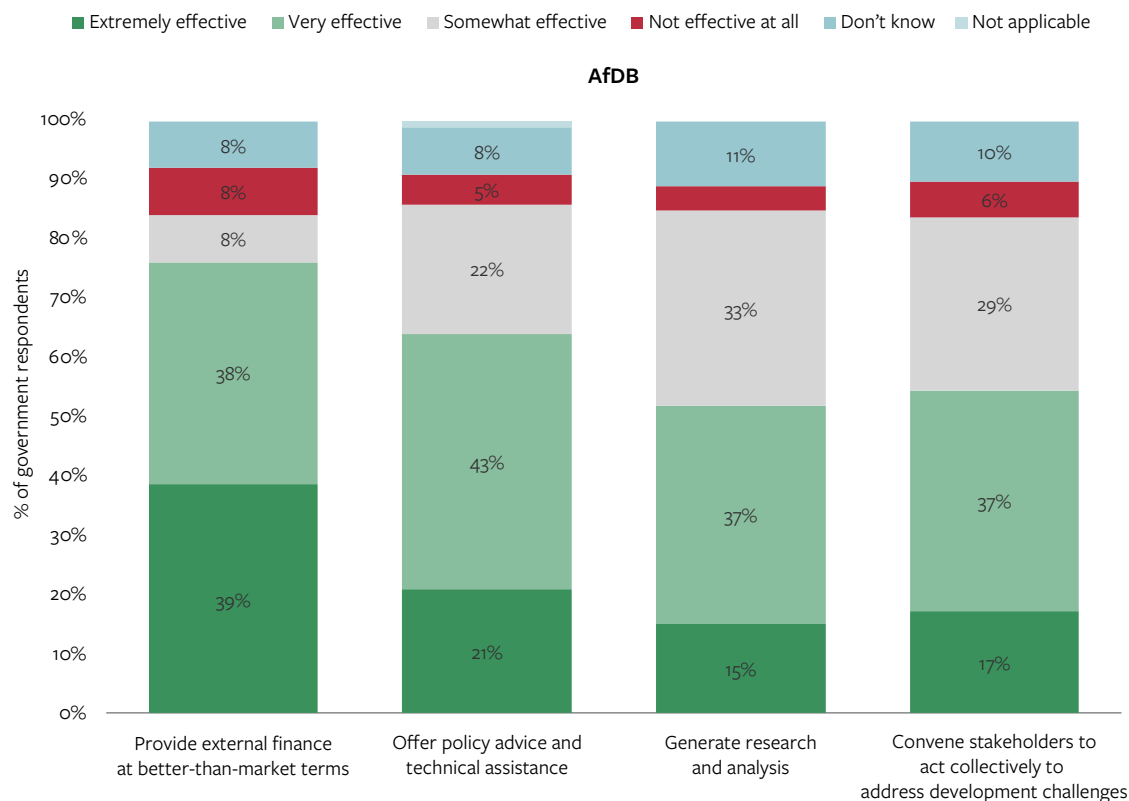
At the bottom of this group of MDBs, just above 50% of respondents in the countries eligible for EBRD assistance found the institution to be effective in each of four dimensions. This may be explained by the fact that respondents to the questionnaire were government officials only; sovereign lending is only a small proportion of EBRD operations. Private companies are the main clients of the institution, but these were not represented in the survey. Furthermore, the focus of the EBRD is on financing operations rather than providing technical assistance to its client countries.

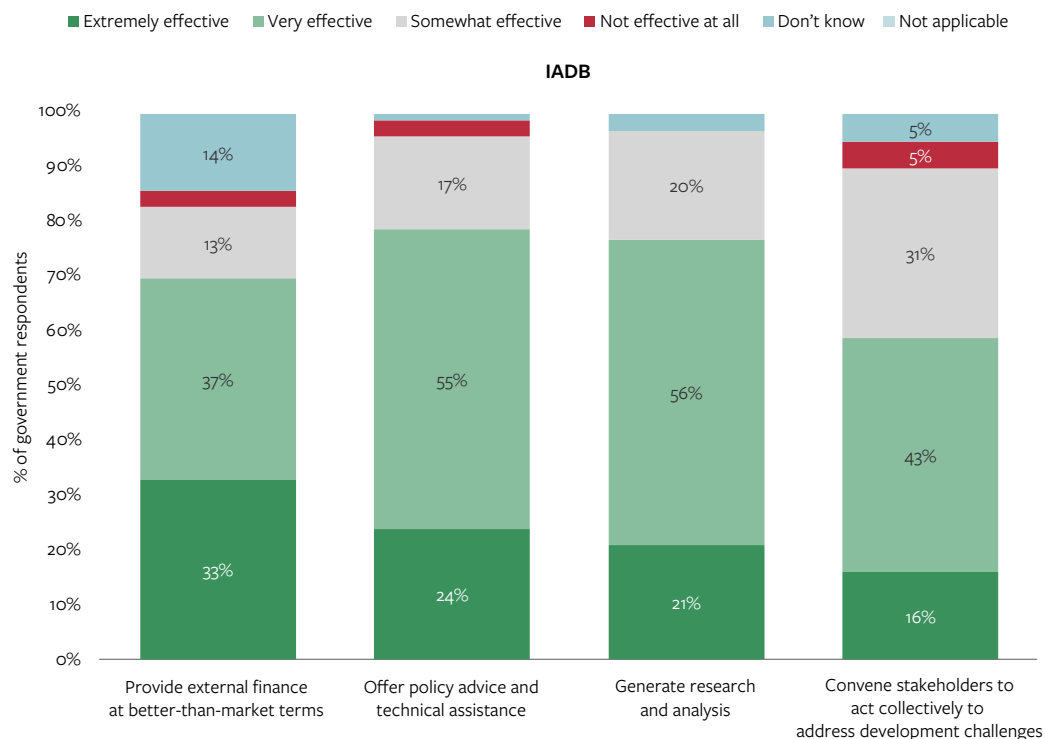
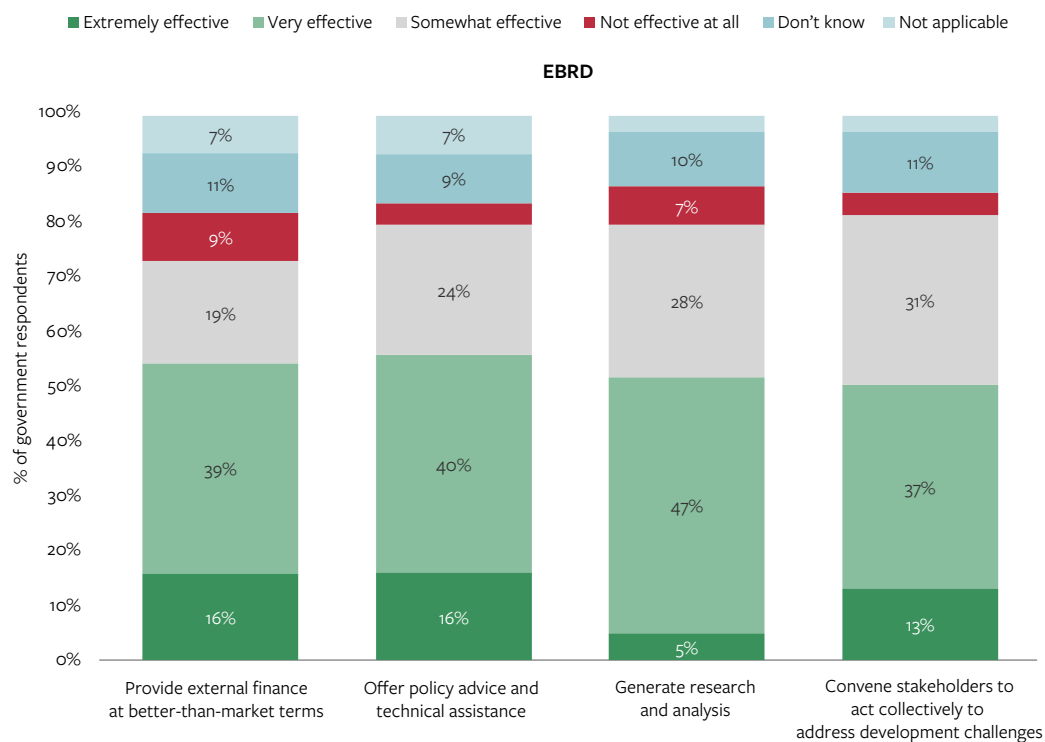
<sup>36</sup> Again, respondents only from client countries of an MDB could rate it in our questionnaire.

<sup>37</sup> Figures between MDBs by function are not directly comparable. Respondents for each MDB vary as countries are usually eligible for assistance from two MDBs (the World Bank and one regional development bank) or up to three MDBs in Central Asia and Northern Africa. We excluded the AIIB from the analysis in this Section.

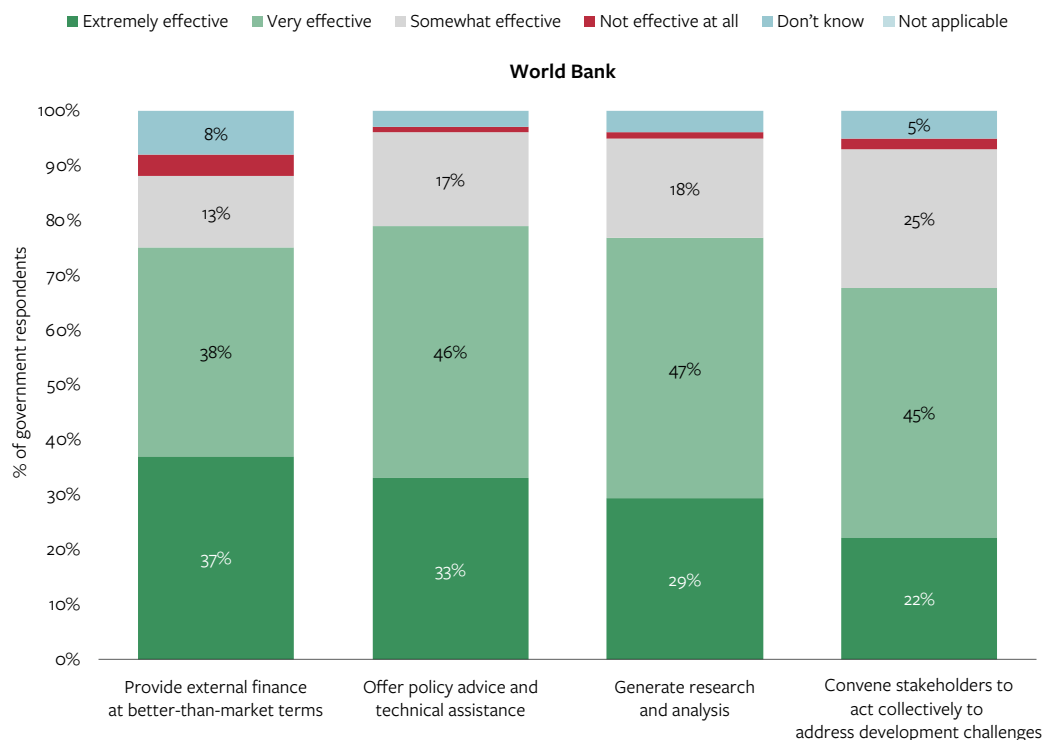
<sup>38</sup> Shares are the largest under every single dimension for the World Bank. The figures in this paragraph do not coincide with the sums of individual components in Figure 8 due to rounding.



**Figure 8** Effectiveness of individual MDBs in delivering and performing their offer and their roles



Source: Authors' survey; all government respondents. 149 for the AfDB, 79 for the AsDB, 53 for the EBRD, 79 for the IADB, 352 respondents for the World Bank. The question that was raised for each MDB was: *In your opinion, how effective or not effective is the #MDB in delivering each of the following?* In the online questionnaire, items were randomised.



Looking at the three regions where all reviewed countries were clients of two MDBs,<sup>39</sup> **the World Bank was perceived as the most effective MDB across all functions in two regions, in Africa and East/South Asia and the Pacific. However, differences were either small – in particular in the assessment of the World Bank and the AsDB in the East/South Asia and the Pacific region or even non-existent** (Figure 9). For example, government respondents from African countries thought the AfDB was as effective as the World Bank at offering finance at better-than-market terms. A much greater proportion of government informants believed that the World Bank to be more effective than the AfDB in its research capacity, as well as in technical assistance and policy advice.

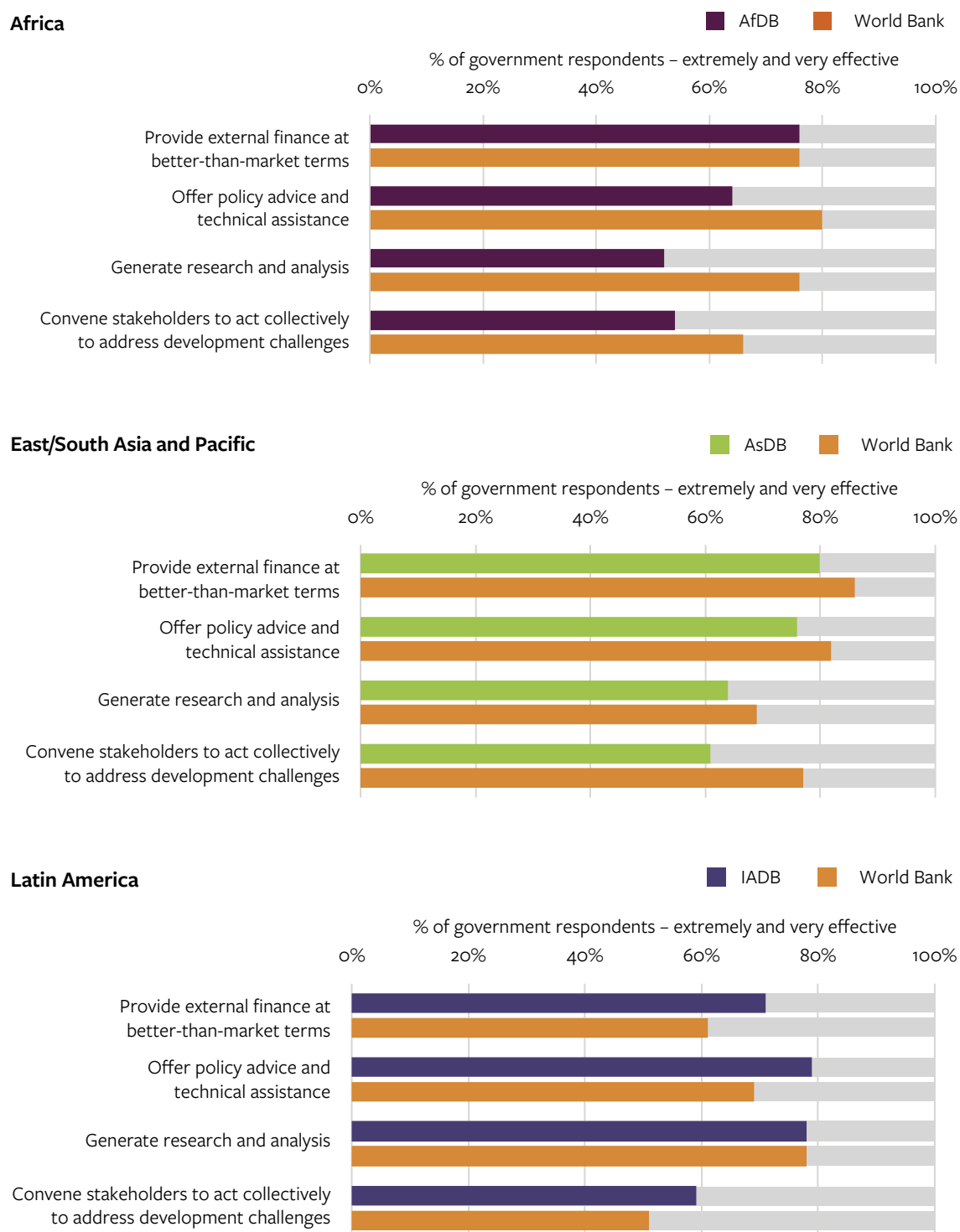
A different picture emerged for Latin America. Respondents in the region rated the **IADB as the most effective MDB in the region compared to the World Bank**. The IADB was considered to

be very or extremely effective in its operations by a greater proportion of respondents than the World Bank on all four functions of MDBs we listed in the questionnaire.<sup>40</sup> Birdsall (2014) suggests the greater effectiveness of the IADB can be associated with the IADB having the largest voting shares of regional borrowers. Many key management positions are from the region, indicating greater understanding of the power dynamics in countries.

In this chapter, we have seen that client countries value the roles played by MDBs in providing external finance at terms more favourable than the markets, technical assistance and policy advice, research, and convening power. They also think that MDBs are effective in their roles, albeit with different assessments across regions and MDBs. In the next chapter, we analyse client countries' views of the strengths and weaknesses of MDBs in their financing offer, technical assistance and policy advice, and operations.

39 In Central Asia, Eastern Europe and the Middle East, not all countries were clients of the same MDBs, so results were not directly comparable.

40 The exception was knowledge generation, but the difference in the share of respondents here was only 1%.

**Figure 9** A comparison of perceived effectiveness in three regions – extremely or very effective rating

Source: Authors' survey; all government respondents: 149 in Africa, 79 in East/South Asia and the Pacific, and 79 in Latin America. In the online questionnaire, items were randomised. Question: *In your opinion, how effective or not effective is the #MDB in delivering each of the following?*

## 4 Financing, technical assistance and development effectiveness: the strengths and weaknesses of MDBs from a country perspective

In this chapter, we highlight the characteristics of the MDBs' offer that respondents found most relevant to support the long-term socioeconomic development of their country, how effective they rated them, and whether the strengths and weaknesses of MDB financing, technical assistance, development effectiveness and operations highlighted in the literature in Section 2.2 resonated with government respondents. Rather than analysing the performance of individual institutions, we explore what were considered to be the strengths and weaknesses of MDBs as a group. We conclude this chapter by focusing on three separate issues that emerged in the literature review in Section 2.2: how government respondents assessed the coordination of MDBs at the country level; whether policy conditionality affected the demand of loans from client countries; and government officials' preferences on the presence of an MDB country office.

### 4.1 Financing

#### 4.1.1 Importance and performance

**Government officials rated predictability, flexible use across sectors and priorities, and a long maturity as the three most important financing characteristics of development projects and programmes for the long-term socioeconomic development of their countries.**

We asked government respondents to rate the importance of characteristics that grants and loans should have, in their view, to support the long-term development of their countries. Response options were designed based on the strengths of MDBs from the literature and the principles of development effectiveness (Section 2.2). These strengths included large volumes of funding (which are usually higher than those offered by most individual bilateral donors); long-term maturities (of more than 10 years, which is the maximum for most sovereign bonds in lower-income countries) (see Tyson (2015) for a review); the high degree of loan concessionality, again compared to what countries might obtain in international capital markets (provided they can access them); the availability of grants to fund certain components of the project (e.g., project preparation); predictability, meant here as certainty over amounts and timing of disbursement; flexible use of funding across sectors and priorities (e.g., budget support); and the ability of funding to catalyse additional private finance, which is one of the objectives of MDB lending.

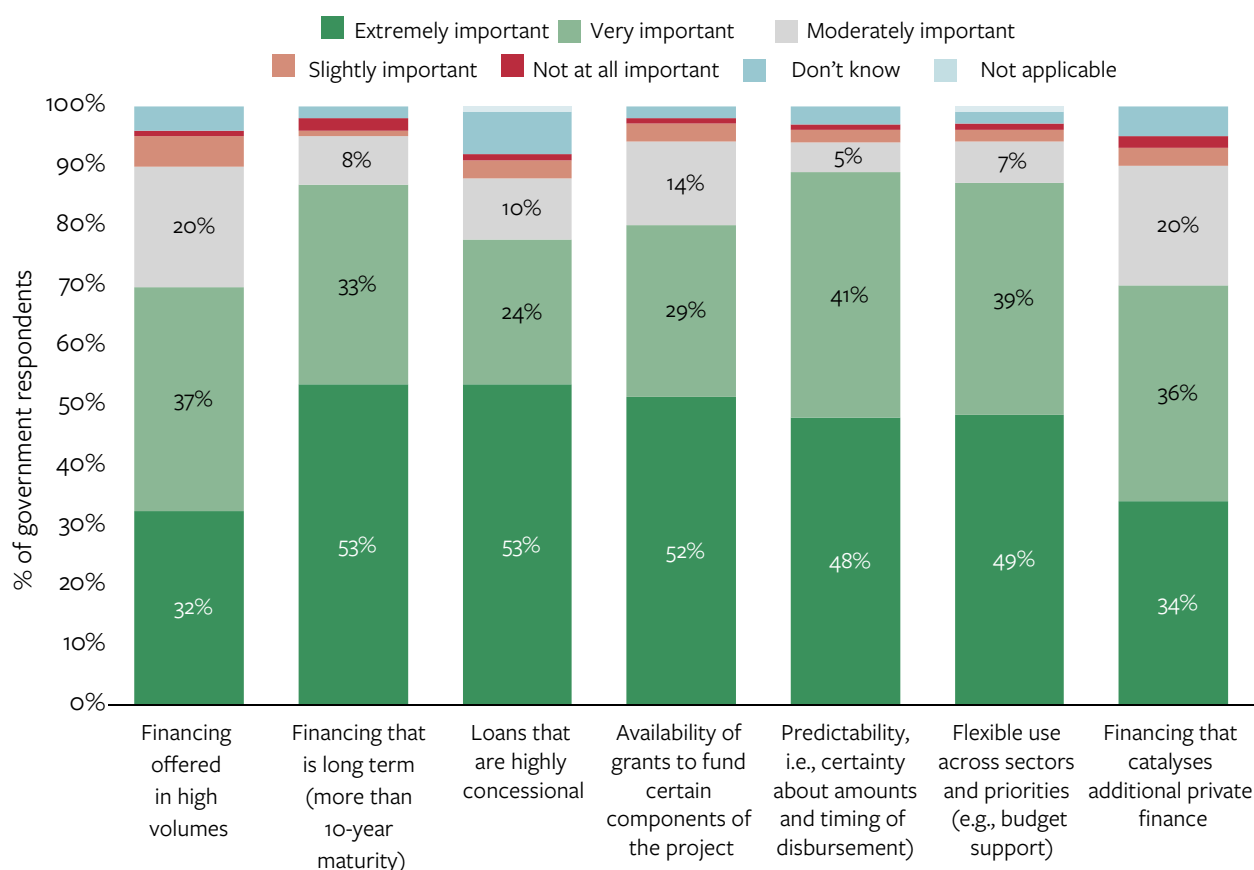
Nine (9) in 10 government respondents thought that predictability, flexible use across priorities and sectors, and loans that had longer maturities were either very or extremely important (90%,<sup>41</sup> 88% and 86% of respondents respectively) financing characteristics of grants and loans

<sup>41</sup> These results are rounded to the closest unit hence the discrepancy with data in Figure 10.

for the long-term socioeconomic development of their countries. At least three-quarters of government officials then rated the availability of grants for certain parts of the projects/

programmes (81%) and loans that were highly concessional (78%) as very or extremely important. Results are summarised in Figure 10.

