Report

Reforming multilateral development banks: perspectives from client countries

Annalisa Prizzon and Fatlum Zeka, with Hayk Gyuzalyan and Arpine Aghjoyan

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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 Global or the funders of this project.

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Acronyms

AfDB	African Development Bank
AfDF	African Development Fund
AIIB	Asian Infrastructure Investment Bank
AsDB	Asian Development Bank
AsDF	Asian Development Fund
CAF	Corporación Andina de Fomento; Development Bank of Latin America and the Caribbean
CEB	Council of Europe Development Bank
CRA	Credit rating agency
CSO	Civil society organisation
DFI	Development finance institution
DPF	Development policy financing
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESF	Environmental and social framework
EU	European Union
GDP	Gross domestic product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	InterAmerican Development Bank
IEG	Independent Expert Group
IMF	International Monetary Fund
IPF	Investment project financing
IsDB	Islamic Development Bank
M&E	Monitoring and evaluation
MDB	Multilateral development bank
MRA	Mutual Reliance Agreement
NDB	New Development Bank
OECD	Organisation for Economic Co-operation and Development
PIU	Project implementation unit
RBF	Results-based financing
SDG	Sustainable Development Goal
UN	United Nations

Executive summary

This report synthesises the perspectives of nearly 650 government and multilateral development bank (MDB) officials across 125 countries, complemented by some 250 interviews in 12 country case studies. The analysis aims to understand clients' views on the roles, strengths, weaknesses and future direction of MDBs. It provides the most comprehensive, comparative assessment currently available, capturing feedback on 11 global and regional MDBs. This work builds on the findings of an initial survey, conducted in 2021 and published the following year, but expands coverage, deepens analysis and assesses progress since the acceleration of the MDB reform agenda.

Tracking progress in reforming MDBs: why client perspectives matter

Among development finance institutions, MDBs have a unique combination of functions, supporting the socioeconomic development of their client countries and helping address regional and global challenges. Shareholders of global and regional MDBs have, however, increasingly scrutinised their roles and performance, as well as the level of demand for what these institutions offer.

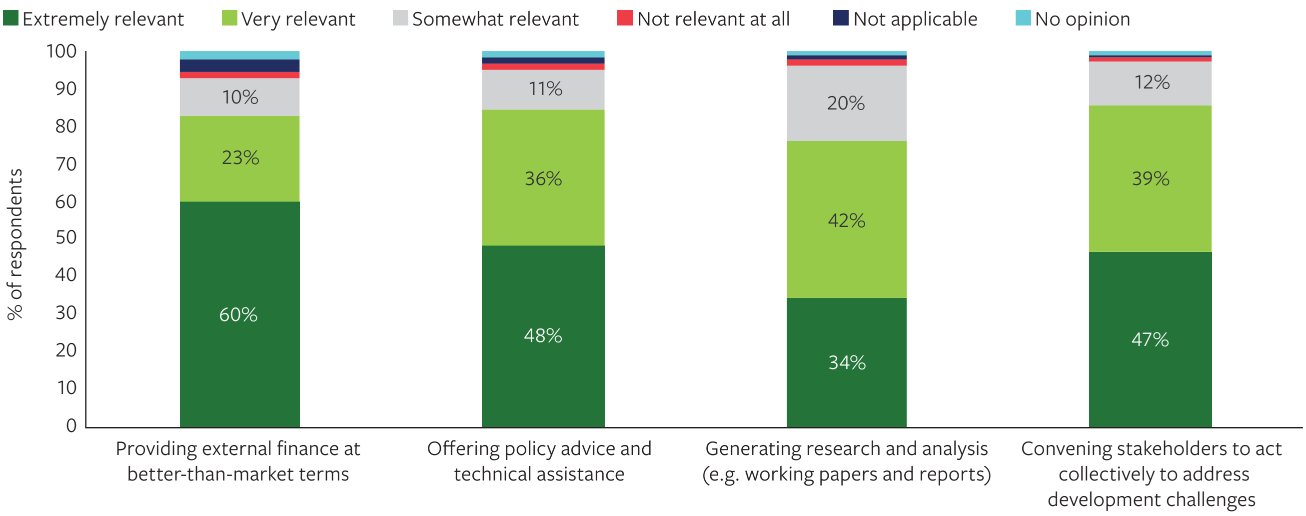
Since the first MDB client survey in 2021 (Prizzon et al., 2022), successive G20 presidencies, shareholders and MDBs have launched multiple reform initiatives designed to increase MDBs' financial capacity and strengthen their operational effectiveness, individually and as a system. With these reforms under way, this is an opportune moment to take stock of their effects, from the perspective of the clients of MDBs. The aim is to help track progress on the recommendations of the G20 processes, and to examine more closely issues that have re-emerged in the MDB reform agenda in recent years, particularly on boosting the operational effectiveness of MDBs: how they collaborate on the ground, how they support building high-quality project pipelines and how to streamline the project cycle.

