

Event summary

How can MDBs be more responsive to borrower clients and citizens?

Improving the operational model

Elise Dufief and Annalisa Prizzon

11 October 2023

The World Bank and other multilateral development banks (MDBs) are under growing pressure to work their capital harder and boost volumes of lending for poverty eradication and prosperity, while also addressing global challenges like the climate crisis and pandemic preparedness.

Beyond volumes, the compounding crises that borrowing countries face challenge MDBs to find ways to improve their operational model and deliver development results quicker, more effectively and more efficiently. The World Bank Group has taken up this challenge, with initial work encapsulated in its [new playbook](#).

Building on previous [ODI research](#) and [IDDRI workshops](#) on MDB reform, both organisations, in partnership with the Belgian Ministry of Foreign Affairs, Foreign Trade and Development Cooperation, organised a closed-door roundtable on the margins of the Annual Meetings of the World Bank and the International Monetary Fund (IMF) in Marrakech. The roundtable brought together representatives from governments, MDB shareholders, civil society and think tanks to discuss ways to improve the operational model of the banks.

Three elements stood out in the discussion: aligning the priorities of the various stakeholders; strengthening MDBs' knowledge function;

and deepening collaboration between MDBs. Further work is needed to achieve these priorities, including as part of the upcoming Belgian EU presidency from January to June 2024.

Aligning priorities

While a year ago changes to the operational model of the banks were barely discussed, a renewed focus on a 'better' World Bank has helped bring the issue back to the fore, alongside the realisation that the discussion should start with the views and needs of borrowing countries. Borrowers' perspectives on the work of MDBs remain largely unknown, or not heard enough. This has implications for the potential success of reform of these banks, and the nature of the partnership they want to build with borrowing countries.

More work needs to be done to better align the banks' priorities with those identified at the national level and backed by national expertise. Such alignment requires a closer and harder look at where there are diverging views on these perspectives, and working to find a way forward that is responsive to national needs and contributes to international agreements.

While climate is not a top priority in some African countries, for example, countries in the Pacific may have a different view. A more regional and nationally based approach would help address some of these divergences.

Building a more efficient operational model also requires national expertise, and the need to further support and build that expertise in countries where the banks operate was highlighted. This implies being clear from the start which priorities are being put forward. Aligning with national governments' priorities does not always equate to aligning with citizens' interests; misalignment happens within governments too (including those of the shareholders of the banks) when the finance, development and climate tracks do not share the same view on the way forward. Building and supporting national expertise should therefore happen in government and independently from it, with a view to keeping citizens' interests as the main objective.

Strengthening the knowledge function

Making MDBs 'better' partly rests on valuing the knowledge that staff and national stakeholders can bring to develop and implement projects. Currently the emphasis is largely on getting projects approved by the board as fast as possible. Exploring ways to make knowledge a stronger part of the project approval process would require a change of culture within the banks and among their staff. What happens once a project is approved also tends to receive less attention, whereas important lessons can be learned from the implementation phase. For instance, elements of the scorecard could

be better prioritised and simplified, while keeping the same level of ambition.

Improving cooperation for faster and more ambitious implementation

Building knowledge across the board includes exploring ways to share that knowledge across MDBs so they do not reinvent the wheel in isolation. MDBs already collaborate in a number of areas but synergies can be further explored. As investing in project preparation is a priority area, the aim would be to scale it up from the project to the programme level and mutualise between MDBs where possible, reducing costs and further harmonising processes and standards to make implementation faster.

Participants also highlighted that improving the operational model necessarily implies taking more risk, which in turn means accepting a certain level of failure. Not all attempts to do things better will be successful, but can space be created for cooperation to happen as long as lessons are learned and mistakes are not repeated? This goes beyond MDBs themselves to include credit rating agencies. More work needs to be done to better distinguish perceived from actual risks.

Taking risks also needs to be balanced against the safeguards some donor countries require to make sure funding is used effectively. Some of these safeguards can go against a greater focus on speed and reform of the banks' operating models. Here again, incentives need to be identified.

The reform of the operational model of MDBs should be seen as an opportunity to advance the ambition set in 2015 with the adoption of the Paris Agreement and the Sustainable Development Goals. The World Bank and IMF Annual Meetings, as well as other summits in 2023 (including G20 summits, the New Global Financing Pact and the Finance in Common Summit), provided key opportunities to advance the agenda and created expectations that have to be met. Collective political leadership is now needed to take this agenda forward.