**Figure 10** Financing development: importance of financing terms and modalities for socioeconomic development



Source: Authors' survey; 352 government respondents. Question: *Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?* In the online questionnaire, characteristics were randomised.

Other characteristics of the financing offer of MDBs – high financing volumes and catalysing additional private finance – were considered important by a smaller share of government respondents, albeit still by the majority (70% and 69%, respectively).<sup>42</sup>

These results did not significantly differ between regions and lending groups but there was one exception. Government respondents from countries eligible for IDA funding rated the availability of highly concessional funding as significantly more important compared to

<sup>42</sup> These results are rounded to the closest unit, hence the discrepancy with data in Figure 10.

informants from IBRD-eligible countries (88% versus 66%).<sup>43,44</sup> IDA countries tend to maximise concessional borrowing (see Prizzon et al., 2020, for a review) and can borrow from MDBs at rates that are significantly lower than those they might be offered on international or domestic capital markets, if there is such an option.

**All seven financing terms/modalities were found to be either very or extremely important by a higher proportion of government than MDB respondents. Some differences between the two groups of respondents were quite large.**<sup>45</sup>

Looking at the predictability of financing (certainty about amounts and timings), as we have seen above nine in 10 government respondents (90%) found it to be important or very important. This compared to 58% of MDB respondents who thought the same. Predictability of financing was the characteristic rated most highly by government representatives and one of the lowest rated by the MDB respondents. Another characteristic with a critical difference was financing offered in high volumes: this was very or extremely important for the country's long-term development from the viewpoint of government representatives (70%) but not so much for MDB respondents (47%). A relative consensus was reached around two characteristics: financing that catalyses additional private finance (a difference of 7 percentage points) and loans that are highly concessional (a difference of 10 percentage points).

How then do MDBs perform against these characteristics of grants and loans? We asked

government respondents only about the performance of MDBs on each of the seven characteristics of financing (Figure 11).

First, most government respondents were of the opinion that MDBs were good or very good at providing financing that had long-term maturity, was at scale, highly concessional, predictable, flexible and that offered grant financing for certain components of the project. The only exception was the ability of MDB funding to catalyse additional private finance, which was rated as good or very good by less than half the government officials (42%). This was in line with the mixed views of the ability of MDBs to mobilise private finance included in the literature review (Section 2.2). It is worth noting that mobilising additional private finance was also assessed one of the least important contribution grants and loans could make to the long-term development of countries but was still valued extremely or very important by more than two-thirds of government informants (Figure 10).

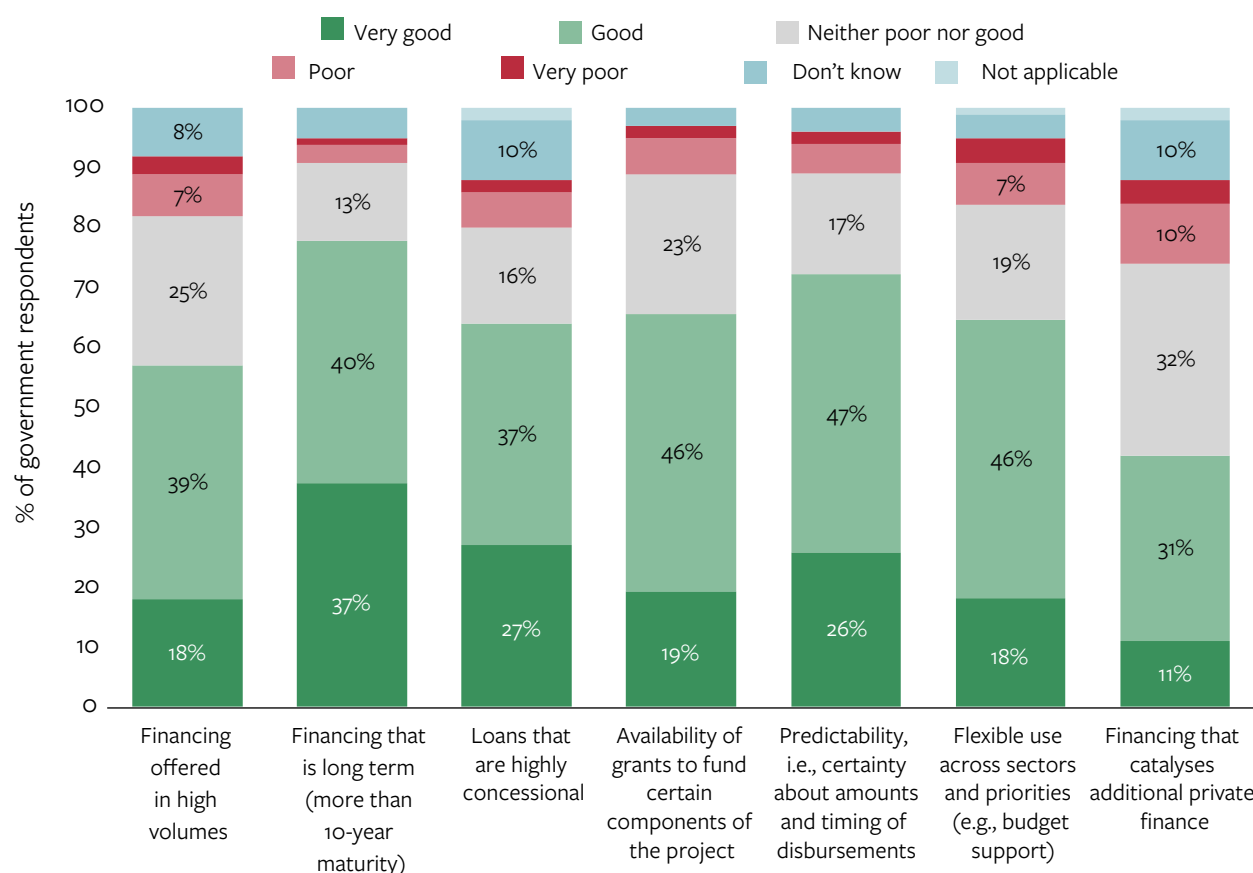
Second, the vast majority of government respondents were of the opinion that MDBs were effective at offering financing with long-term maturity (more than 10 years). More than three-quarters rated the performance of MDBs either as good or very good (77%), significantly greater than any other dimension assessed. Nearly three in four respondents (72%)<sup>46</sup> also found the predictability of funding from MDBs to be either good or very good.

<sup>43</sup> Results broken down by groups are not shown in Figure 10.

<sup>44</sup> However, government officials in IDA countries still gave the highest scores to three other dimensions, in line with the overall assessment above: predictability, flexible use of funding across sectors and priorities, and loans that have long maturities.

<sup>45</sup> Results broken down by groups are not shown in Figure 10.

<sup>46</sup> These results are rounded to the closest unit hence the discrepancy with data in Figure 11.

**Figure 11** Financing development: perceived performance of MDBs

Source: Authors' survey; 352 government respondents. Question: *And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.* In the online questionnaire, characteristics were randomised.

Third, MDBs as a group were assessed to be relatively less effective on other dimensions of financial flows that were considered important for respondents: availability of grant funding and of highly concessional loans (64% and 65%, respectively).<sup>47</sup> However, unpacking answers by groups of respondents, the ability of MDBs to provide highly concessional loans was rated highly by government respondents from countries that were IDA eligible, and from two regions –

Africa, and East/South Asia and the Pacific. In these countries, 79% of government informants in IDA countries and in East/South Asia and the Pacific and 76% in the selected African countries found the performance of MDBs to be good or very good, significantly greater than in the other regional or lending groups, and scoring as high as the rating given to the ability of MDBs to provide long-term finance.<sup>48</sup> Again, these were the countries in our sample that prioritised

<sup>47</sup> These results are rounded to the closest unit, hence the discrepancy with data in Figure 11.

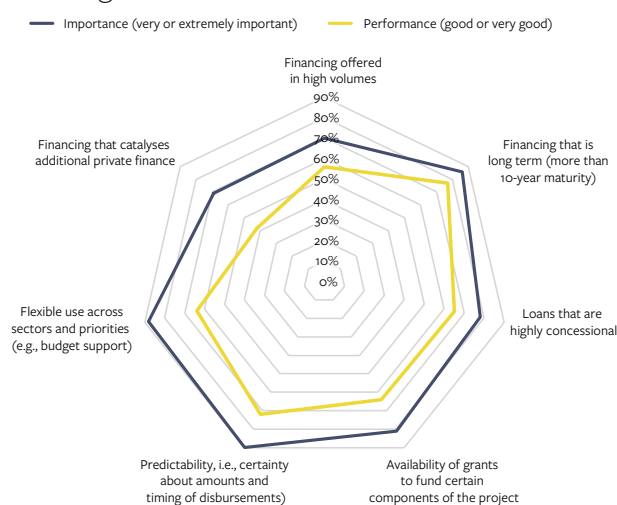
<sup>48</sup> These results are now shown in Figure 11. On the other dimensions of financing characteristics, there were no differences between groups that were statistically significant.



concessional finance and had fewer financing options to support their national budgets and medium-term plans, while access to highly concessional loans is restricted or not available to higher-income countries.

Finally, how did the perceived performance of MDBs compare with the importance government officials attributed to the seven desirable characteristics of grants and loans (Figure 12)? Two of the highest rated characteristics of financing in terms of their importance in supporting long-term socioeconomic development – loans that have long maturities and predictability of funding – were also the two areas where government officials thought MDBs were the most effective. However, while flexibility in the use of finance was rated as the second most *important* characteristic of finance (nearly 9 in 10 government respondents rated it a very or extremely important characteristic), this was not where MDBs were considered most *effective* by government respondents. When it came to flexibility in the use of funding, the performance of MDBs was rated good or very good by two-thirds of respondents (64%) and it was the fourth-best performing aspect out of seven. This is also the second to largest difference in the assessment between ‘importance’ and ‘performance’ among the seven financing aspects (the largest was the ability of MDBs to catalyse private finance).

**Figure 12** Importance versus performance: financing characteristics



Source: Authors' survey; 352 government respondents.

*Question 1: Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?*

*Question 2: And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.*

### 4.1.2 Strengths and weaknesses

**First, based on our survey, on average respondents from client countries and MDB country offices were nearly twice as likely to point out advantages rather than disadvantages of grant and loan financing offered by MDBs.**<sup>49</sup> On average, informants chose 5.0 options among the set of advantages offered against 2.6 options among the disadvantages. Respondents were asked to choose as many options as needed.<sup>50</sup>

Among response options, we offered a similar number of perceived advantages and disadvantages (10 items in each question), based on the review of the literature. Advantages and disadvantages were paired in these two questions. We did not distinguish between grants and loans, as their allocation in IDA countries is determined by the risk of future debt sustainability.<sup>51</sup>

More specifically, three areas were identified as the main strengths of the financing offer of MDBs among those covered in the literature review in Section 2.2: first, the **combination of grants/loans with policy advice, technical assistance, knowledge generation and convening** (69% of respondents), in line with the answers we analysed in Chapter 3. This was followed by the **ability of MDB financing to fill financing gaps and to provide financing at scale** (63% of respondents each) (Figure 13a). At the bottom, only 27% of respondents mentioned low transaction costs for negotiating grants and loans with MDBs as one of the main advantages of MDBs.

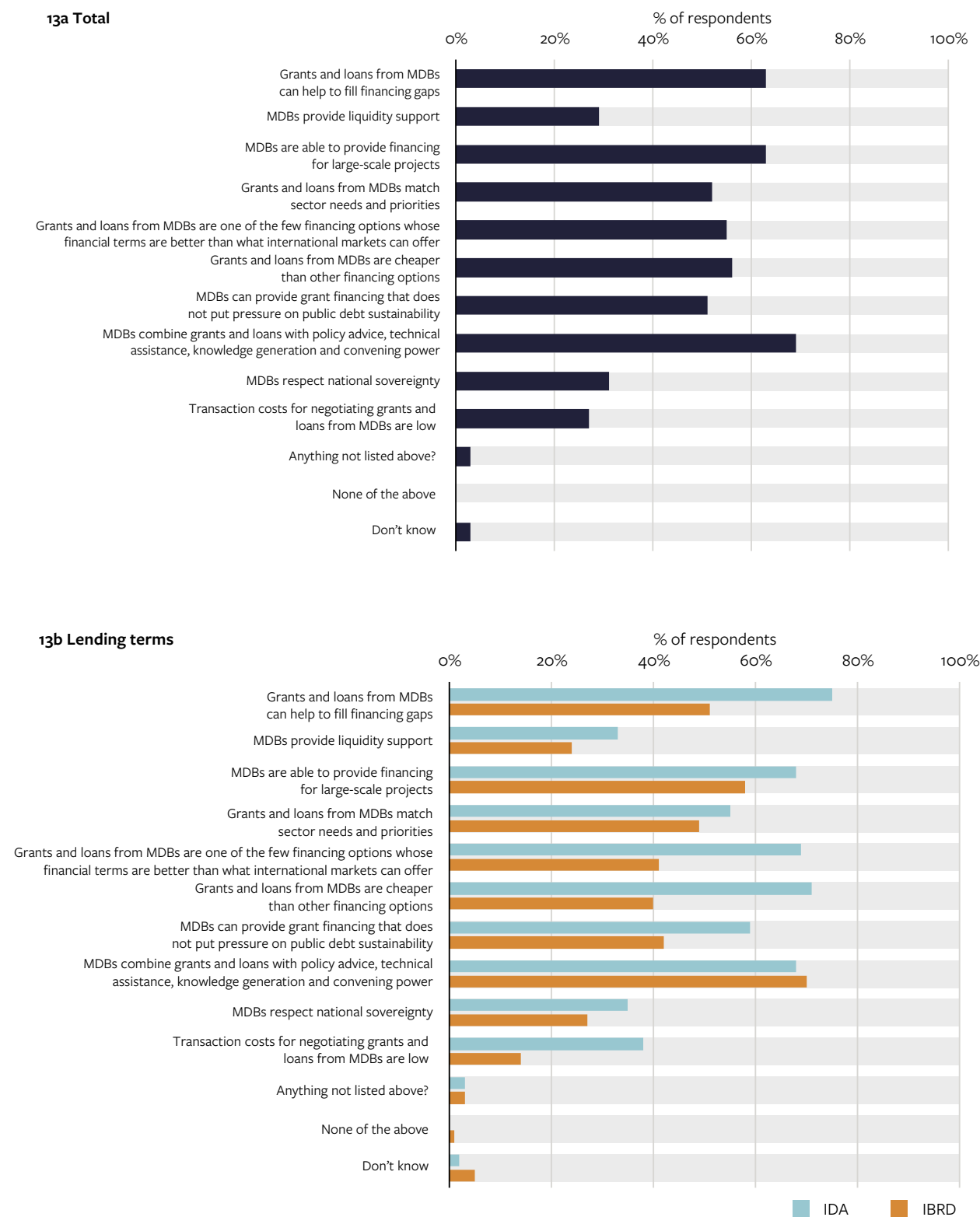
In addition, in this instance, a few differences – or the lack of – between groups are worth flagging, either challenging or corroborating the findings in the literature.

**Respondents from IDA countries were more likely than those from IBRD countries to select those advantages associated with being cheaper than other financing options and financing needs** (Figure 13b). More than 71% of respondents from IDA countries found that one from the selected IDA countries compared to other financing options (this figure was 40% in IBRD countries), while 69% of respondents from the selected IDA countries also cited how grants and loans were one of the few financing options with terms better than those offered by the markets (41% in IBRD countries). Three-quarters of respondents in IDA countries (75%) recognised the ability of MDB grants and loans to help fill financing gaps; this figure was just one in two in IBRD countries (51%). Once again, these responses reflect how concessional finance is prioritised in those countries with limited access to capital markets and the largest funding needs. Similarly, respondents from countries in Africa, as well as East/South Asia and the Pacific, were more likely than those from Eastern Europe/Central Asia/Middle East and Latin America to cite those advantages that were associated with loan concessionality and financing needs. This was to be expected, as most IDA countries are in Africa and East/South Asia and the Pacific (Figure 13c).

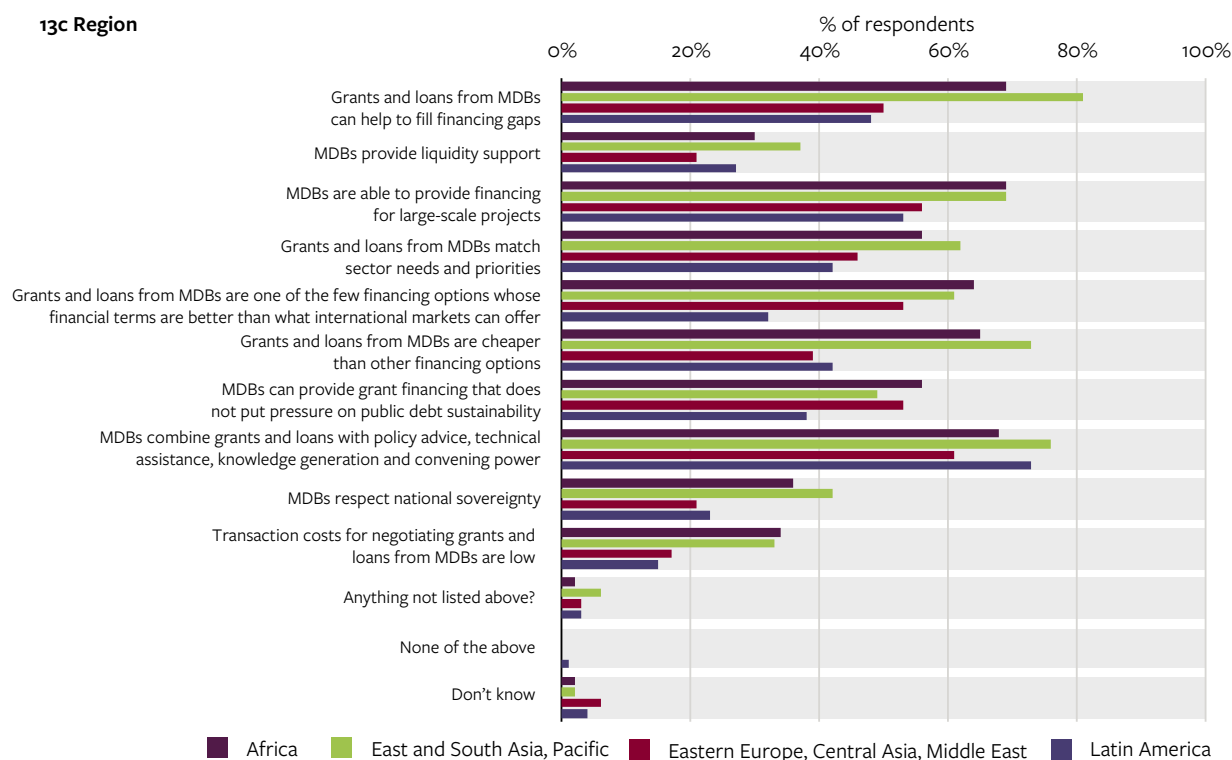
49 There were no significant differences between government and MDB respondents in this case.

50 It is worth noting that the average number of advantages selected by respondents was not different between government and MDB respondents: 4.98 and 4.97 responses, respectively; however, government respondents selected slightly more disadvantages than MDB respondents: 2.70 and 2.49 responses, respectively.

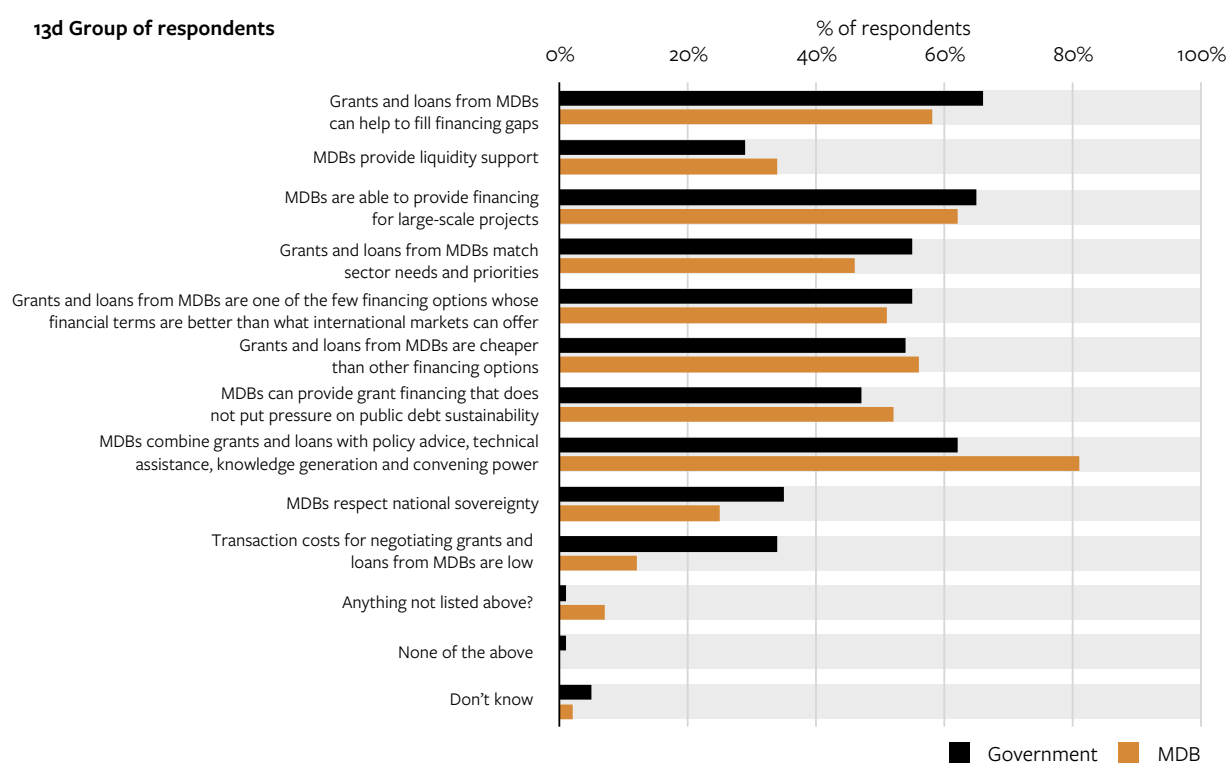
51 This would have meant creating different questions for the survey, lowering the sample for each question, on top of the personalisation based on countries. Most points in Figures 13 and 14 apply to both grants and loans though.

**Figure 13** The advantages of grants and loans offered by MDBs

## 13c Region



## 13d Group of respondents



Source: Authors' survey; 487 respondents. Question: *We would like to ask you about the possible positive and negative sides of grants and loans offered by multilateral development banks. First, what are the main advantages of grants and loans offered by multilateral development banks for #country#? Please select as many responses as needed.* In the online questionnaire, options were randomised.