This report has been written in a context of significantly reduced aid budgets across many donors and challenges to the purposes of development cooperation, escalating financing needs and rising debt in many borrowing countries, geopolitical tensions and prolonged conflict, as well as a fragmented development finance landscape with a variety of potential financing options. Against this background, it provides evidence on the relevance of MDBs to their clients; how effective they are in the way they operate; and where reform is most urgently required. For MDBs to remain relevant development institutions for their clients, and to boost the efficiency and impact of their support, the views and demands of their client countries should inform and shape their strategies and financing instruments.

Relevance and effectiveness

MDBs continue to play an essential role in supporting long-term socioeconomic development in their client countries. Three-quarters of respondents rate MDBs' functions – financing at better-than-market terms, policy advice and technical assistance, knowledge generation and convening – as *very or extremely relevant* to their countries' development trajectories (Figure E1).

Figure E1 The relevance of the roles and functions of MDBs



Source: Authors' survey; based on all respondents (643). Question: *Looking at what multilateral development banks generally offer, how would you rate each of these items in terms of their relevance for the long-term social and economic development of #country#.*

Financing at better-than-market terms remains the most valued function, especially in countries that can either benefit from grants or primarily borrow on concessional terms (members of the International Development Association or 'IDA countries') where 89% consider it highly relevant. In countries that can receive loans only on non-concessional terms (members of the International Bank for Reconstruction and Development or 'IBRD countries'), policy advice and technical assistance rank highest, valued by 85% of respondents. Even so, financing at better-than-market terms is either *very* or *extremely relevant* for three-quarters (76%) of respondents in IBRD countries.

Compared with 2021, the importance of what MDBs offer has increased across nearly all functions, specifically their financing, policy advice and technical assistance, and convening power. Interviewees emphasised that MDBs' value lies in these functions in combination: financing is necessary but not sufficient; technical expertise and convening influence are often equally important to achieving development outcomes. This finding applies to client countries across the board: respondents see MDBs not only as financial institutions, but as partners providing technical assistance and knowledge.

In terms of effectiveness, the analysis of government respondents reveals three distinct groups. The MDBs with large sovereign lending arms, such as AfDB, AsDB, IDB and the World Bank, are perceived as *very* or *extremely effective* by at least 60% of government respondents and across all functions. This falls to 30–40% for AIIB, CAF, EBRD, European Investment Bank (EIB) and IsDB. For MDBs with smaller sample sizes (CEB and NDB)[1], 15–25% of respondents say their activities are *very* or *extremely effective* (Table E1). These results reflect the fact that many newer or smaller