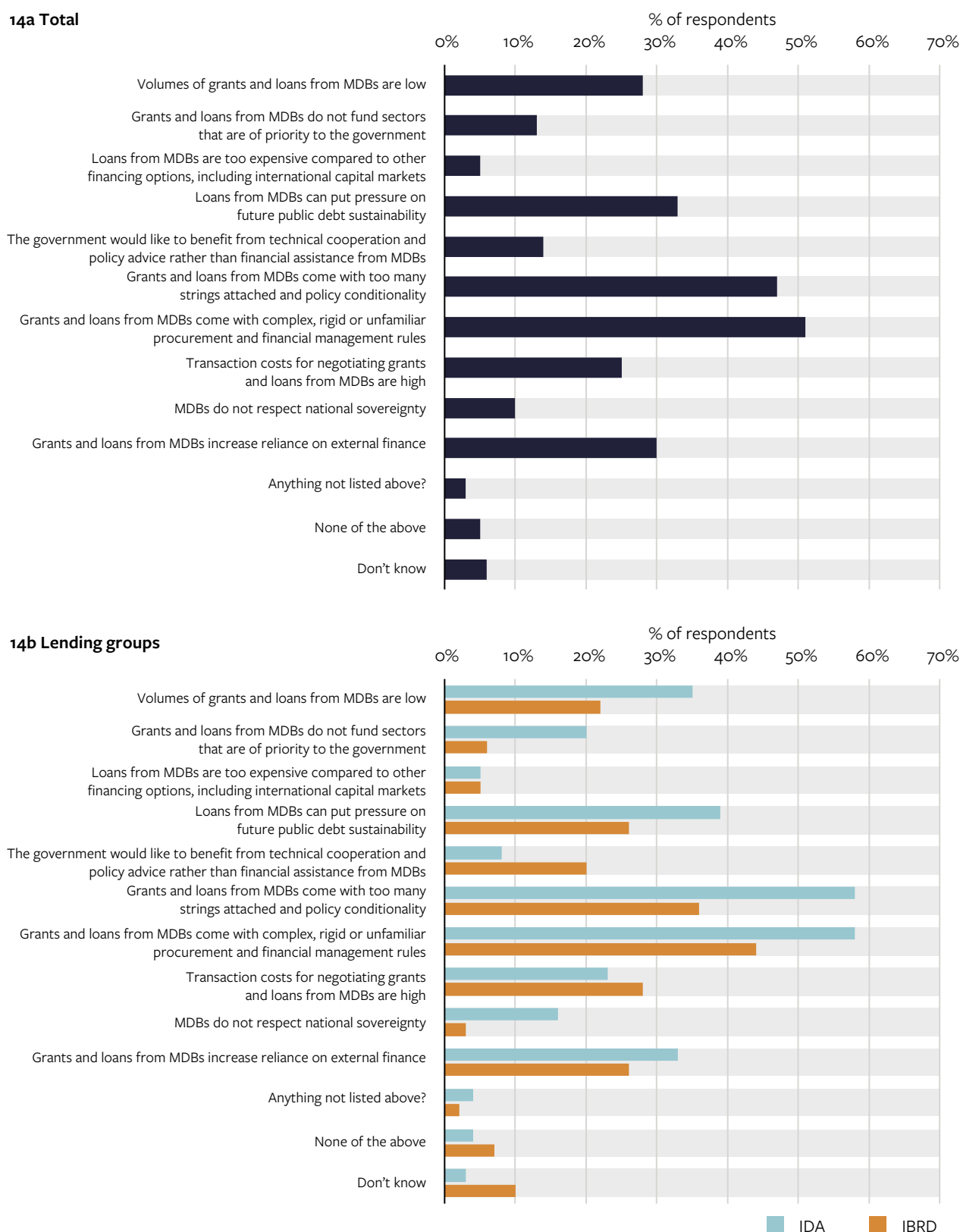
**The divergence in opinions between government and MDB respondents on the strengths of grants and loans of MDBs was small** (Figure 13d). However, there were two exceptions. First, a greater proportion of government officials thought the low transaction costs of negotiating projects and programmes with MDBs were a strength of their model: three in 10 government respondents compared with only one in 10 MDB officials thought this the case. A potential explanation of this point is that government officials might perceive the transaction costs of negotiations to be lower compared to other development partners, such as traditional bilateral donors, as MDB projects and programmes are usually of greater volume. Second, MDB respondents were more likely to consider the combination of policy advice, finance, knowledge and convening power to be an advantage of the MDB model compared with government officials (81% versus 62%). However, this strength remained among the top-three most cited by government officials.

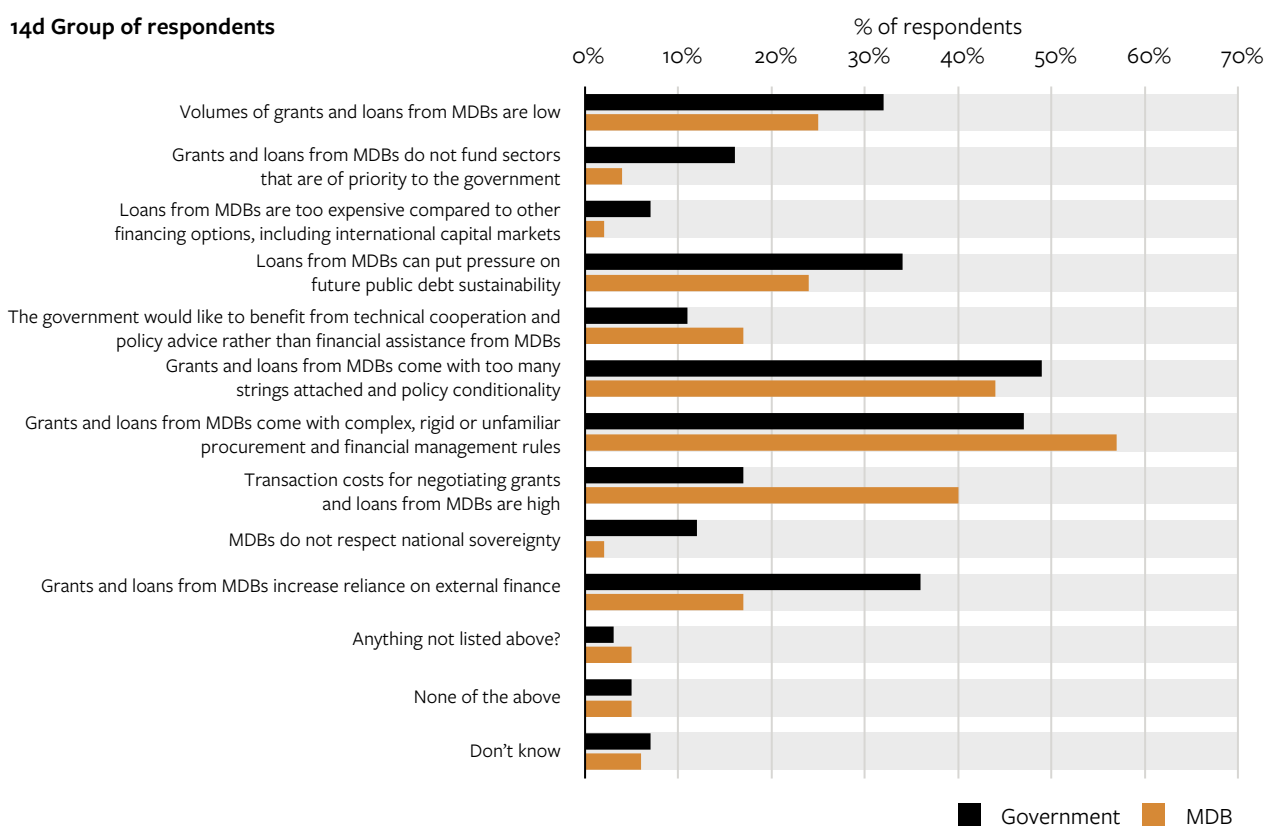
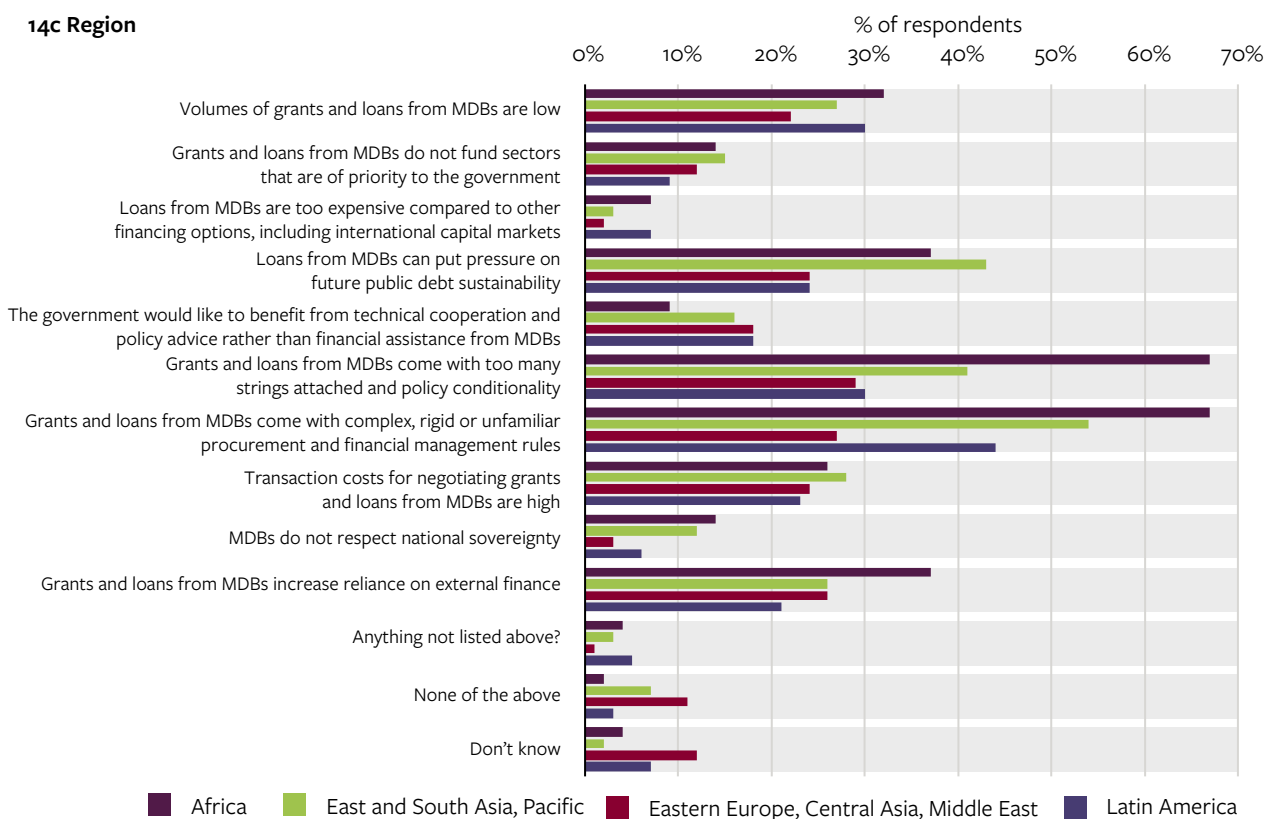
Turning to the weaknesses of MDB operations and financing, two areas were identified as most important by respondents (Figure 14).

One in two respondents thought that **grants and loans from MDBs that came with complex, rigid or unfamiliar procurement and financial management rules** (51% of respondents) were a disadvantage (Figure 14). This view was most prevalent in African countries (67%) and East/South Asia and the Pacific (54%), and significantly greater among IDA (58%) than IBRD countries (44%). In line with other answers to our questionnaire, again one in two respondents (47%) indicated **policy conditionality and strings attached as one of the main disadvantages of grants and loans from MDBs**.

Again, this proportion was significantly higher in Africa (67%) and IDA countries (58%) than in other regions and compared to IBRD countries (Figure 14).

One in three government respondents also thought the volume of grants and loans was low (32%), that loans from MDBs could put pressure on future debt sustainability (34%), and that they increased reliance on external finance (36%). It is also worth flagging that only 7% of government respondents thought that loans from MDBs were too expensive compared to other financing options, including capital markets. One might have expected this answer to be chosen more frequently by respondents from IBRD countries, which have access to capital markets offering good rates compared to MDBs. However, the proportion of government respondents did not differ between IDA and IBRD countries on this point.

**Figure 14** The disadvantages of grants and loans offered by MDBs



Source: Authors' survey; 487 respondents. Question: *And what are the main disadvantages of grants and loans offered by multilateral development banks for #country#? Please select as many responses as needed.* In the online questionnaire, options were randomised.

In most cases, the differences in opinion between the government and MDB respondents were not statistically significant. However, some of those differences were significant and are worth flagging. (Figure 14d):

- **On average, MDB officials significantly underestimated the perception of government officials regarding weaknesses of the financing offer of their institutions in two dimensions: their country's reliance on external finance and, more importantly, the misalignment of MDB projects and programmes to national priorities.** First, 36% of government officials indicated that MDB finance increased their country's reliance on external finance, compared to 17% of MDB respondents. Second, only 4% of MDB staff believed their grants and loans did not fund sectors that are of priority to the government, a proportion that went up to 16% among government officials.
- **One exception where MDB officials overestimated a concern of government officials regarded the perception of transaction costs for project/programme negotiations.** While 17% of government respondents thought that transaction costs for the negotiation grants and loans offered by MDBs were high, more than double the share of MDB staff (40%) thought this to be the case.<sup>52</sup> This might be due to government officials comparing MDBs with other development partners whose volume of assistance could be lower than that of MDBs.

## 4.2 Technical assistance and policy advice

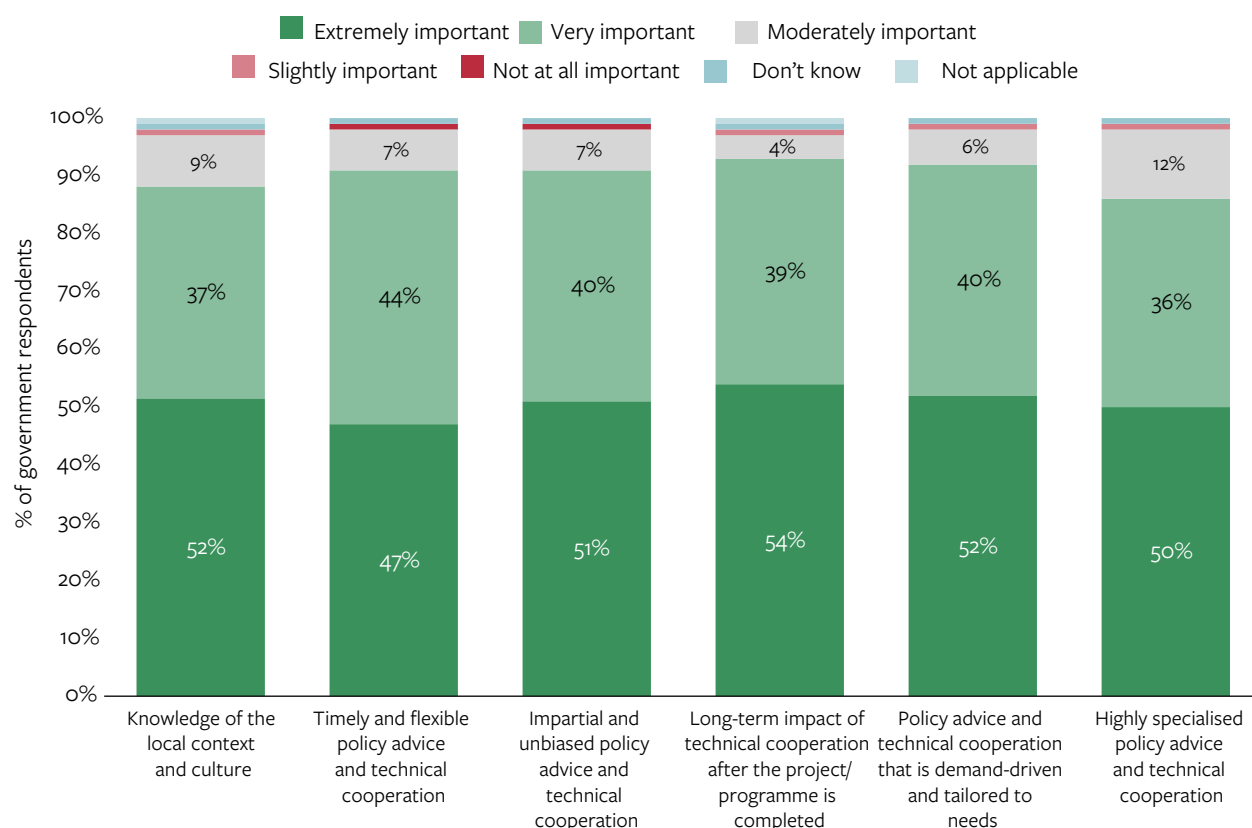
### 4.2.1 Importance and performance

As much as for the grants and loans offered by MDBs, we first wanted to assess the extent to which certain desired characteristics of technical assistance and policy advice mattered for respondents and how effective the offer of MDBs as a whole was according to government officials. Reflecting on the review of the literature concerning strengths and weaknesses of the operations and financing of MDBs (Section 2.2), we identified the following six desirable features of technical assistance and policy advice: knowledgeable of the local context and culture; timely and flexible; impartial and unbiased; having a long-term impact beyond project and programme completion; demand-driven and tailored to needs; and highly specialised.

The vast majority of government respondents to this survey rated all these features of technical assistance and policy advice as either very or extremely important for the long-term socioeconomic development of their countries (around 90% for each feature; see Figure 15). Most prominently, 93% of respondents stated that the long-term impact of technical assistance and policy advice was either very or extremely important for their countries.

<sup>52</sup> There were no differences across groups of government respondents that were statistically significant.



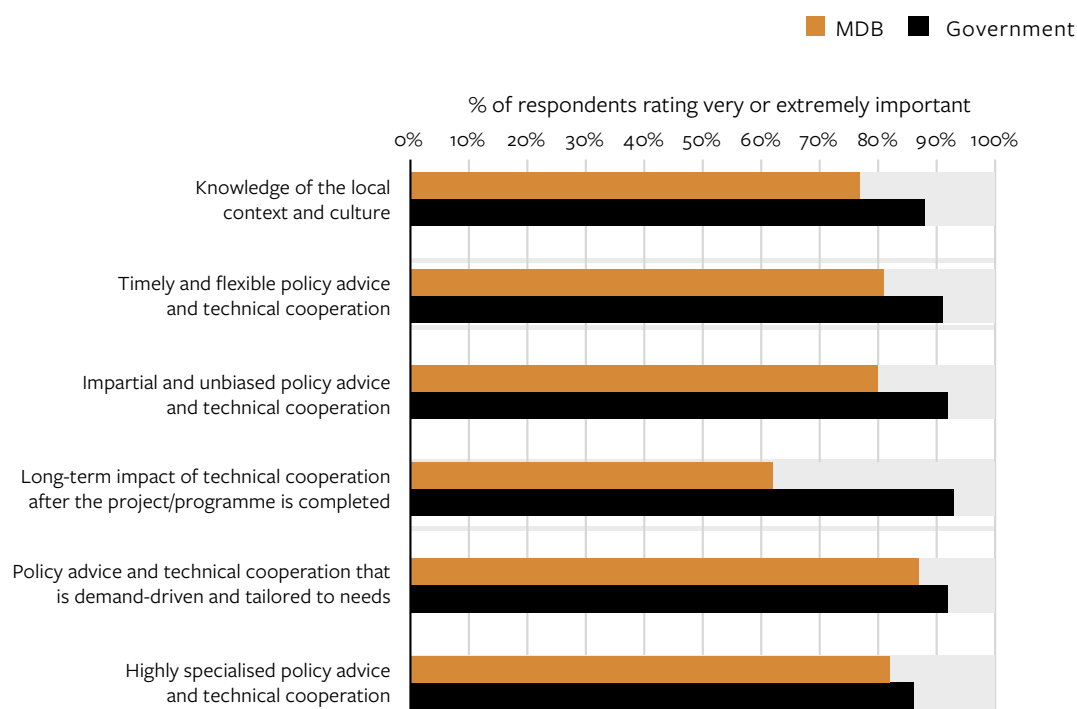
**Figure 15** Technical assistance and policy advice: importance for socioeconomic development

Source: Authors' survey; 352 respondents. Question: *Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?* In the online questionnaire, characteristics were randomised.

**If we look at the replies across the type of respondent, MDB staff tended to underestimate the importance of some characteristics of technical assistance and policy advice compared to government officials, with a couple of exceptions** (Figure 16).<sup>53</sup> For example, 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, but were only judged to be relevant by 77%–81% of respondents from MDBs. Yet the starkest difference in opinion between government officials and MDB staff

was in the relevance attributed to the long-term impact of technical assistance and policy advice once the project or programme was completed: 93% of government respondents rated this to be very or extremely important, compared to only 62% of MDB staff. This is one of the long-standing challenges for the impact of technical cooperation and policy advice, and signals that government officials might have a longer-term horizon than MDB officials and a greater focus on the sustainability of projects and programmes.

<sup>53</sup> Results broken down by groups are not shown here.

**Figure 16** Importance of technical assistance and policy advice: government and MDB respondents

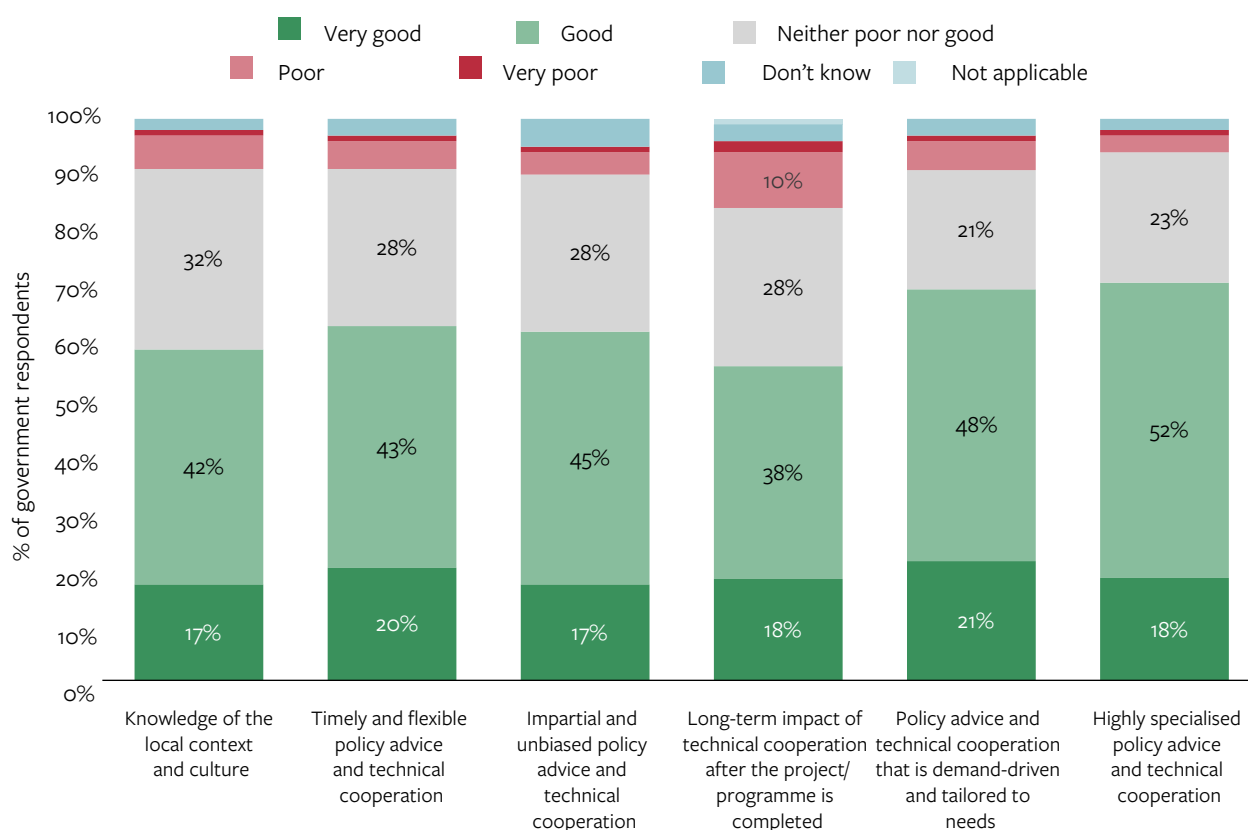
Source: Authors' survey; 352 government respondents and 135 MDB officials. Question: *Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?* In the online questionnaire, characteristics were randomised.

However, there was greater alignment of views of MDB staff with those of government officials for two key features of technical assistance and policy advice, notably the need for them to be demand-driven and tailored to needs, and highly specialised.

Again, how did government officials perceive the performance of MDBs to be in their offer of technical assistance and policy advice? First, most government respondents thought that MDBs were either good or very good at delivering all the aspects reviewed in the survey (Figure 17).

**Seven (7) in 10 government officials rated MDBs as very good or good at delivering highly specialised (70%) and demand-driven tailored to needs (69%) technical assistance and policy advice.**

**Figure 17** Technical assistance and policy advice: perceived performance of MDBs



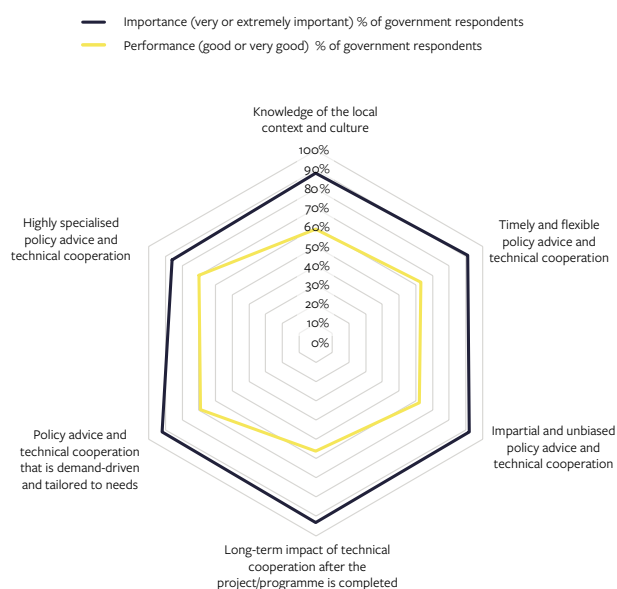
Source: Authors' survey; 352 government respondents. Question: *And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.* In the online questionnaire, characteristics were randomised.

While technical assistance and policy advice with long-term impact was assessed to be the most important dimension by government officials (93% thought it was either very or extremely important), this was the dimension that received the lowest performance rating among those offered in the survey (56%) (Figure 18). Furthermore, about six in 10 government respondents believed that the MDBs performed well or very well in delivering technical assistance

and policy advice that reflected knowledge of the local context, was timely and flexible, and was impartial and unbiased.

Albeit not directly comparable, it is worth noting that the discrepancy between perceived importance and performance of MDBs expressed by government officials on technical assistance and policy advice was starker here than in the case of the financing dimensions we reviewed in Section 4.1.

**Figure 18** Importance versus performance: technical assistance and policy advice



Source: Authors' survey; 352 government respondents.

Question 1: *Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?*

Question 2: *And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.*

#### 4.2.2 Strengths and weaknesses

Among the strengths of technical assistance and policy advice offered by MDBs that we provided in the questionnaire based on the review of the literature in Section 2.2, the vast majority of respondents agreed that **it helped to fill technical and knowledge expertise in the government (72%), it was of high quality (57%), it was combined with grants and loans (56%), and that the staff providing it were**

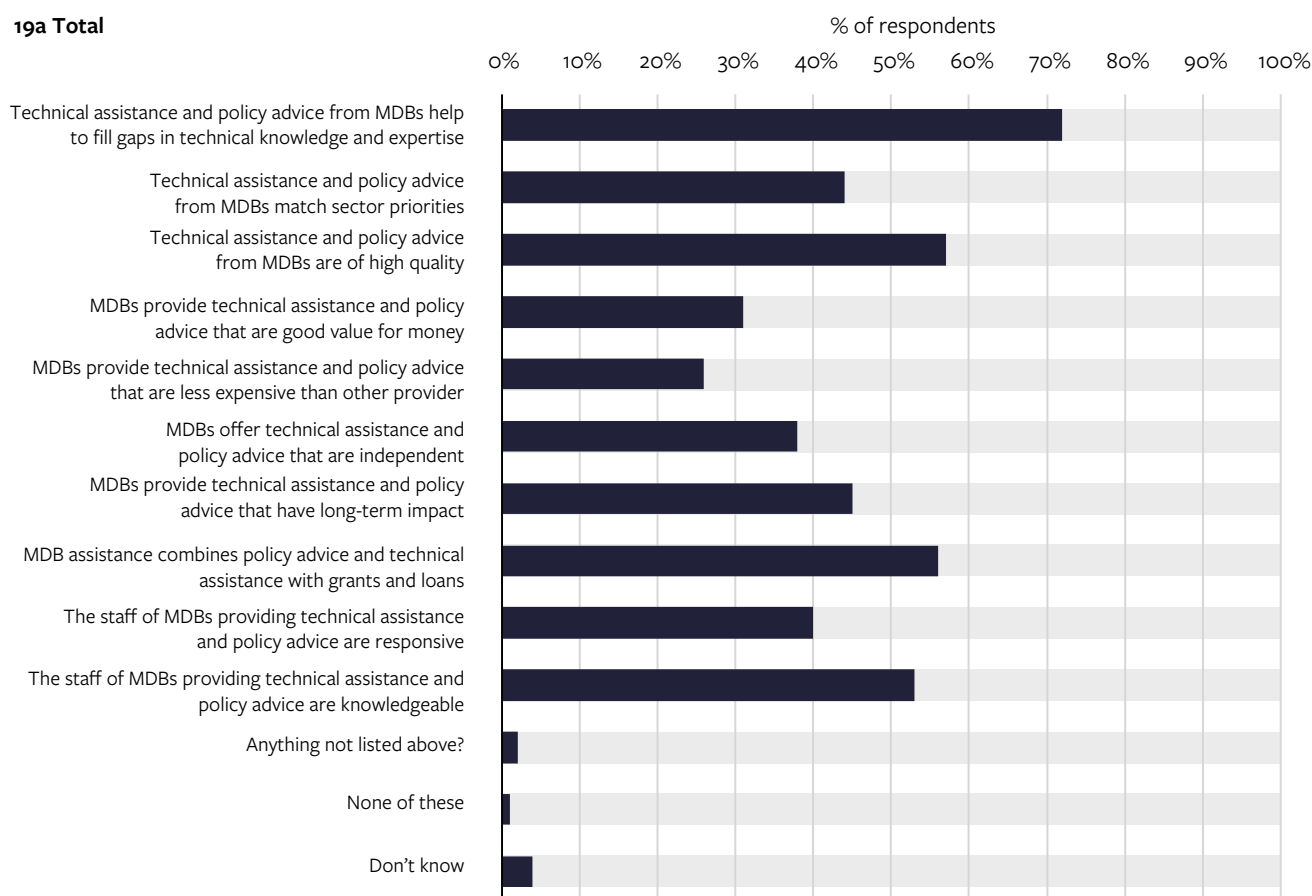
**knowledgeable (53%)** (Figure 19a). The strength of technical assistance and policy advice in filling knowledge and technical gaps was highlighted in particular among respondents in Africa and East/South Asia and the Pacific (78% and 84% among government officials, respectively) but less so by respondents from the other regions – as they might have greater capacity and express demand for more sophisticated and specialised technical assistance (Calleja and Prizzon, 2019). At the bottom, 38% of respondents considered the independence of the advice from MDB staff to be an advantage, while 40% considered it responsive, 31% thought it good value for money and 26% said it was less expensive than that from other providers (Figure 19b). We expected a greater share of respondents to suggest that one of the strengths of MDBs' technical advice was their independence, as the agendas of international institutions should not, in principle, be associated with the priorities of individual countries. This might not be considered important to government respondents – or at least may not be a critical factor; or it may be that MDBs are not perceived as independent. The low share of respondents that considered the technical assistance and policy advice of MDBs to be good value for money or less expensive than other providers was also unexpected, as most technical assistance comes together with a project or programme, free of charge or embedded in the financing of that main project or a programme.

While the ranking of these strengths of technical assistance and policy advice were similar between government and MDB respondents, **MDB staff tended to overestimate the perception of government officials regarding their offer of technical assistance and policy advice.** For example, 77% of MDB staff found the high quality of the technical assistance and policy advice to be an advantage of the MDB

offer, while a minority of government officials thought the same (49%). The same applied to the statement that MDB staff were knowledgeable (68% compared to 47%). Other discrepancies were found for the assertions that the technical assistance and policy advice of MDBs were independent (55% among MDB staff, 29% among government officials); that MDB staff were responsive (54% versus 34%); and that MDBs offered good value for money for their technical

assistance and policy advice (39% of MDB respondents compared to 26% of government officials) (Figure 19c). No major differences were highlighted between respondents from IDA and IBRD eligible countries.<sup>54</sup> We will need further analysis to test these hypotheses, but these results would suggest that other providers – UN agencies, bilateral donors, consulting firms – can provide better value for money or are less expensive than the MDBs in this area.

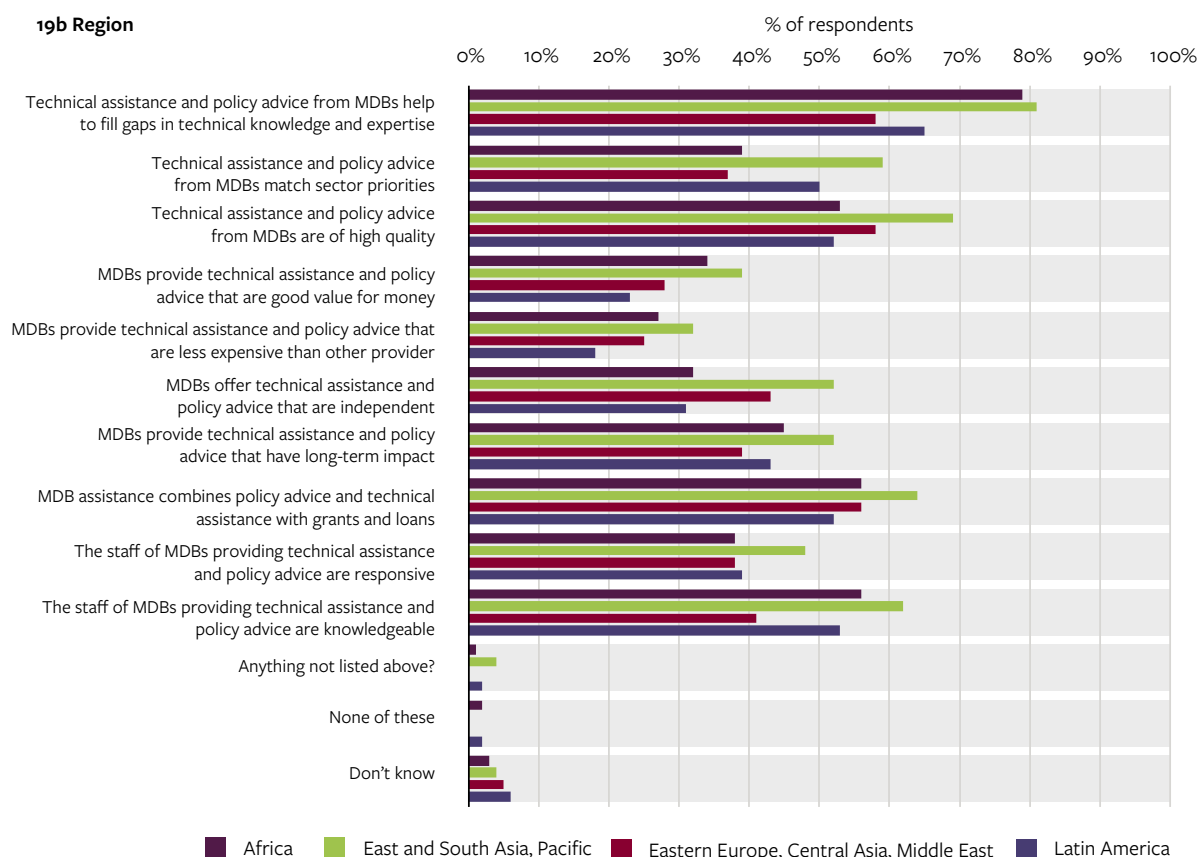
**Figure 19** The advantages of technical assistance and policy advice offered by MDBs



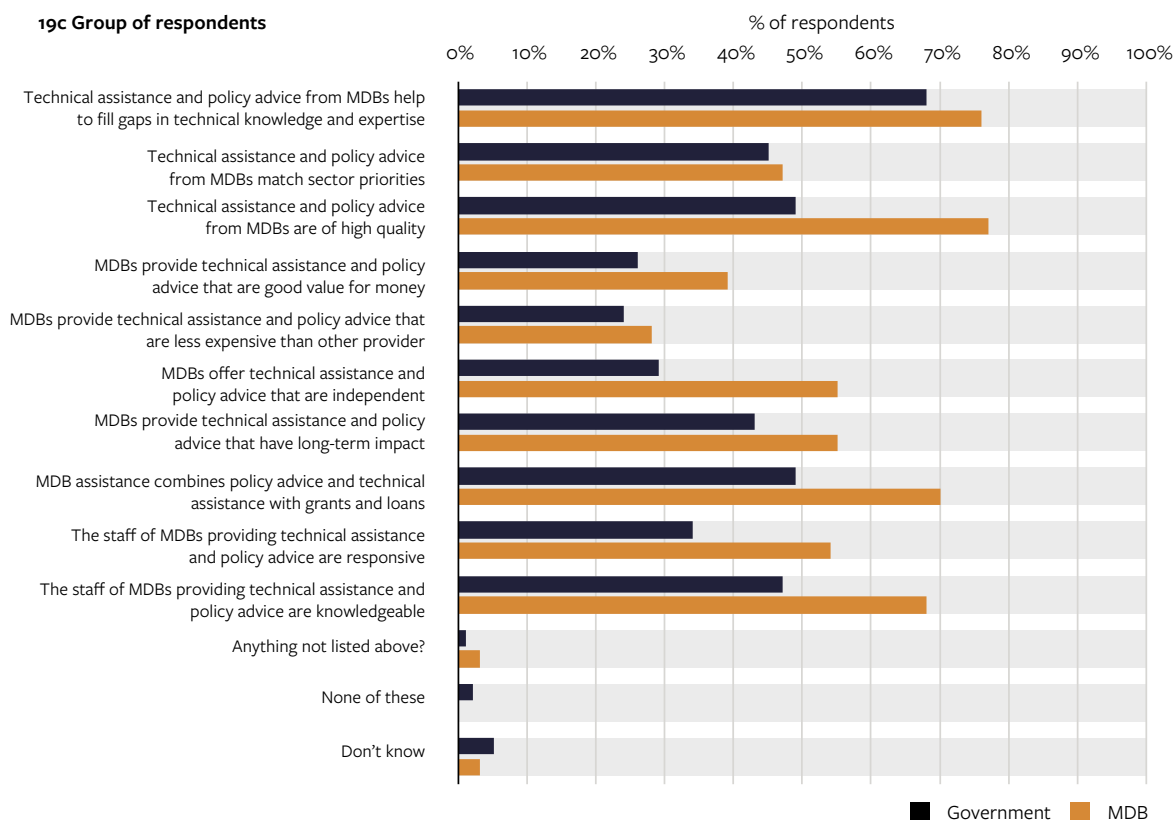
Source: Authors' survey; 487 respondents. Question: *And what do you think the government of #country# sees as the main advantages of technical assistance and policy advice offered by multilateral development banks?* In the online questionnaire, options were randomised.

<sup>54</sup> And we do not include it in these results Figure 19.

## 19b Region



## 19c Group of respondents

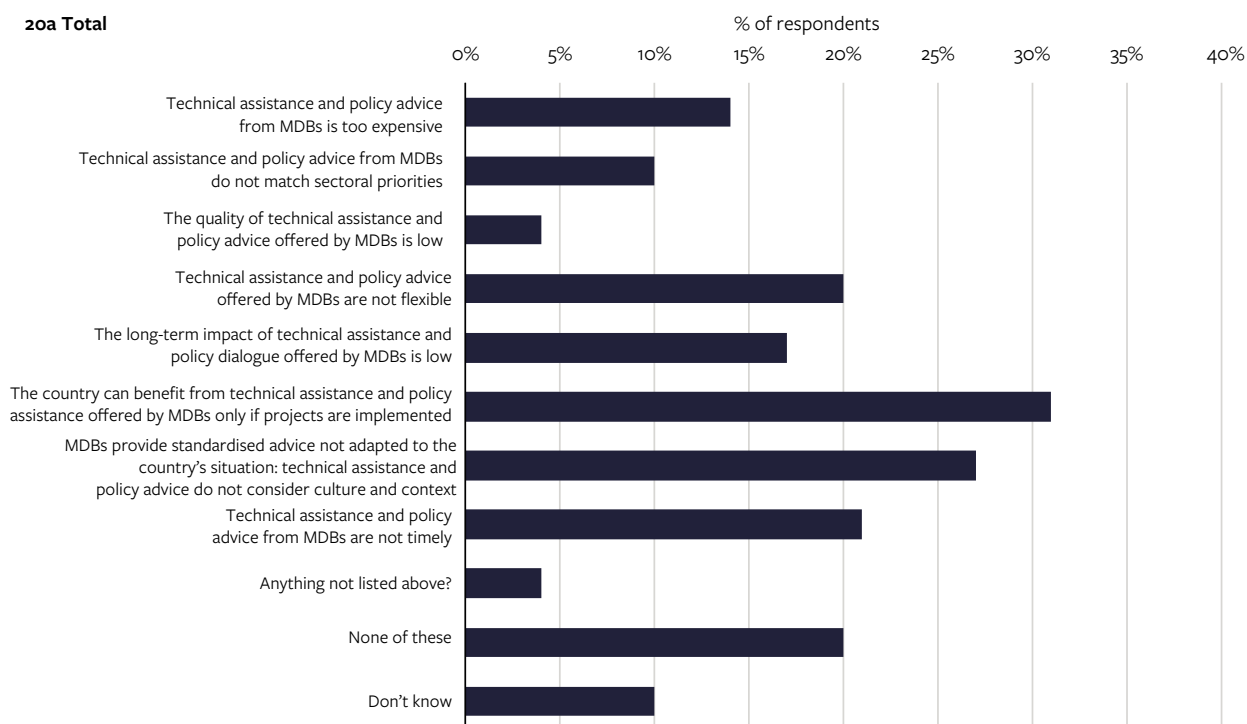


**Technical assistance and policy advice bundled with a project or a programme – i.e., only offered when a project or a programme was in place – was identified as the main weakness**

of the offer of MDBs: 38% of all government officials selected this option, suggesting a potential demand for separate provision from loans and grants. Further, more than one in four respondents (27%) indicated that technical assistance and policy advice were not tailored to the country situation, while 20% saw it as

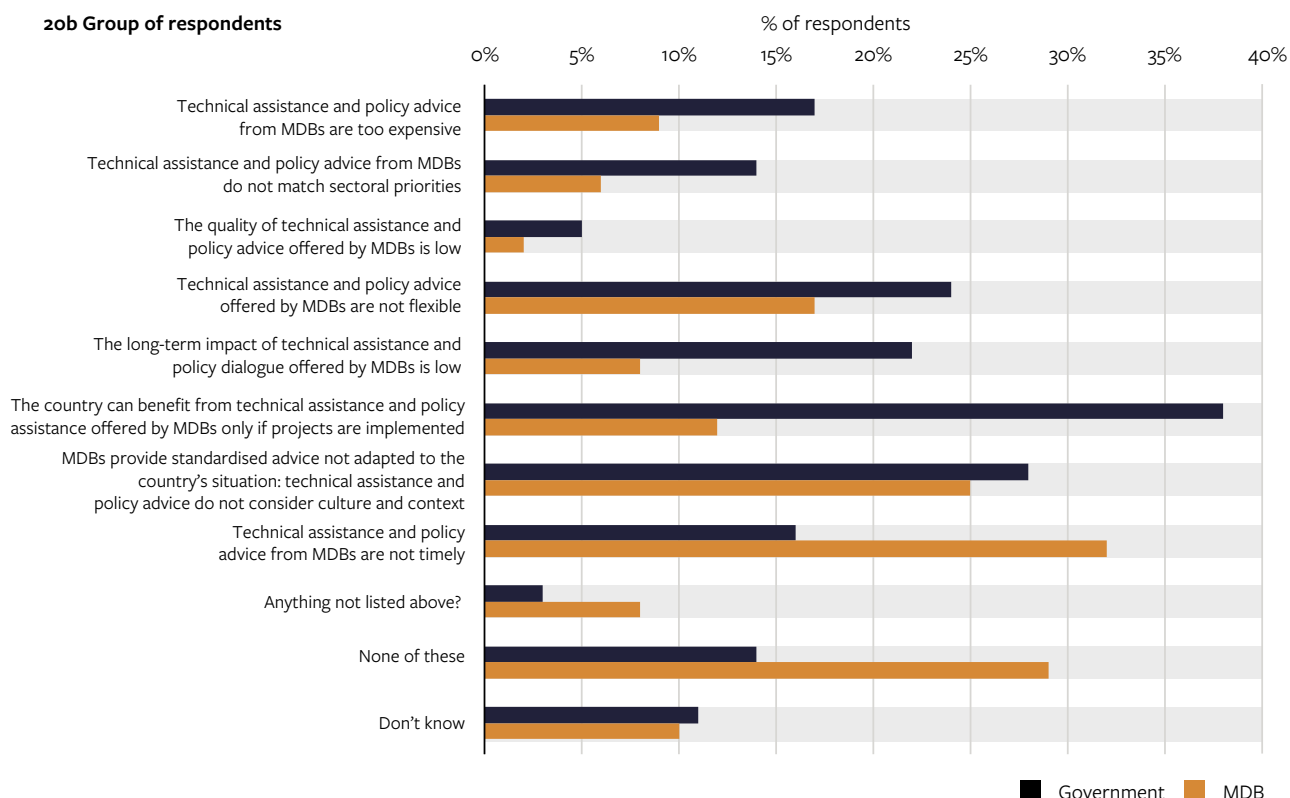
not flexible or not timely (21%) (Figure 20a). Respondents from IDA countries were more likely to raise concerns about the offer of technical assistance and policy advice.<sup>55</sup> A greater proportion of respondents from IDA countries than in IBRD countries thought that the long-term impact of technical assistance was low (21% versus 13%), that it was not tailored to the country's situation (32% versus 22%), and that was not timely (25% versus 16%).<sup>56</sup>

**Figure 20** The disadvantages of technical assistance and policy advice offered by MDBs



<sup>55</sup> Results are not shown in Figure 20.