1 Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

Table E1 Perceived effectiveness of individual MDBs by government respondents

	Providing external finance at better-than-market terms		Offering policy advice and technical assistance		Generating research and analysis		Convening stakeholders to act collectively	
% of respondents	Effective %	Not effective %	Effective %	Not effective %	Effective %	Not effective %	Effective %	Not effective %
AfDB	73.9	19.5	62.6	34.2	58.8	36.9	63.2	34.1
AIIB	40.8	18.1	37.3	20.0	34.9	22.3	38.4	23.2
AsDB	69.3	13.0	73.2	15.5	63.4	23.2	66.2	22.5
CAF	53.7	24.3	56.7	19.5	47.2	25.8	44.2	27.6
CEB	17.9	25.0	22.8	31.0	25.9	23.4	24.2	29.6
EBRD	35.7	37.9	42.7	32.9	33.0	38.6	39.8	28.7
EIB	38.3	25.9	32.0	31.6	32.5	31.6	34.9	31.9
IDB	62.8	19.9	72.4	17.2	81.5	9.4	69.7	22.9
IsDB	60.1	27.1	40.6	37.3	27.1	50.4	45.5	44.1
NDB*	14.4*	51.4*	0.0*	59.4*	0.0*	59.4*	14.4*	20.5*
World Bank	72.7	18.5	72.9	22.1	74.9	19.4	74.1	21.0

Source: Authors' survey; based on 147 government respondents for AfDB, 109 for AIIB, 99 for AsDB, 83 for CAF, 28 for CEB, 37 for EBRD, 286 for EIB, 89 for IDB, 85 for IsDB, 7 for NDB and 389 for the World Bank. Question: *In your opinion, how effective or not effective is the* [*MDB*] *at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow* (*eligible for borrowing*). *Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB, also reflecting the smaller number of member countries than other MDBs. Effective refers to 'very effective' or 'extremely effective' in the questionnaire. Not effective combines the responses 'not effective at all' and 'somewhat effective'. No opinion and not applicable answers are not included here.

MDBs are simply less visible than their older, larger counterparts: many officials report limited interaction with these MDBs, particularly where they lack country offices, have smaller portfolios or specific mandates, operate primarily through the private sector or work mainly through co-financing. Countries borrowing at concessional terms see MDBs as more effective than those with market access. Government officials perceive IDA as more effective than the other two main concessional funds, the African Development Fund (AfDF) and the Asian Development Fund (AsDF), but the difference is marginal.

While most interviewees in the country studies acknowledged that reforms to the financing and operations of MDBs have started to yield benefits for their countries, our online survey shows that perceived effectiveness has remained stable or decreased for most MDBs and for most functions.

We also wanted to understand the extent to which MDBs were seen as aligned with country priorities. Overall, most government officials believe that their priorities are either *well* or *very well* supported by MDBs, particularly where there is a long-standing country/operational presence

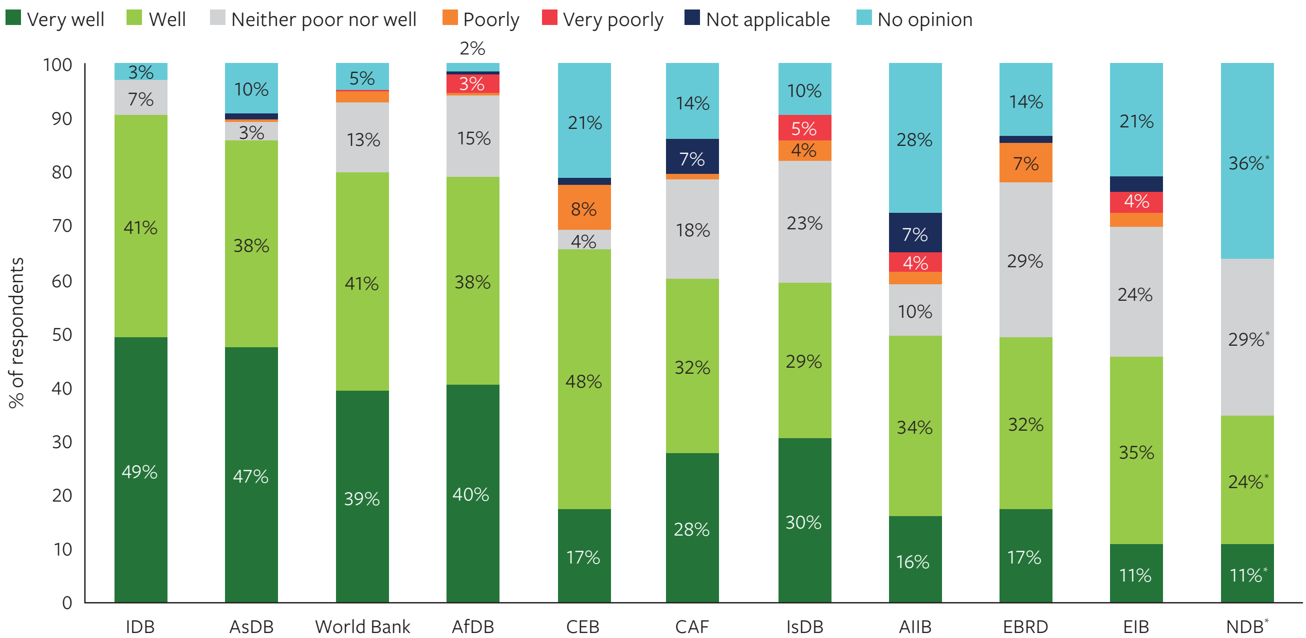
(Figure E2). The share is higher for some regional development banks, such as IDB and AsDB, where nearly half of government respondents believe their government's priorities are *very well captured*. While about 60% of government respondents think that CEB, CAF and IsDB support their priorities either *well* or *very well*, for a subset of MDBs – AIIB, EBRD, EIB and NDB[2] – the share of government respondents finding country priorities *well* or *very well* supported is much lower, about 50% or less, probably because these MDBs are less visible than the others, are newer or largely operate with the private sector. For AIIB, for example, the lack of a country office was cited in nearly all the relevant case studies as a potential explanation.