<sup>56</sup> All these figures were statistically different. Regional differences were not statistically significant.



Source: Authors' survey; 487 respondents. Question: *And what are the main disadvantages\* of technical assistance and policy advice offered by multilateral development banks for #country#? Please select as many responses as needed.* In the online questionnaire, options were randomised.

**Just as MDB officials were more likely to emphasise the strengths of their offer of technical assistance and policy advice compared to government officials, so government officials tended to be more critical than MDB staff.** Nearly one in three MDB staff did not see any of the options offered as disadvantages of the offer of technical assistance and policy advice; this was twice as many compared to government officials (14%). The only exception was that MDB staff were more likely to suggest that technical assistance and policy advice were not timely (32%) compared to government officials (16%) (Figure 20b).

## 4.3 Development effectiveness and operations

### 4.3.1 Importance and performance

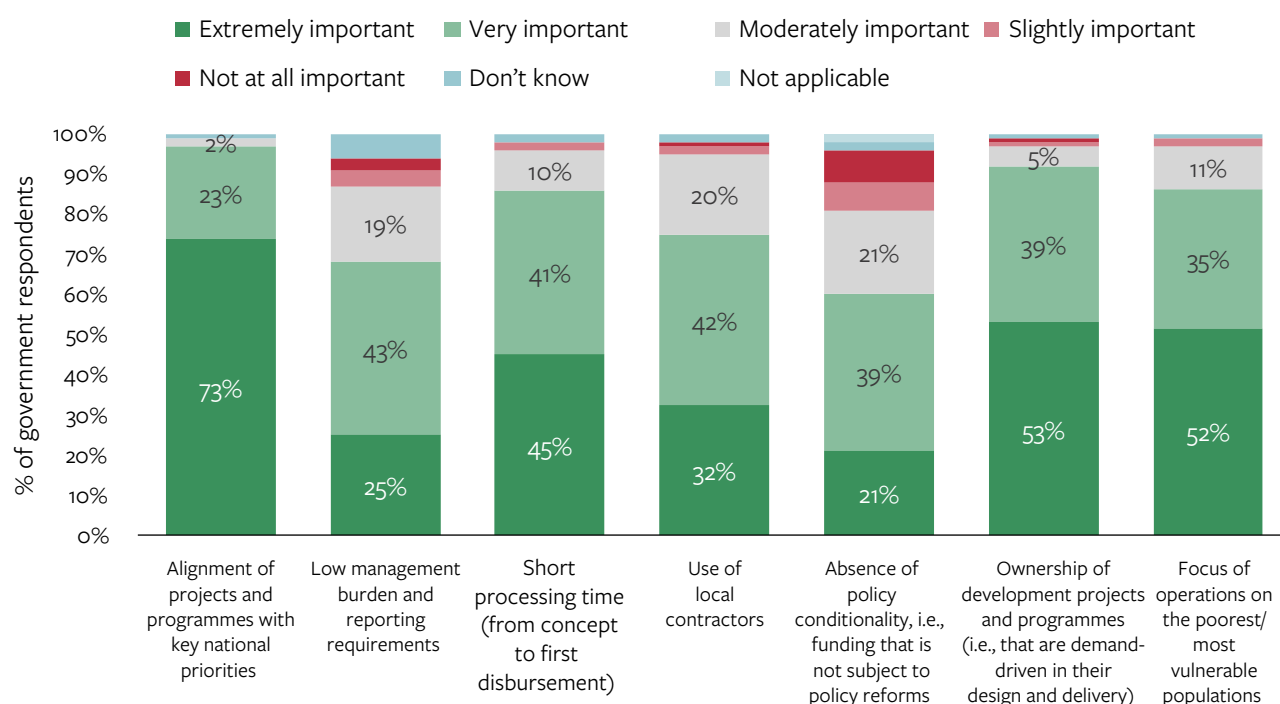
Last, we aimed to assess how certain dimensions of development effectiveness – as defined in the principles of development effectiveness (OECD and UNDP, 2019) – and project delivery were judged to be important by respondents for the long-term socioeconomic development of their country and to what extent MDBs' performance scored against these. We focused on seven aspects, partly reflecting the principles of development effectiveness and partly using some of the strengths and weaknesses of MDB operations as emerged in the literature review in Section 2.2: alignment of projects and



programmes with key national priorities; low management budget and reporting requirements; short processing time (from concept to first disbursement); use of local contractors; absence of policy conditionality; ownership of

development programmes and projects (demand-driven in their design and delivery); and finally, a focus of operations on the poorest and most vulnerable countries.

**Figure 21** Development effectiveness and delivery: importance for socioeconomic development



Source: Authors' survey; 352 respondents. Question: *Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important?* In the online questionnaire, characteristics were randomised.

While at least six in 10 government respondents found all dimensions to be very or extremely important, two stood out: **alignment of projects and programmes with key national priorities** and **ownership of development programmes and projects** (Figure 21). These were rated either very or extremely important by approximately nine in 10 government respondents (96% and 92%

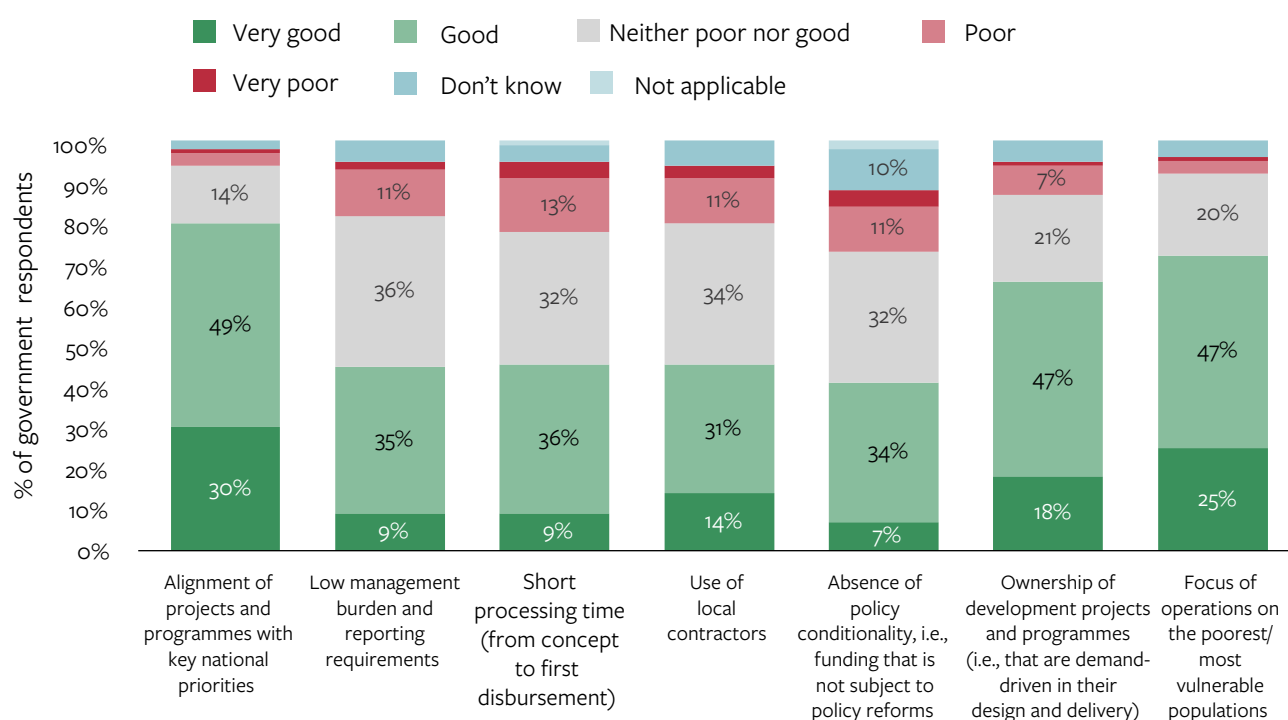
respectively), particularly among respondents from the selected African countries (100% and 96%) and countries in East/South Asia and the Pacific (96% and 95%).<sup>57</sup> These results may reflect their prominence in the aid effectiveness agenda. Short processing time and a focus on the poorest and most vulnerable countries emerged as the next most important features of operations

<sup>57</sup> Results by region are now shown in Figure 21.

(selected by 86% of respondents each).<sup>58</sup> There were no statistically significant differences between regional and lending groups, except for government officials in Latin American countries who were more likely to cite the absence of policy conditionality than those in other regions

(73%, against, for example, 56% of respondents in the African countries) as an extremely or very important aspect of the operations of MDBs for the socioeconomic development of the country (these results are not shown in Figure 21).

**Figure 22** Development effectiveness and delivery: perceived performance of MDBs



Source: Authors' survey; 352 government respondents. Question: *And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.* In the online questionnaire, characteristics were randomised.

As was the case for the analysis of the relevance of certain characteristics of technical assistance and policy advice, the proportion of government respondents rating these aspects as either very or extremely important was always much higher than

for MDB staff, with some attributes being assessed as up to twice as important by government officials, compared to MDB respondents.<sup>59</sup> The starkest difference lays in the perception of the importance

<sup>58</sup> These results are rounded to the closest unit hence the discrepancy with data in Figure 21.

<sup>59</sup> For example, for low management burden and reporting requirements, government officials' rating was extremely or very important in 68% of cases, while for MDB officials it was 39%. Equivalent figures for other characteristics were as follows: short processing time: government officials (86%), MDB officials (49%); use of local contractors: government officials (74%), MDB officials (40%); alignment to national priorities: government officials (96%), MDB officials (88%); ownership of development programmes: government officials (92%), MDB officials (79%); focus on the poorest countries: government officials (86%), MDB officials (64%).

of the absence of policy conditionality: this was considered relevant by less than 25% of MDB staff but by nearly 60% of government officials.

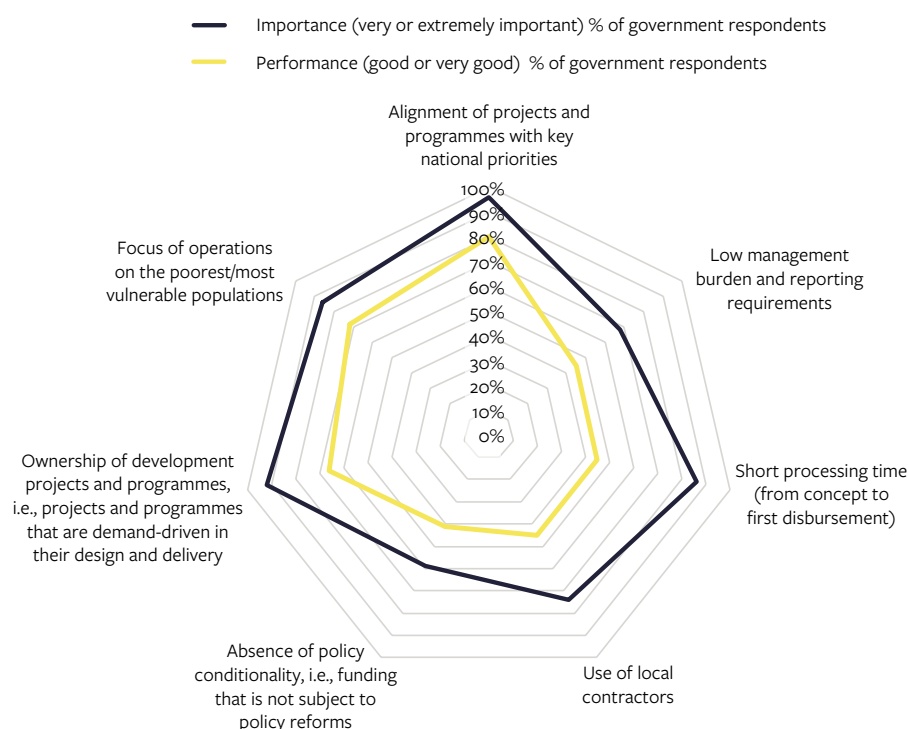
**The alignment of projects and programmes to national priorities was scored highest by government officials in terms of MDBs' performance across all dimensions of operations and development effectiveness included in the questionnaire.** Four in five government respondents (80%) assessed this as either good or very good (Figure 22). Focus on the poorest and most vulnerable was rated as either good or very good by 72% of government respondents and respect for ownership of development programmes by 66%. These results are rounded to the closest unit hence the discrepancy with data in Figure 22. Results were not significantly different across regional and lending groups. These findings corroborated the main points raised in the literature review in terms of how MDBs perform well in the implementation of the principles of development effectiveness, while also focusing on the poorest.

**However, fewer than half of government respondents rated the performance of MDBs as good or very good when it came to low management burden and reporting requirements, short processing times and use of local contractors.** The lowest share of government respondents (41%) with a positive assessment again had to do with the level of policy conditionality. This was similar to what we saw in Section 4.1, where this was identified as one of the main disadvantages of negotiating grants and loans with MDBs by government officials.

**Short processing time**, from the concept note for the project to the first disbursement, was the dimension of operations with the greatest discrepancy between importance (86% of government officials rated it either very or extremely important) and performance of MDBs (45% thought it to be either good or very good) (Figure 23). The use of local contractors came next, even though we acknowledge there are specific limitations about how much MDBs can apply international procurement rules.

The alignment of MDB operations to the country's priorities was also reflected by the majority of government officials, who thought their views were well captured in the strategies of MDBs; here, nearly two-thirds of government respondents (62%)<sup>60</sup> found their views to be either well or very well captured (Figure 24). This was especially the case among government officials from East/South Asia and the Pacific (81%) and those from IDA countries (68%). These percentages were significantly lower in other regions, falling to just above half of government respondents in Eastern Europe/Central Asia/Middle East, Latin America and IBRD countries (51%, 59% and 55% respectively). However, in most of this chapter, in Chapter 3 and as will be shown in Chapter 5, the comparison of responses between government officials and MDBs demonstrates how much priorities, preferences and perceived performance might diverge between government officials and MDB staff.

60 These results are rounded to the closest unit hence the discrepancy with data in Figure 24.

**Figure 23** Importance versus performance: development effectiveness and delivery

Source: Authors' survey; 352 government respondents.

Question 1: Could you please tell us how important or not important each of these characteristics is considered by the government of #country# for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important and 5 is extremely important? Question 2: And thinking about the same characteristics, could you assess the performance of multilateral development banks in general in relation to each in #country#? Please use a scale from 1 to 5, where 1 corresponds to a very poor performance and 5 corresponds to a very good performance.

### 4.3.2 Coordination between MDBs

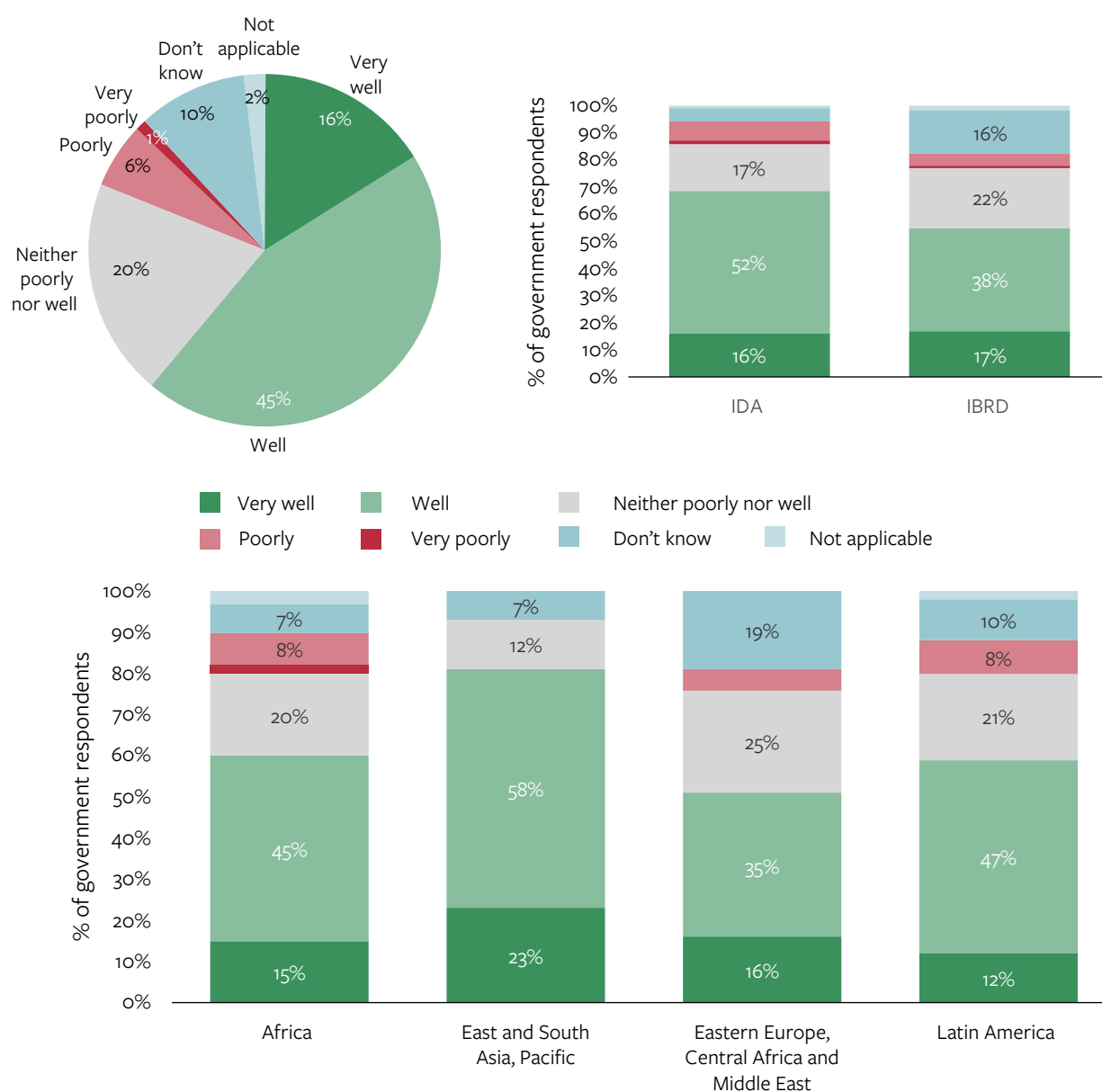
Formal coordination between different MDBs at the country level is often very limited (Prizzon et al. 2017b; Bhattacharya et al., 2018). There have been calls and initiatives to strengthen the collaboration of MDBs on the ground and also with the private sector – for example, with the creation and piloting of ‘country platforms’ (EPG, 2018).

In general, from our survey, we found nearly half of government officials thought MDBs in their

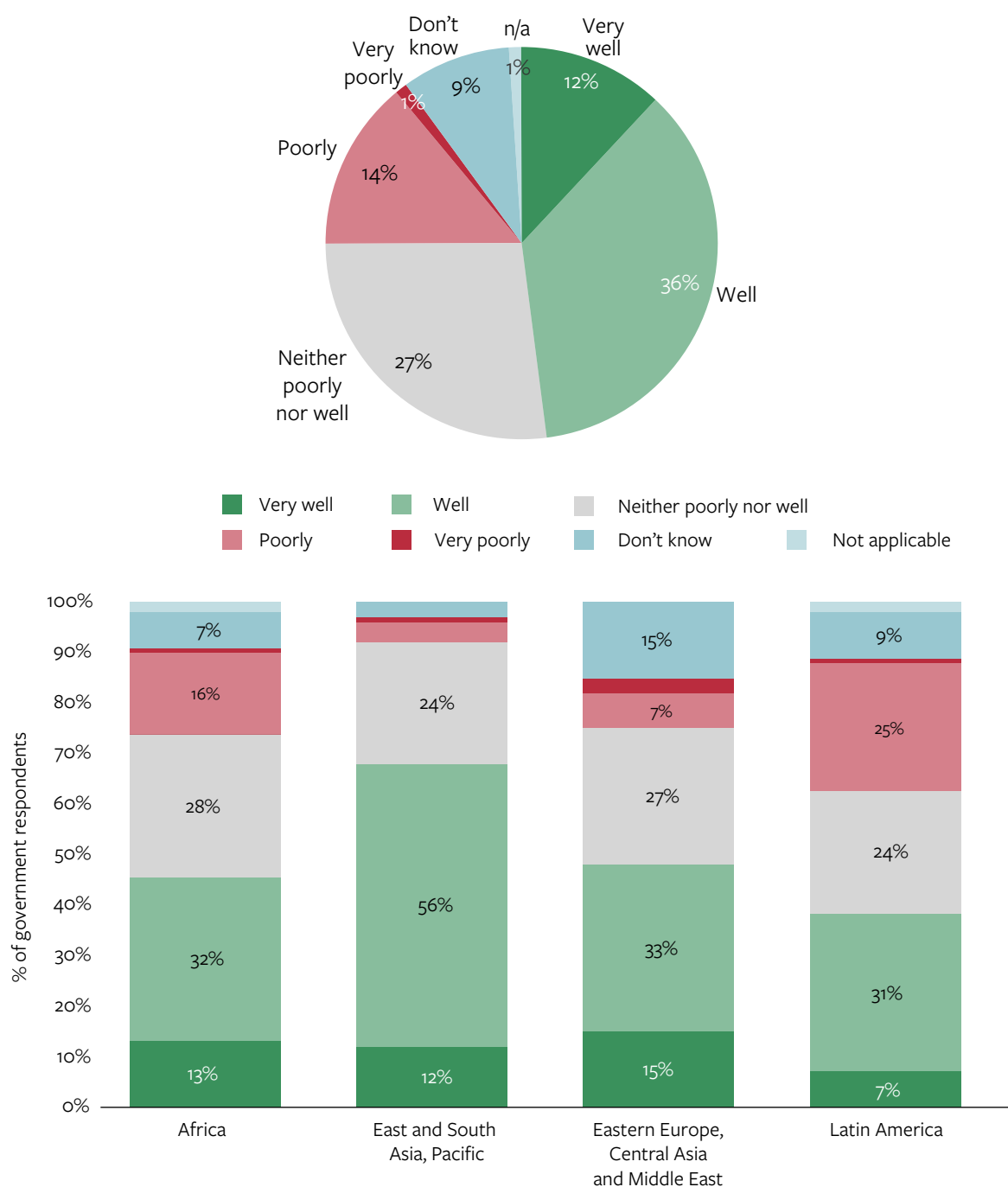
countries coordinated well between themselves. However, perceptions differed significantly by region (Figure 25). More than two in three respondents (68%) in East/South Asia and the Pacific thought MDBs coordinated either well or very well. However, this percentage fell to 45% for respondents in selected African countries and 39%<sup>61</sup> in Latin America. In particular, 25% of government participants based in Latin America believed MDBs were very poorly coordinating their operations in their countries.<sup>62</sup>

61 These results are rounded to the closest unit hence the discrepancy with data in Figure 25.

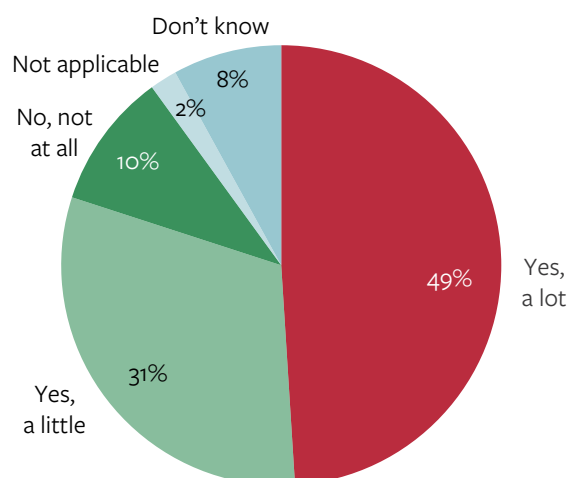
62 There were no significant differences in the results between lending terms.

**Figure 24** How well government officials' views were captured in MDB strategy and priorities

Source: Authors' survey; 352 government respondents. Question: *In your opinion, how poorly or well are the views of partner countries captured in the priorities and strategies of multilateral development banks in general? Please use a scale from 1 to 5, where 1 corresponds to very poorly and 5 corresponds to very well.*

**Figure 25** Performance on coordination between MDBs, % of government respondents

Source: Authors' survey; 352 government respondents. Question: *In your opinion, are multilateral development banks coordinating between themselves poorly or well at the country level?*

**Figure 26** The impact of policy conditionality on borrowing decisions, % of government respondents

Source: Authors' survey; 352 government respondents. Question: In your opinion, does the existence of policy conditions (e.g. macroeconomic reforms) affect your decisions about borrowing from MDBs?

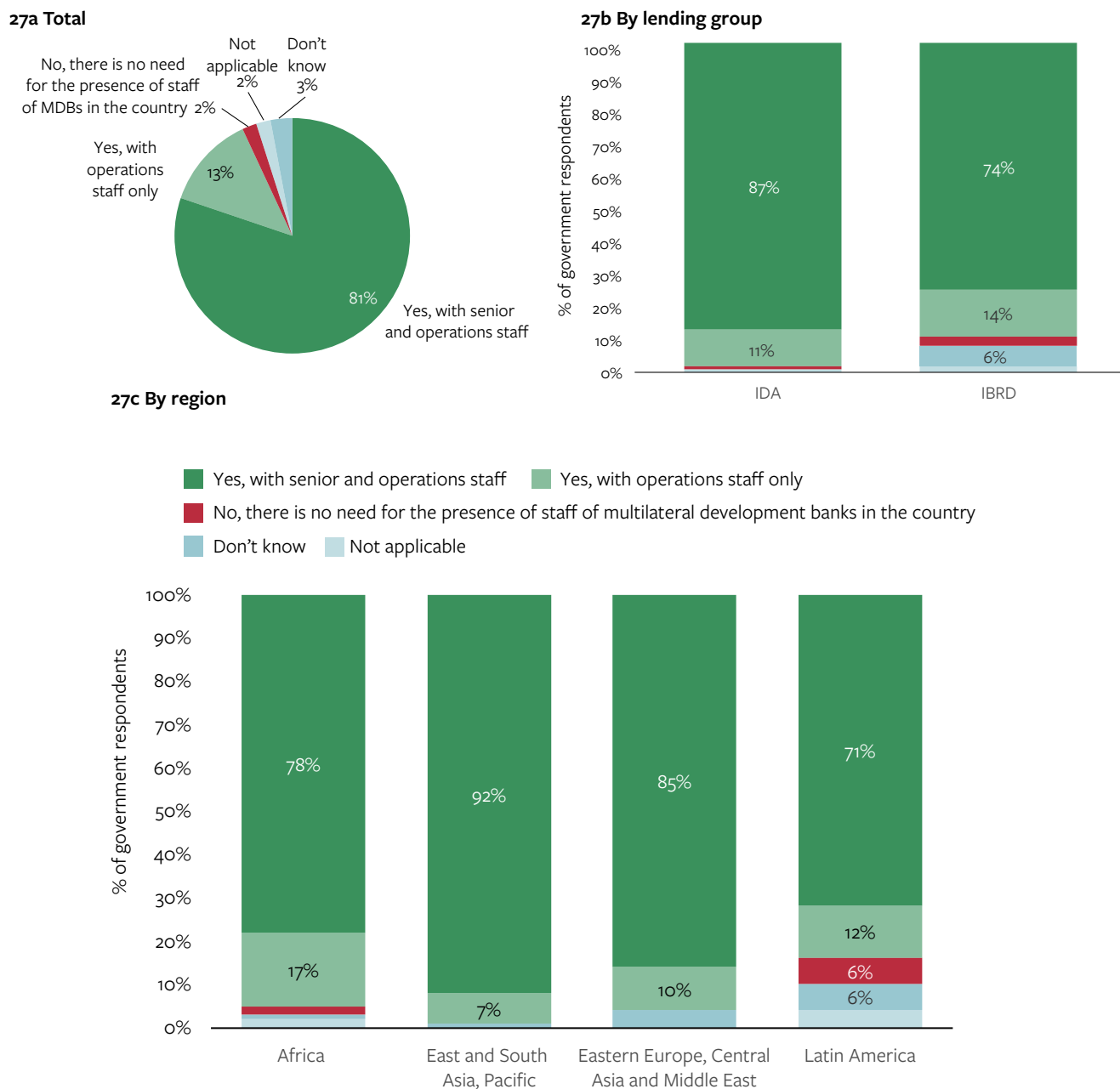
### 4.3.3 The influence of policy conditionality on borrowing decisions

Policy conditions imposed on new grants and loans were among the main constraints cited by government officials when negotiating new assistance programmes offered by MDBs. The vast majority of government respondents (four in five) indicated that policy conditions (e.g., macroeconomic reforms attached to assistance) had an impact on their decisions about borrowing from MDBs for development policy financing (Figure 26). Nearly half of the government respondents 49% thought that policy conditions affected their decisions a lot. These findings were consistent across regions and lending terms.<sup>63</sup> This point reinforces the finding in the earlier section that nearly half of respondents indicated that policy conditionality and strings attached to grants and loans was one of main disadvantages of projects and programmes with MDBs, second to grants and loans from MDBs with complex, rigid or unfamiliar procurement and financial management rules.

### 4.3.4 Country offices of MDBs

Several MDBs have tried to come closer to their client countries and have strengthened their staff presence in-country, especially across Africa and in fragile countries. Decentralisation processes are ongoing, for example, at the World Bank and the AfDB. On the opposite side of the scale, among those MDBs reviewed in this report, the AIIB did not have country offices at the time of the research, operating directly from its headquarters. What were the views of government officials about whether MDBs should have a country office and, if so, whether this should also include senior and project staff or only project staff? By 'senior staff' we meant a country manager or country director. We asked this question across MDBs, rather than referring to individual institutions, and directed the question to government officials only (Figure 27a).

63 The shares of respondents for each answer varied between the groups, but they were not statistically different.

**Figure 27** Preferences about the country presence of MDBs, % of government respondents

Source: Authors' survey; 352 government respondents. Question: *In your opinion, should a multilateral development bank have an office in #country#?*



**The vast majority of government officials (93%) were of the opinion that an MDB should have a country office.**<sup>64</sup>

The greatest proportions were among government respondents in East/South Asia and the Pacific (nearly all of them, 99%) and in IDA countries (or countries borrowing at concessional terms, 98%) (Figures 27b and 27c). In other regions, these figures were still high, but fell to 84% in Latin American countries and to 89% in those countries borrowing at non-concessional terms (IBRD countries).<sup>65</sup> This might either reflect a lower need for a regular country presence due to fewer development cooperation or technical assistance projects or simply the current practice in which responsibilities of country offices in wealthier countries tend to be moved to headquarters or merged with other countries.

**Government respondents still valued the presence of senior staff in addition to project staff.** Eight (8) in 10 government officials (81%) thought that an MDB should have a country office with both senior and project staff, while only 1 in ten would consider a scaled-down office with operational staff only (13%). The preference for a country office staffed with senior and technical experts was particularly the case for respondents in East and South Asia and the Pacific (92% of respondents expressed this preference; only 7% preferred project staff only). Furthermore, the proportion of government respondents that indicated an MDB should have a country office with senior and operational staff was significantly greater in IDA than in IBRD countries (87% versus 74%).<sup>66</sup>

In sum, while this analysis does not distinguish by individual MDBs, government respondents clearly indicated their preference for an office to operate in the country, including the presence of senior staff. This was especially the case in the context of lower-income countries.

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64 These results are rounded to the closest unit hence the discrepancy with data in Figure 27.

65 These figures were all statistically different.

66 These figures were all statistically different.

## 5 Future directions of countries' demand for assistance offered by MDBs

This chapter considers how respondents expected the demand for financial and technical assistance offered by MDBs to evolve in the medium term (over the next five to ten years), should there be no constraint on supply or country allocation (Sections 5.1 and 5.2) and in which sectors respondents thought each MDB should operate in the medium term (Section 5.3). Other reports have sought to quantify the expected asks from countries, for example, in preparation for the replenishment rounds for the following three years (World Bank, 2022b). Here, we focused on whether respondents in countries saw the future role and presence of MDBs as either expanding or shrinking, and how those views differed across regions. Certainly, government officials who replied to our questions were under no obligation to follow up on their choices, but their answers can give direction to expectations about future support from MDBs. As we have seen in Chapter 4, many government officials were aware of challenges such as a rise in dependency on external finance, the risk of additional lending for future debt sustainability, policy conditionality, transaction costs on negotiations, and the issue of complex, rigid or unfamiliar procurement and financial management rules. These could affect future demand for grants and loans from MDBs.

This is not just an academic question. While the replenishment round for IDA was the largest ever in 2021, having been brought forward by a year to prevent IDA credits and loans dropping

significantly in 2022, as we write there was yet to be any discussion reaching the public domain on a new wave of general capital increases for the non-concessional windows of MDBs as much as it was the case in response to the 2008-09 Global Financial Crisis.

In this chapter we analyse the answers to the relevant questions across all respondents and identify any significant differences across regions, eligibility for concessional or non-concessional assistance, and type of respondent (government or MDB officials) – as we have done in the previous two chapters.

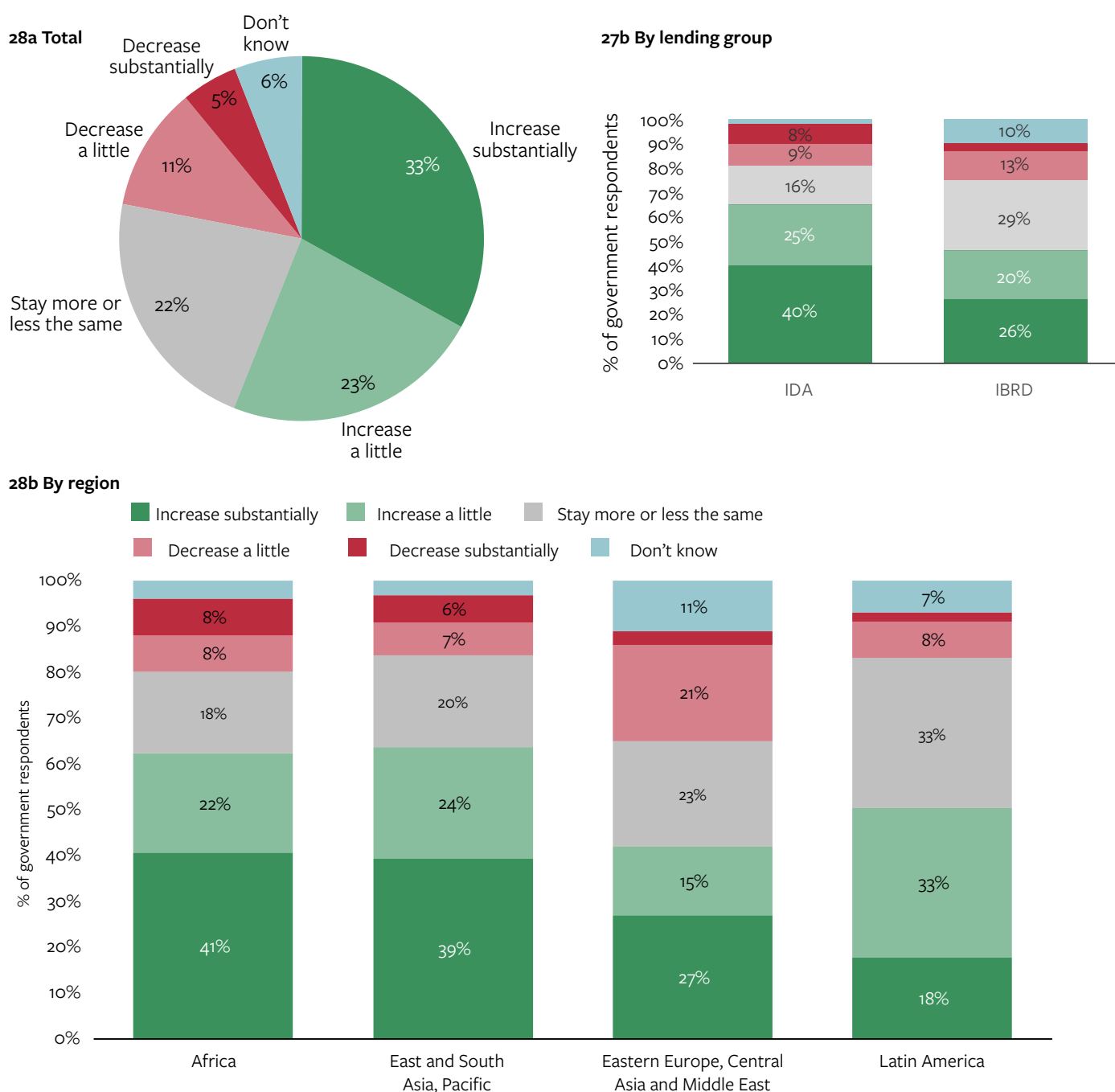
### 5.1 Financial assistance

Should there be no supply constraint, across all regions and lending groups, **most respondents thought the demand for grants and loans offered by MDBs from their country would likely grow in the future** (Figure 28a). This demand is consistent with rising volumes of MDB grants and loans over the past 15 years. More than half of respondents (56%) expected the demand for MDB assistance (grants and loans) to go up in the medium term (5–10 years) in their respective countries. One in three respondents even believed the increase would be substantial.<sup>67</sup> For this question, there were no statistically significant differences in the opinions

67 This was a qualitative assessment of the perceived future demand for grants and loans as expressed by the country, subject to supply constraints, changes in the terms and conditions of other funding sources, and no commitment to loans.

of government and MDB officials about the future demand for grants and loans offered by MDBs in the medium term.

**Figure 28** Future directions of countries' demand for grants and loans



Source: Authors' survey; 487 respondents. Question: *In the next 5–10 years, do you think the demand for grants and loans offered by multilateral development banks from #country# will increase or decrease?*

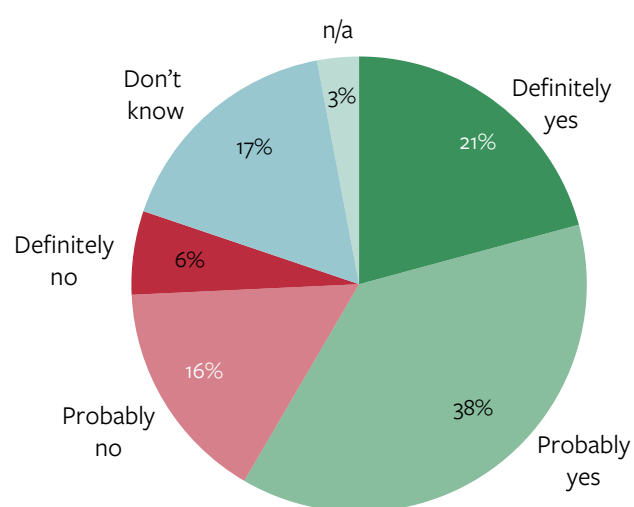
The forecast that their country's demand for MDB grants and loans would increase was particularly pronounced among respondents in Africa and East/South Asia and the Pacific (63% and 64%, respectively) (Figure 28b).<sup>68</sup> Furthermore, 66% of respondents based in IDA countries indicated a likely growth in demand, compared to 46% of informants in IBRD countries (Figure 28c). These data were in line with the hypothesis that the countries with the largest funding needs and limited access to international capital markets (or other financing options) would have greater incentives to consider and benefit from greater assistance from MDBs. We have already highlighted this in a few instances in Chapters 3 and 4.<sup>69</sup>

However, it is also important to note that only 16% of respondents based in IBRD countries thought demand for financial assistance from MDBs might fall – while this figure was only 10% for respondents in the selected Latin American countries. The difference was simply because 29% of respondents in IBRD countries were of the opinion that their country's demand for grants and loans offered by MDBs would stay the same; this latter figure was approximately half this in the case of IDA countries (16%).

We are aware that IDA countries can usually borrow at concessional terms, but concessional resources are also capped by country ceilings and supply constraints. With global interest rates still being relatively low, and given the large financing needs to be addressed as well as resources being scarce for concessional lending and grants, we

asked respondents if they thought their country would consider borrowing at non-concessional terms if that was the only option. The majority of respondents (59%) replied that they would be in favour, with only 22% indicating they would not borrow at non-concessional terms (Figure 29).

**Figure 29** Option to borrow at non-concessional terms, % of respondents



Source: Authors' survey; 487 respondents. Question: *Would you consider borrowing from MDBs at non-concessional terms if that was the only option?*

These shares did not differ across regions and lending terms, apart from two cases worth mentioning.<sup>70</sup> First, nearly one in three government officials from our selected countries in Africa and East/South Asia and the Pacific as well as in IDA countries would not consider borrowing at non-concessional terms (but no specific motivations emerged; see the discussion

<sup>68</sup> These results are rounded to the closest unit hence the discrepancy with data in Figure 28. These figures fell to 42% in Eastern Europe, Central Asia and the Middle East and 50% in Latin America.

<sup>69</sup> For the sake of completeness, the differences between government and MDB respondents were not statistically significant.

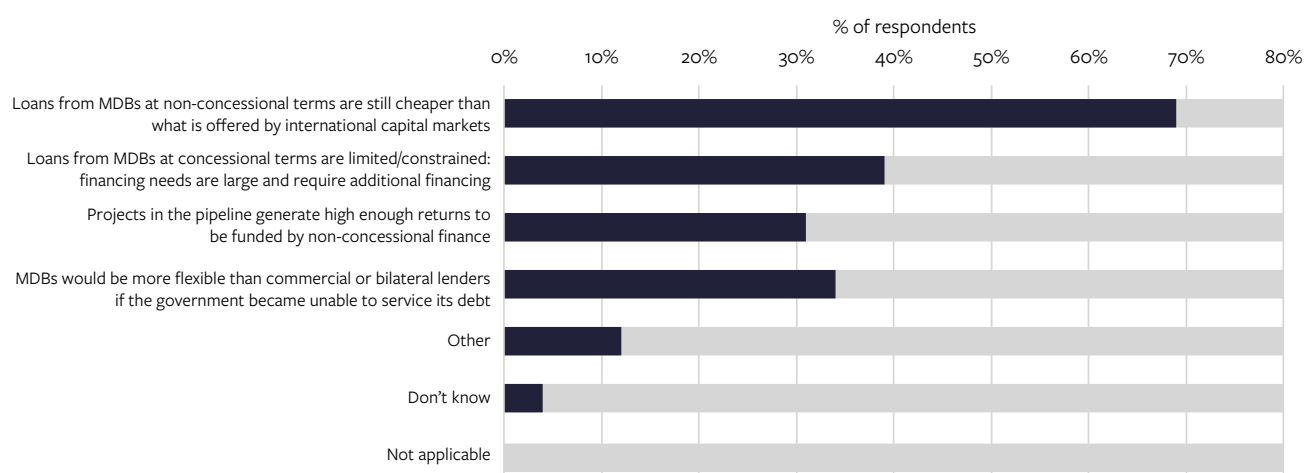
<sup>70</sup> Results discussed in this paragraph are not shown in Figure 29.

around Figure 31 below).<sup>71</sup> Second, MDB officials were more likely than government officials to think their country authorities would consider borrowing at non-concessional terms from MDBs (67% and 52%, respectively).

Among the options offered in the survey and reflecting the review of the literature in Section 2.2, **the main motivation for respondents to consider borrowing at non-concessional terms** was that such loans from MDBs were still seen to be cheaper than those offered on international

capital markets (this was mentioned by 69% of those who reported they would borrow at non-concessional terms) (Figure 30). All other motivations offered (the need for financing at any cost, greater returns on projects that could be supported by non-concessional loans, that MDBs would be more flexible than commercial or bilateral lenders if the government became unable to service its debt) were chosen by less than 40%. The flexibility of MDBs for debt restructuring was valued significantly more by government respondents in IDA (42%) than in IBRD countries (25%).<sup>72</sup>

**Figure 30** Motivations for borrowing at non-concessional terms



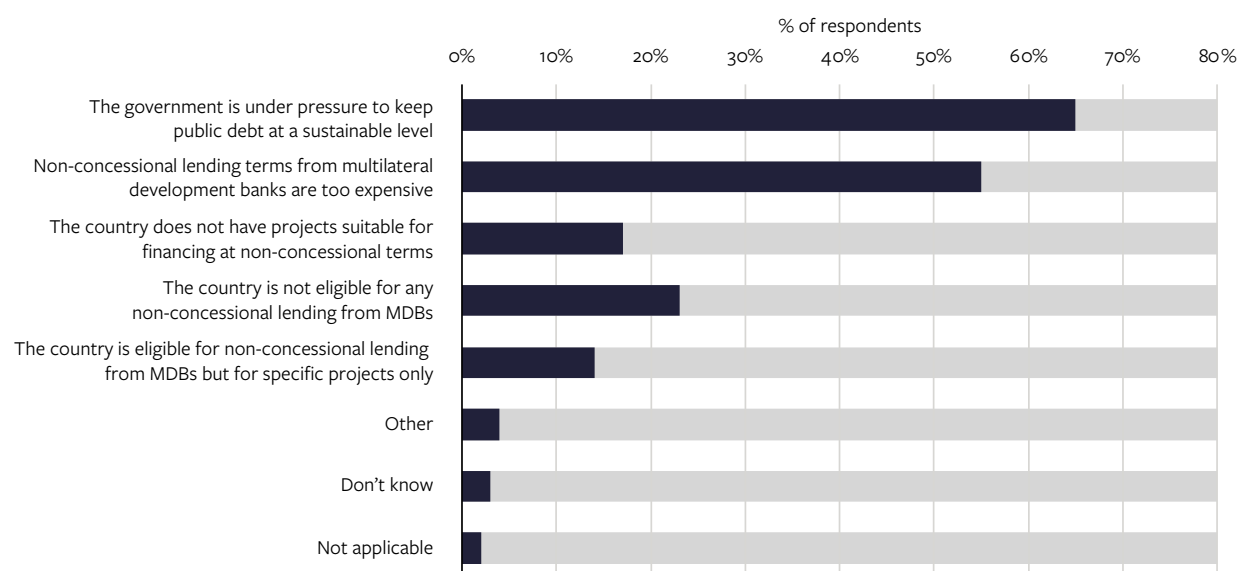
Source: Authors' survey; 279 respondents. Question: *Why would you consider borrowing from MDBs at non-concessional terms?* (multiple answers). In the online questionnaire, answers were randomised.