Client perspectives on MDB financing, policy advice and technical assistance, and development effectiveness

Financing

Our survey asked respondents to rate the characteristics that grants and loans offered by MDBs should have to support the long-term development of their countries, and how effective they thought MDBs were in delivering them. The vast majority of respondents (at least four in five) think that predictable, long-term financing (i.e. more than 10-year maturity), accompanied by grants for specific components of projects is either *very* or *extremely important* for the socioeconomic development of their country.

Figure E2 MDB support for country priorities



Source: Authors' survey; government respondents only; 145 for AfDB, 129 for AIIB, 97 for AsDB; 90 for CAF, 32 for CEB, 59 for EBRD, 317 for EIB, 100 for IDB, 101 for IsDB, 10 for the NDB and 398 for the World Bank. Question: *Thinking about individual MDBs operating in your country, how poorly or how well do the following MDBs support the priorities of #country#?* *Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

2 Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

Other characteristics that scored highly include financing that is flexible (75%), highly concessional (73%), offered in high volumes (67%) and that catalyses private finance (64%).

Looking closer, important distinctions between groups emerge. For instance, 82% of government officials find the flexibility of funding to be either *very* or *extremely important* for the country's socioeconomic development (and nearly half think it is *extremely important*). There is a mismatch here, as government officials appear to favour flexible funding much more than MDB officials believe they do: 57% of MDB officials said they thought flexible funding was *very* or *extremely important* to their government counterparts. While three-quarters of respondents from IDA countries find that financing offered in high volumes is *very* or *extremely important*, this falls to 57% among respondents across IBRD countries, reflecting their lower reliance on concessional financing and their access to other financing sources.

We also wanted to know how well MDBs were doing in delivering the kind of development finance clients say they want. Thus, whereas more than four out of five government officials consider the flexibility and predictability of financing to be either *very* or *extremely important*, only around two-thirds think MDBs are delivering on this *well* or *very well*. Over half of government officials rate local currency lending as *very* or *extremely important*, while a third rate the performance of MDBs in this respect to be *good* or *very good*; 65% of government officials regard mobilisation of the private sector as *very* or *extremely important*, against 46% who rate the performance of MDBs on this as either *good* or *very good*.

The terms and conditions of MDB grants and loans do not rank among respondents' top concerns: only a third of respondents think that loans from MDBs put pressure on future debt sustainability, and fewer than one in three think that the grant element is insufficient, or that loans are not concessional enough. However, we find notable distinctions between IDA and IBRD countries, for example regarding the volume of grants and loans (44% of respondents in IDA countries say volumes are too low, against 18% in IBRD countries); flexibility (36% against 13% saying that grants and loans are not flexible enough); and cost (27% in IBRD countries and 17% in IDA countries say that loans are too expensive).