For those respondents that would not consider borrowing at non-concessional terms, **the main motivation was linked to their concerns about future debt sustainability** (mentioned by 65% of those respondents), followed by non-concessional terms and conditions deemed to be too expensive (55%) (Figure 31). Differences between regions and prevailing terms and conditions were not

statistically significant due to smaller sample size of those responding to this question (121 respondents), so the information from the survey did not help to identify the reasons why respondents based in the selected African, East/South Asia and the Pacific and IDA countries were less likely to borrow at non-concessional terms.

<sup>71</sup> This share goes down to 16% in IBRD countries.

<sup>72</sup> Results are not shown in Figure 30.

**Figure 31** Motivations for not borrowing at non-concessional terms

Source: Authors' survey; 121 respondents. Question: *Why would you not consider borrowing from MDBs at non-concessional terms?* (multiple answers). In the online questionnaire, answers were randomised.

We wanted to ask government officials about their preferred modality and financing instruments, should they be offered the choice: *investment project finance* (i.e. financing to governments for activities that create the physical/social infrastructure necessary to reduce poverty and create sustainable development); *development policy finance* (DPF) (budget support to governments or a political subdivision for a programme of policy and institutional actions); and *results-based finance* (with results-based lending, disbursements are linked to the achievement of agreed programme results rather than to expenditure). The questionnaire included explanations about what each instrument was meant for and its main characteristics (see Appendix 2).

We are aware that in reality the modality of MDB projects and programmes is negotiated and identified based on the nature of the project (investment finance) or larger programme support (development policy lending). Investment

finance is earmarked for specific projects; development policy finance is akin to budget support (unearmarked to specific projects or programmes), although it comes with more stringent conditions on policy reforms.

**Among those offered by MDBs, investment project financing was the preferred modality across government officials:** 49% of government respondents selected it as the main option, followed by development policy financing (28%) and then results-based finance (19%).

Nearly half of government officials (49%) selected investment lending as their preferred option, a proportion significantly higher than was the case for MDB staff (37%). This was in line with the concerns government officials expressed about stringent policy conditionality, which usually applies to development policy financing. MDB officials might also prefer development policy finance, as intense negotiations concentrate at

the initial stages of the programme, while the management of investment project finance tends to continue throughout most of its lifespan.

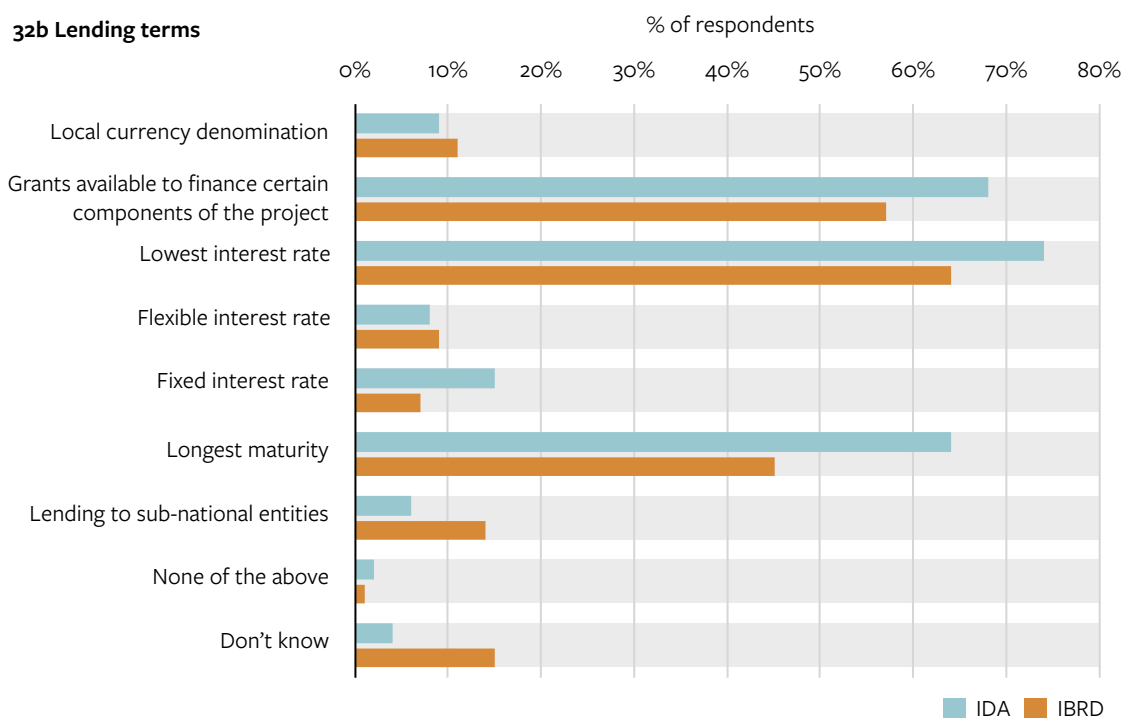
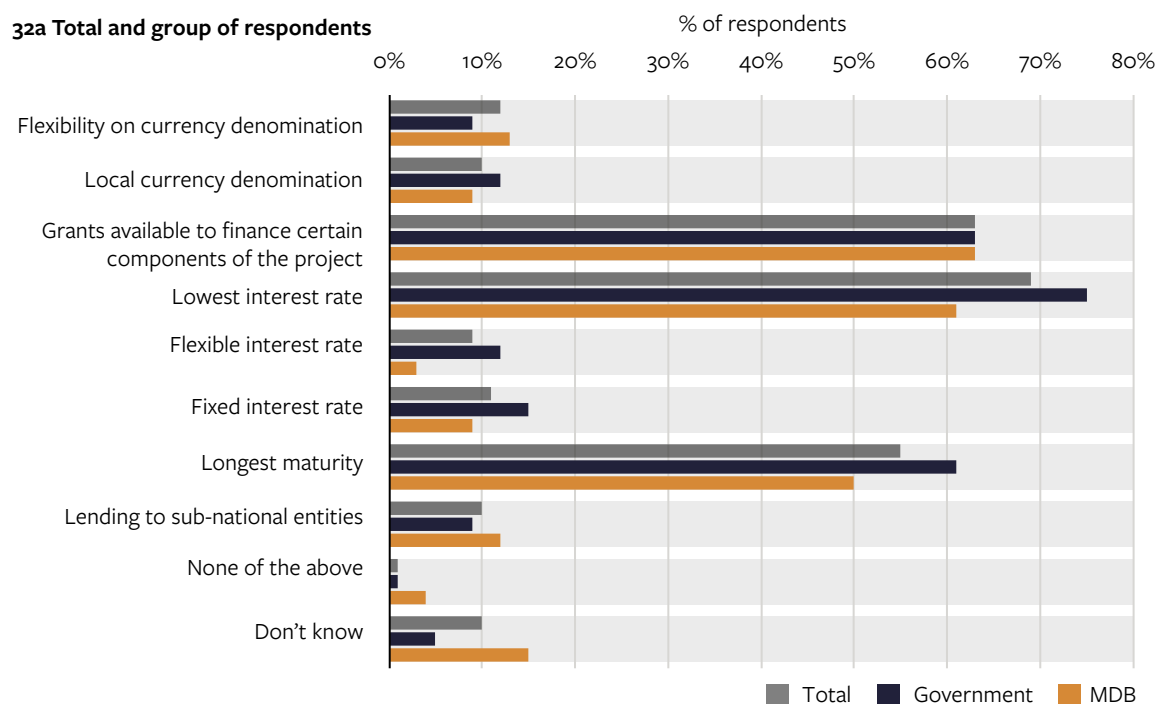
Government officials based in IDA countries were more likely to suggest **investment lending** as the preferred instrument (55%) compared with IBRD countries (42%). We found the opposite difference for **development policy finance**: 36% of government respondents in IBRD countries preferred this modality compared with 22% in IDA countries. This might also reflect the fact that there were twice as many investment finance projects in IDA countries compared to in IBRD countries between 2009 and 2017, and that DPF operations in IDA countries were smaller in size than those for IBRD borrowers (World Bank, 2018). At the same time, policy conditions tend to be stricter for countries with lower capacity, many of these being IDA countries, disincentivising demand for more flexible funding such as DPF (Landers and Aboneaaj, 2021). And this was despite the value placed on flexible funding by government officials, as seen earlier in this report. While the proportion of government officials that selected the investment project finance option was similar across groups of government departments, respondents from Ministries of Finance/Treasuries were more likely to consider development policy finance (33%) than were those from line agencies (23%).

The **results-based lending** was chosen as their preferred option by government officials significantly more often than by MDB staff (19% versus 7%). One in four government officials based in the sampled African countries (25%) and one in five in the East/South Asia and the Pacific region and Latin America (20% and 21%, respectively) listed it as their preferred instrument. One reason for this is likely to be the explicit reference to the payments being linked to

results achieved by the project or programme, as this may be highly valued by government officials to increase the accountability and effectiveness of financing.

**When asked about the most important criteria used to assess the financial viability of a project/programme by an MDB**, three stood out among the multiple options that were offered (Figure 32a). First was the lowest interest rate (69% of respondents), followed by the availability of grants to finance certain components of the project (63%), and then the longest maturity (55%). Government officials put greater importance on the low interest rate and the long maturity of the loan compared to MDB staff (75% compared to 61% for the lowest interest rate; 61% versus 50% for longest maturity), but it is worth noting that the order of these three terms and conditions was not different between the two groups. Government respondents in IDA countries placed more importance on the three dimensions that increased the concessionality of loans, compared with IBRD countries (Figure 32b). This corresponds with the evidence that lower-income countries aim to maximise the concessionality of loans (see Prizzon et al. (2020) for a review).

Approximately 10% of respondents rated flexibility on currency denomination, local currency denomination, flexible or fixed interest rates, and lending to sub-national entities among their top-three criteria applied to assess the viability of new financing. It is worth noting that – albeit from a small percentage – **fixed interest rates were rated as one of the top-three criteria** for assessing the viability of a new loan by 15% of government officials compared to 9% among MDB respondents.

**Figure 32** Preference for financial terms and conditions

Note: Differences between regions were not statistically significant.

Source: Authors' survey; 487 respondents. Question: *When you assess the financial viability of a new project/ programme with an MDB, which of the following aspects are the most important ones in your decision? Please select up to three aspects.* In the online questionnaire, answers were randomised.

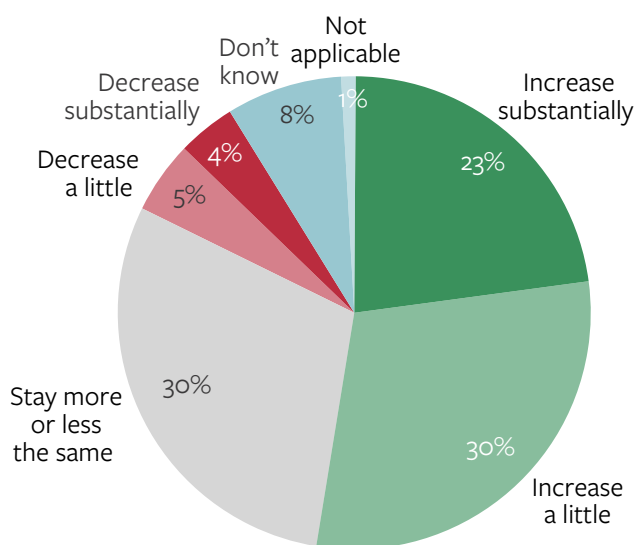


## 5.2 Technical assistance and policy advice

Across client countries and in all regions and lending groups, respondents expected the demand for technical assistance and policy advice offered by MDBs in their country to rise in the next five to ten years (Figure 33). Most informants (53%) thought that country authorities would ask for more interventions from MDBs on capacity building and policy support. Nearly one-quarter of respondents (23%) suggested that this demand could increase substantially. It is worth pointing out that 11% of government respondents expected demand for technical assistance and policy advice to fall in the next five to ten years.<sup>73</sup> While not directly comparable, this percentage was lower than in the case of the demand for grants and loans we reviewed in Section 5.1.

The share of respondents indicating that they expected their country's demand for technical assistance and policy advice to decrease was four times higher among government respondents in IDA (16% of government informants) than in IBRD countries (4%). A similar difference is observed across regions: government officials in Africa (16%) and in East/South Asia and the Pacific (17%) (many of them IDA countries) were more likely to expect the demand to decrease compared to the other two regions.<sup>74</sup> This is somewhat counterintuitive, given the prioritisation of technical assistance in IDA countries – as seen in Chapter 3. And most respondents did indicate that demand from their countries would either stay stable or increase in the medium term.

**Figure 33** Future direction for countries' demand for technical assistance and policy advice



Source: Authors' survey; 487 respondents. Question: *In the next 5–10 years, do you think the demand for technical assistance and policy advice offered by multilateral development banks in #country# will increase or decrease?*

## 5.3 Sector priorities

We also asked our respondents in which sectors they thought each MDB should focus its work in the medium term. In this case, we analysed preferences for each MDB, as their sectors of intervention largely, but not perfectly, overlap. In the questionnaire, we intentionally offered all possible options for sectors, even though an MDB might have operations in only some sectors due to its mandate and strategy, so as not to influence respondents with the existing specialisation of each MDB or division of labour between MDBs. Please note, government officials responded only to questions about the MDBs that are eligible to operate in their countries, and MDB staff only

<sup>73</sup> Results are not shown in Figure 33.

<sup>74</sup> Results are not shown in Figure 33.

responded to questions about the MDB they worked for. This is the reason the number of respondents for each MDB differs. For regional development banks, the sample was not large enough to highlight different patterns between groups that were statistically significant.

### 5.3.1 World Bank

The top-four sectors respondents wanted the World Bank to continue to operate in or expand to in the future were (in order): **education, health, climate mitigation and adaptation, and water and sanitation**. Each of these sectors was selected by at least six in ten respondents (Figure 34). They were closely followed by **agriculture and energy**, both at 58%.

These answers correspond with a stronger focus by the World Bank in recent years on the human capital agenda, the health response to the Covid-19 pandemic and its push towards sustainable development as part of its institutional priorities. At the bottom of the list of 12 sectors offered to respondents, with fewer than 40% of respondents selecting them, were industry and trade, as well as gender issues. The latter was probably the most surprising result, given that gender is one of the cross-cutting priorities of the World Bank.

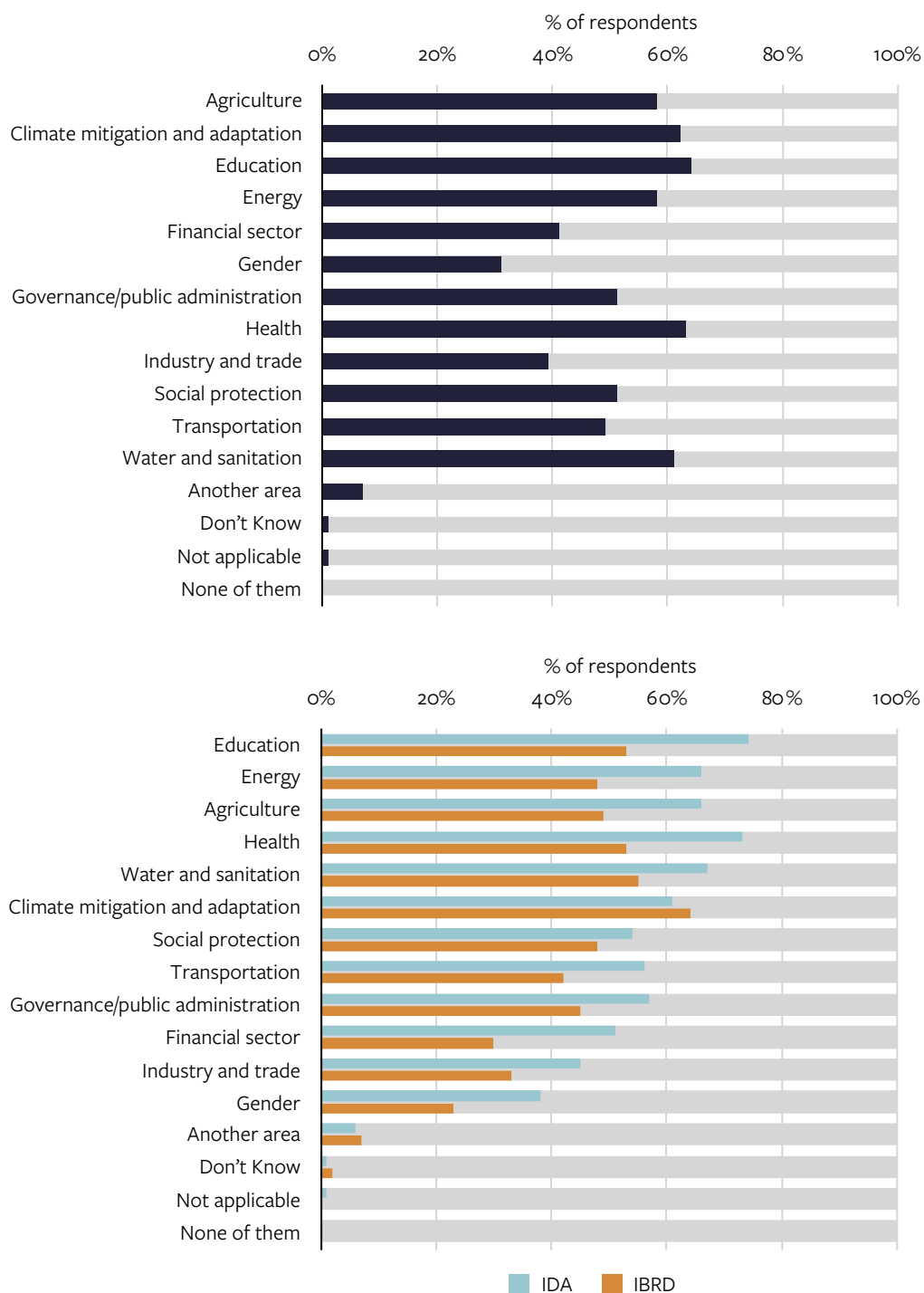
For the World Bank, we received the largest number of responses on the future direction of its sectors of operation,<sup>75</sup> with the sample being large enough to infer differences in replies between groups. The proportions and the ranking of areas informants indicated differed by region, as they often reflect different types of demand, needs and development trajectories.

By region, for example,<sup>76</sup> more than seven in ten governments officials in the selected African countries wanted the World Bank to operate (in the following order) in the health, education, water and sanitation, and energy sectors; in all cases, this was significantly higher than in the three other regions. In East/South Asia and the Pacific, the top-three sectors selected by government stakeholders were health (64%), education (61%) and the financial sector (59%). In Eastern Europe, Central Asia and the Middle East the figures were: health (63%), water and sanitation (60%), and climate change and adaptation (50%). In Latin America, climate change mitigation and adaptation (59%), education (53%), water and sanitation (47%).

Government respondents from the selected IDA countries were more likely to indicate that the World Bank should operate in any sector than those government informants from IBRD countries; this was often a statistically significant difference. It is worth noting that only in two areas there was no difference in the proportion of government respondents between IDA and IBRD countries: social protection and climate change adaptation/mitigation, suggesting these were, on average, equally relevant in both groups (approximately half of government respondents indicated them – not shown in Figure 34).

<sup>75</sup> Responses on the World Bank totalled 407: 352 government officials and 55 World Bank officials.

<sup>76</sup> Results are not shown in Figure 34.

**Figure 34** Future sectors of operations – World Bank

Source: Authors' survey; 407 respondents. Question: *If you were to choose, in which areas do you think the World Bank should work in #country# in the future? Please select as many as applicable.* In the online questionnaire, answers were randomised.

### 5.3.2 Regional development banks

For the case of regional development banks, the number of respondents was much smaller – so the analysis in Figure 35 concentrates on aggregate figures for all respondents rather than by lending groups, as we did for the answers relating to the World Bank.<sup>77</sup>

At least seven in ten regional informants would like to see the **AfDB** contribute to projects on infrastructure and productive sectors, notably **agriculture** (84%), **energy** (78%), **transportation** (76%), and **water and sanitation** (72%). This was not just a regional preference: these were higher proportions than the views expressed by respondents from the selected African countries for the case of the World Bank and in the same sectors. The opposite was true when it came to the social sectors. While 72% of respondents from African countries would like to see the World Bank continue to offer assistance on education, this share fell to 49% for the AfDB (the AfDB focuses on skills development rather than general education). On health, the proportion of African respondents who wanted the World Bank to focus on this sector was 69%; this figure was 53% for the AfDB. This would indicate that regional respondents encourage a division of labour between the two institutions in the African continent, with the World Bank focusing more on the social sectors and the AfDB on the economic and productive sectors.

The **AIIB** is the newest institution. It mainly operates in Asian countries, but it could also potentially invest beyond Asia. We reiterate here that we asked government officials for their opinion only in those countries that were

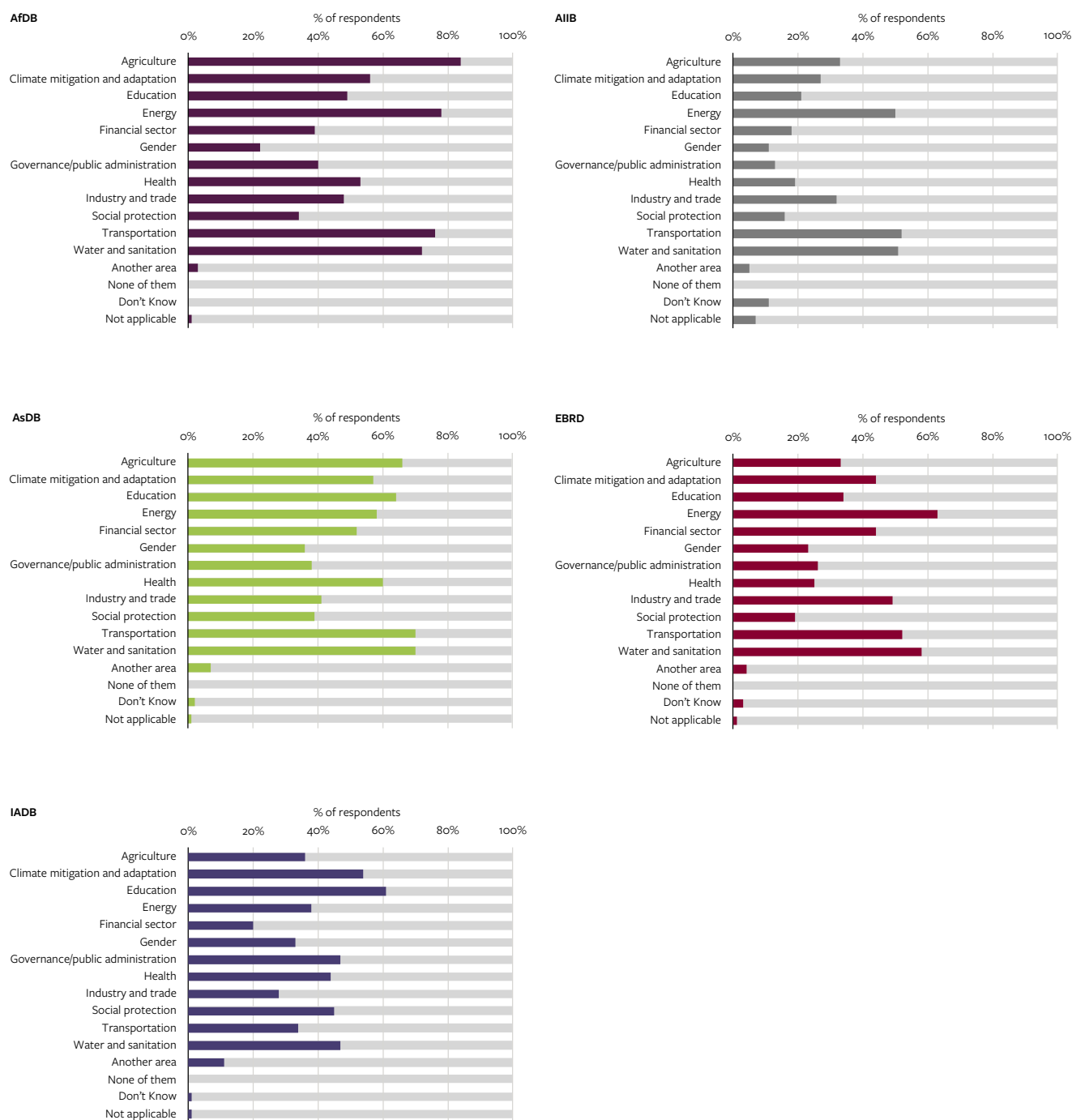
members and potential borrowers of the AIIB. We did not include MDB officials, as the AIIB does not have country offices. Replies from government officials did reflect and were well aligned with the main scope of the organisation on infrastructure development. More than half government respondents would like to see the AIIB operate in the water and sanitation transportation, and, energy sectors as the top-three areas selected. All other options were below or well below 35% of eligible respondents.

Regarding future areas of work for the **AsDB**, two sectors stood out: **transportation, and water and sanitation** (with 70% of respondents citing them). Other sectors mentioned by at least 60% of respondents were **agriculture, education and health**. These largely reflect the sector priorities of the AsDB. The energy sector was the only main focus area of the AsDB in its Strategy 2030 that was missing among the top sectors selected by respondents in the region.

Nearly two-thirds of respondents (63%) would like to see the **EBRD** continue to operate in the **energy sector**, followed by **water and sanitation, and transportation** (cited by 58% and 52% of respondents in the region). There were fewer respondents in other areas where the bank operates (e.g., industry/trade, the financial sector, and climate change mitigation and adaptation).

Six in ten respondents (61%) would prioritise the **education sector** for the **IADB** operations, followed by **climate change mitigation and adaptation** (54%), water and sanitation (47%), governance/public administration (47%) and social protection (45%).

<sup>77</sup> Comparisons would not have been statistically significant. No regional classification was applicable, as most RDBs operate in a single region and membership does not overlap.

**Figure 35** Future sectors of operations – regional development banks

Source: Authors' survey; 174 respondents on the AfDB, 139 on the AIIB, 102 on the AsDB, 66 on the EBRD; and 98 on the IADB. Question: *If you were to choose, in which areas do you think the #MDB# should work in #country# in the future? Please select as many as applicable.* In the online questionnaire, answers were randomised.

### 5.3.3 Sector priorities: a summary

In Table 5, we summarise the results for each MDB regarding opinions on their future priorities. The data reinforce the idea of there being a division of labour between institutions, especially in Africa, with the World Bank prioritising the human capital agenda and climate change, while the AfDB focuses on infrastructure and the productive sectors. In the case of the IADB in Latin America, the top three areas where respondents would like

to see the institution operating largely overlap with those of the World Bank. This includes programmes on social protection, where the IADB has long-standing expertise. The AsDB falls in between (with a combination of both the social and productive/economic sectors being in the top priorities). Note that the group of respondents for each MDB was not directly comparable (each respondent answered only for the MDBs operating in their country and MDB officials answered only for their own MDB).

**Table 5** Sectors by the percentage of all respondents

	World Bank	AfDB	AIIB	AsDB	EBRD	IADB
Agriculture	58%	84%	33%	66%	33%	36%
Climate mitigation and adaptation	62%	56%	27%	57%	44%	54%
Education	64%	49%	21%	64%	34%	61%
Energy	58%	78%	50%	58%	63%	38%
Financial sector	41%	39%	18%	52%	44%	20%
Gender	31%	22%	11%	36%	23%	33%
Governance/public administration	51%	40%	13%	38%	26%	47%
Health	63%	53%	19%	60%	25%	44%
Industry and trade	39%	48%	32%	41%	49%	28%
Social protection	51%	34%	16%	39%	19%	45%
Transportation	49%	76%	52%	70%	52%	34%
Water and sanitation	61%	72%	51%	70%	58%	47%

Source: Authors' survey; 407 respondents on the World Bank; 174 on the AfDB; 139 on the AIIB; 102 on the AsDB; 66 on the EBRD and 98 on the IADB. Question: *If you were to choose, in which areas do you think the #MDB# should work in #country# in the future? Please select as many as applicable.*

**How do replies from government officials compare to those offered by MDB respondents?** Except for the case of the World Bank (where there were a large number of respondents), differences between the two groups of respondents were not statistically significant to assess the focal areas of RDBs.

But there were two patterns worth mentioning (Table 6).

First, on average, respondents from MDBs selected far more sectors of operation than the government officials. As a result, a larger

proportion of respondents from MDBs identified individual future sectors of operation than government officials.

Second, in most cases, **only one of the top-three priorities overlapped between government and MDB officials. The discrepancy between the sector priorities was especially true for climate change mitigation and adaptation,**

**which was among the top-three choices made by MDB officials** (except for the staff at the country offices of the AfDB), **but did not feature prominently among government officials** (Table 6). The AfDB was the institution with the smallest differences in the perception of sectors of operations of its staff compared to the selection made by government officials.<sup>78</sup>

**Table 6** Top-three areas by the percentage of respondents

	GOV		MDB
<b>World Bank</b>			
1. Health	63%	1. Climate adaptation and mitigation	95%
2. Water and sanitation	61%	2. Education	86%
3. Education	60%	3. Energy	71%
<b>AfDB</b>			
1. Agriculture	82%	1. Transportation	100%
2. Water and sanitation	75%	2. Energy	89%
3. Energy	75%	3. Agriculture	83%
<b>AsDB</b>			
1. Water and sanitation	68%	1. Transportation	84%
2. Transportation	64%	1. Agriculture	84%
3. Education	61%	2. Climate adaptation and mitigation	83%
<b>EBRD</b>			
1. Energy	49%	1. Climate change adaptation and mitigation	100%
2. Water and sanitation	46%	1. Energy	100%
3. Transportation	40%	1. Industry and Trade	100%
		1. Water and sanitation	100%
<b>IADB</b>			
1. Education	54%	1. Social protection	95%
2. Water and sanitation	51%	2. Education	92%
3. Climate change adaptation and mitigation	48%	3. Climate change adaptation and mitigation	73%

Source: Authors' survey; 407 respondents on the World Bank; 174 on the AfDB; 139 on the AfDB; 102 on the AsDB; 66 on the EBRD and 98 on the IADB. Question: *If you were to choose, in which areas do you think the #MDB# should work in #country# in the future? Please select as many as applicable.*

<sup>78</sup> Transportation was the fourth sector most often indicated by government officials in African countries.

## 6 Conclusions

This survey involved nearly 500 informants from governments and MDB country offices. It only scratched the surface of the preferences and perceptions of client countries about selected issues of the finances, strategies and operations of MDBs. We have presented highly stylised opinions emerging from the replies of respondents to selected aspects concerning the financing and operations of MDBs. MDBs are certainly not monoliths and the degree to which their operations takes place with the public sector, the main focus of this analysis, differs across MDBs – as do their business models. Preferences and priorities also varied from country to country within each group of lenders and with each government. In client countries, the research did not reflect the perspectives of either the private sector or civil society. In addition, given the nature of an online questionnaire, we could only partly investigate the main motivations behind choices in the questionnaire, only partly exploring or following up on the rationale behind statements. A few issues would merit additional analysis, including why average opinions differed across regions, beyond the hypotheses and justifications offered in the text.

Nonetheless, this online survey provides the very first attempt to capture the perspectives of client countries on MDBs' policies and operations systematically and independently. It was able to reach a much larger scale than any study based on semi-structured interviews would have offered (and also included flexibility for respondents; our analysis in 2021 coincided with lockdowns and Covid-19 waves, with limited phone and internet access, and staff illnesses). This means that the findings illustrated here are representative of the views of government officials negotiating and

managing relations with MDBs and development partners across regions and type of access to capital markets. The informed reader might have correctly found some findings as hardly unexpected, corroborating hypotheses on the financing, strategies and operations of MDBs, individually or as a system, outlined in the literature review in Section 2.2. We have, however, offered some evidence to substantiate these hypotheses beyond anecdotes and perceptions, and have strengthened or challenged the rationale behind some policy decisions of MDB shareholders and management.

In this chapter, we first summarise the main findings of our analyses and then identify recommendations for shareholders of MDBs and their management emerging from our questionnaire so that they might better reflect clients' perspectives in their strategies and financing.

### 6.1 Summary of the findings by chapter

#### 6.1.1 Summary of Chapter 3: The roles and functions of MDBs and their perceived effectiveness

Government respondents were very much of the opinion that the offer of MDBs – financial and technical assistance, policy advice, research and convening power – remained highly relevant to support the socioeconomic development of their countries, including in combination.

In Africa and IDA countries, those groups of countries with the highest financing gaps and the lowest number of financing options available,



nearly two-thirds of informants rated this offer of financing below market rates from MDBs as extremely relevant to support their national plans, strategies and budgets. And still more than half of respondents in Latin America – most of these being IBRD countries – also found the provision of finance at better-than-market terms to be extremely relevant for their countries. Only 7% of government respondents thought that loans from MDBs were too expensive compared to other financing options, including capital markets.

The majority of government officials also rated all MDBs to be extremely or very effective institutions in performing these roles and functions. With its global reach, the World Bank was considered the most effective MDB in providing financing at better-than-market terms, policy advice, research and convening of stakeholders. Regional development banks were also rated as being highly effective by their client countries, sometimes as effective as the World Bank or, in the case of the IADB, even more so.

### 6.1.2 Summary of Chapter 4: The strengths and weaknesses of multilateral development banks – clients' perspectives

Regarding the characteristics of grants and loans and the operations of MDBs, government officials rated the MDBs as effective in providing financing that is long-term, highly predictable, at scale and that helps fill financing gaps. Government officials also found that projects and programmes offered by MDBs were well aligned to national priorities, demand-driven, and focused on the poorest and most vulnerable.

However, they noted some challenges. First, while the flexibility in the use of finance across sectors and priorities (i.e., budget support) was rated as

the most important characteristic that grants and loans should have, this was one of the areas where respondents felt MDBs to be least effective. This was also considering that MDBs are one of the few development partners still offering budget support. Second, government officials saw policy conditionality and strings attached as one of the main disadvantages of grants and loans with MDBs, especially in lower-income countries. The vast majority of government respondents (four in five) indicated that policy conditions (e.g., macroeconomic reforms attached to assistance) had an impact on their decisions about borrowing from MDBs. This might also justify why most government officials would consider investment project finance as their preferred modality, despite its lacking in flexibility. Grants and loans with complex, rigid or unfamiliar procurement and financial management rules was the most cited disadvantage of grants and loans offered by MDBs (cited by 51% of respondents).

While more than two-thirds of government officials were of the opinion that MDB funding that catalysed additional private finance was important for their countries, only four in 10 of them rated the performance of MDBs in this area as either good or very good (42%). This was in line with the mixed views on the ability of MDBs to mobilise private finance discussed in the literature review.

Less than half of government respondents rated the performance of MDBs as good or very good when it came to there being a low management burden and reporting requirements, short processing times, and the use of local contractors in projects and programmes funded by MDBs. In particular, short processing times from the concept note of a project to the first disbursement was the dimension of operations with the greatest discrepancy between

importance (86% of government officials rated it either very or extremely important) and performance of MDBs (45% thought this either good or very good).

When it came to technical assistance and policy advice offered by MDBs, government respondents valued this function's ability to fill capacity gaps in government, its high level of specialisation, and rated it as being high quality, highly demand-driven and led by knowledgeable staff. However, while long-term impact was considered the most relevant characteristic that technical assistance and policy advice should have, this was the area where MDBs received the lowest performance rating among characteristics offered in the survey.

Technical assistance and policy advice coming only with a project/programmes was identified to be the main weakness of the offer of MDBs: 38% of government officials selected it. The low percentage of respondents that considered the technical assistance and policy advice of MDBs to be good value for money or less expensive than other providers was unexpected. Most technical assistance comes together with a project and programme, free of charge, or embedded in the financing of the main project/programme. We need further analysis to test this assertion, but this suggests other providers – UN agencies, bilateral donors, consulting firms – may offer better value for money or are less expensive than MDBs in this area.

While our analysis did not distinguish by individual MDBs, the vast majority of government officials were of the opinion that an MDB should have a country office, including the presence of senior staff in addition to project staff. This was especially the case in the context of lower-income countries.

Nearly half the government officials thought that MDBs in their countries coordinated well between themselves. However, perceptions regarding this function were significantly lower in two regions, falling to 45% for respondents in the selected African countries and 39% in Latin America. A quarter of government participants based in Latin America explicitly highlighted that they thought MDBs coordinated their operations very poorly in their countries.

### 6.1.3 Summary of Chapter 5: The future countries' demand for assistance offered by MDBs

Most respondents were of the view that the demand for grants, loans, technical assistance and policy advice from their countries would increase in the next five to 10 years if there were no constraints to supply, reinforcing the long-term trend of rising assistance from MDBs. This applied across all geographies, albeit with some differences.

Among respondents whose countries borrowed at concessional terms and are based in Africa and in East/South Asia and the Pacific, nearly two-thirds expected their countries' demand for grants and loans would go up in the medium term. Countries in these groups primarily sought financial assistance from MDBs to help address their financing gaps. Nearly two-thirds of informants among IDA countries said they would be willing to borrow at non-concessional terms, too, if they were offered this option. This was mainly because government respondents perceived non-concessional loans from MDBs to be cheaper than those they could obtain on international capital markets.

Expectations that demand for assistance would expand in the medium term were also shared

by respondents in the other regions and higher-income economies. Half of respondents in our survey in Latin America, 42% in Eastern Europe, Central Asia and the Middle East and, overall, 46% of those from countries borrowing at non-concessional terms from MDBs (IBRD countries, many of them UMICs) thought that demand for financial assistance from MDBs from their countries would likely grow in the medium term. Only 16% of respondents in IBRD countries were of the view that demand for grants and loans from their countries would go down.

From the replies to our survey, the World Bank and the IADB were expected to prioritise the human capital and climate change agendas, while the AfDB would largely focus on the economic and productive sectors, particularly infrastructure. Respondents for the AsDB would encourage the bank to continue operations both in the social sectors and productive/economic sectors.

#### 6.1.4 Divergent perspectives between government and MDB officials

While the majority of government respondents thought that their views were well 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.**

- On average and across all countries, government informants found financing at better-than-market terms to be far more relevant than MDB officials' assessments for the long-term socioeconomic development of the country. By comparison MDB officials emphasised the role of technical assistance, policy advice and the combination of the four functions of MDBs.
- On average MDB officials tended to underestimate the importance of certain aspects of the financing and operations of MDBs that mattered for government officials, in particular, predictability of funding and financing offered in high volumes. Predictability was rated by government representatives as the most relevant financing characteristic – among the options offered – to support long-term development, but was one of the lowest rated by MDB respondents. Financing offered in high volumes was important for country development from the viewpoint of government representatives (70%), but less so for MDB respondents (47%).
- Furthermore, MDB staff tended to underestimate the importance of some characteristics of technical assistance and policy advice compared ten government officials. 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: 93% of government respondents rated this feature as very or extremely important, but only 62% of MDB staff thought the same. While knowledge of the local context and culture; and impartial advice were either very or extremely relevant for about 90% of government officials, these were judged as relevant by only 77–81% of respondents from MDBs.
- Government officials also tended to be more critical than MDB staff about the offer of technical assistance and policy advice. About one in three MDB staff did not see any of the options suggested in the survey to be disadvantages of the offer of technical assistance and policy advice; about half this figure thought the same in the case of government officials (14%).
- MDB officials overestimated how important certain sectors were for government officials.

In most cases, often only one of the top-three sectoral priorities selected overlapped between government and MDB officials. This held especially true for climate change mitigation and adaptation: this was among the top-three choices made by MDB officials in most institutions but did not feature prominently among government officials. The AfDB was the institution with the smallest difference in the perception of sectors of operation of its staff compared to the selections made by government officials.

## 6.2 Emerging recommendations for shareholders and MDB management

The evidence gathered from the questionnaires to nearly 500 government officials and MDB staff points to the following recommendations and suggestions for shareholders and MDB management if they are going to better reflect the needs, priorities and perspectives of the client countries in their strategies, financing and operations:

- **Don't forget that MDBs are primarily banks for their client countries.** Financing projects and programmes was important for client countries. Government officials valued the overall offer of financing, technical assistance, convening power and research provided by MDBs. However, receiving financing at better-than-market terms was deemed to be extremely or very important for their countries, as well as funds being predictable and received in high volumes, an opinion shared across regions and largely valid for countries borrowing at both 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 – found what MDBs offered to be relevant to support their development strategies. Countries also considered these institutions to be effective in carrying out their roles. Probably as a result, we also found that respondents expected the demand for MDB assistance would increase in the medium term and across country groups. Only a small minority of respondents thought the demand for financial assistance from their countries would decline in the medium term.

- **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 the potentially rising demand from client countries. At times of tight budget constraints for many governments, it is worth reiterating the evidence that investing in MDBs offers good value for money to shareholders in their replenishments and capital contributions compared to other funding options. This recommendation applies across MDBs. Regional development banks were also considered to be highly effective by their client countries, sometimes as effective as the World Bank or, in the case of the IADB, even more so.
- **Reconsider policy conditions on new lending to meet clients' demand for flexible use of funding.** Client countries valued the flexibility in development financing, but this was also an area where they rated the performance of MDBs to be the lowest. A preference for flexible use of funding also suggested a strong preference for instruments akin to budget support. However, in general, government officials would opt for investment project finance if that was the only option. This financing modality is not flexible, but also does not come with conditions that

require 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 more and more limited over time.

- **Make lending from MDBs simpler.** We have seen how more than half government respondents thought that procurement and financial management rules were complex, rigid or unfamiliar, the most cited disadvantage of negotiating and managing grants and loans offered by MDBs. This recommendation would include not only simplifying procurement and financial management rules, but also shortening further the initial stages of the project cycle from concept note to first disbursement. This applies for countries borrowing both at concessional and non-concessional terms from MDBs.
- **Reassess the offer of technical cooperation and policy advice and its long-term impact beyond individual project cycles.** There were significant gaps in perceptions of both the relevance and quality of technical assistance and policy advice between MDB staff and government officials. A minority of government respondents thought that technical assistance and policy advice was good value for money or less expensive than other options, and that it was independent and responsive. The long-term impact of technical assistance was a clear priority for government officials, but underestimated by MDB staff; this was also the dimension of technical assistance where MDBs were rated the least effective. Government officials also valued technical assistance that was provided independently from project and programme financing, so MDBs should consider expanding their offer.
- **Address constraints to demand for financing on climate change and, more broadly, for global public goods.** We have seen that MDB

staff are more likely to suggest that MDBs should focus their operations on climate change adaptation and mitigation than government officials. One potential explanation is that countries are not willing to borrow for projects and programmes on climate change mitigation. While the work of MDBs in this area has been important, and often innovative, it does have shortcomings. This is mainly because MDBs have approached the financing and the provision of global public goods (e.g. climate change mitigation) as if they were development issues: relying on their conventional country-based model of operation and using country loans as their main instrument. Future reforms will need to deal with the long-standing tension between MDBs being well-placed institutions to finance GPGs, given their multi-country operations and areas of intervention, and their current country-based financing and resource allocation model. This recommendation also includes understanding what incentives for borrowing countries would help expand their demand for GPGs, including in the area of climate change.

- **Progress with the decentralisation process to get closer to client countries.** Many MDBs have progressively decentralised their operations, increasing the proportion of staff operating in country offices in the past decade (e.g., AfDB and World Bank) as well as increasing their decision-making power. The preferences expressed by government officials from our questionnaire strongly reinforces these decisions and not only in lower-income countries. A country office with senior staff remains highly valued even in higher-income countries. The AIIB – the newest among the MDBs – was the only one without country offices at the time of this research. This was also the MDB where government officials in its member countries were the least aware of

its operations. Approximately 50% of eligible respondents did not know how to respond to questions about the AIIB or did not think that AIIB had operations in the country across the four core functions and roles we considered in this report.

- **Strengthen country-level coordination of MDBs.** The results of the survey suggest that actions should be taken across African and Latin American countries to improve the country-level coordination of MDBs, as this was rated as poor by a sizable share of government respondents.

This survey reviewing the perspectives of client countries on some aspects of the financing, strategies and operations of MDBs was not designed to address the big questions of the reform of MDBs. It was intended to provide evidenced-based inputs to inform and help shareholders and the management of MDBs to review strategic directions, operations and instruments to better reflect clients' perspectives. The future of MDB financing and operations is ultimately reliant on the sustained demand from member countries for grants and loans in priority sectors, along with technical support, policy advice, convening of stakeholders, and policy analysis.



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