Policy advice and technical assistance

We asked respondents to identify the features of policy advice and technical assistance that were most important for long-term development. Four out of five think it *extremely* or *very important* that policy advice and technical assistance is demand-driven, timely and flexible, reflective of the local context and culture, has long-term impact, and is highly specialised, unbiased and impartial. On these criteria MDBs appear to be falling short: only about one in five respondents think that policy advice and technical assistance offered by MDBs reflect knowledge of the local context and culture, and one in four that it is timely and flexible. About 60% think that MDBs are either *good* or *very good* at providing policy advice and technical assistance that has a long-term impact. The top three advantages of policy advice and technical assistance provided by MDBs are filling gaps in technical knowledge and expertise (64%), the combination of technical assistance and policy advice with grants and loans (48%) and high specialisation (42%).

Overall findings from the online survey were confirmed in the interviews we conducted across countries, regardless of lending terms or region.

Development effectiveness

We also wanted to assess views on the development effectiveness and delivery of MDB operations. About four out of five respondents believe that it is either *very* or *extremely important* that MDBs' operations are aligned with national priorities and owned by the country. Three-quarters cite as their top priorities quick delivery of projects and programmes, the use of country systems and targeting the poorest and most vulnerable. About two-thirds of respondents consider low management burden and reporting requirements as *very* or *extremely important*. These results are similar to those of the 2021 survey, but we find a 13% fall in respondents who rate focusing on the poorest and most vulnerable as either *very* or *extremely important*.

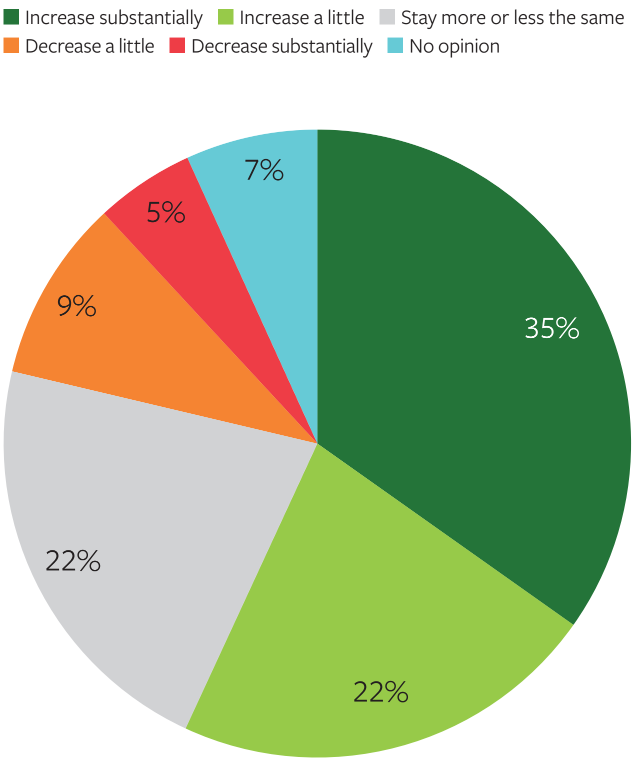
Responses between government and MDB officials tend to align, with two notable differences: government officials place much greater emphasis on projects and programmes targeting the poorest and most vulnerable populations, and on the use of country systems in MDB operations, than MDB officials think they do. Respondents from IDA countries place greater emphasis on these dimensions of operational effectiveness than respondents in IBRD countries.

Government officials say that MDBs are falling short in delivering aspects of operations they regard as particularly important. Thus, short processing times are *very* or *extremely important* for 79% of government respondents, but only 47% rated MDBs' performance in this respect as either *good* or *very good*; the use of country systems is *very* or *extremely important* for 81% of government respondents, but assessed as either *good* or *very good* by 57%; low management burden is *very* or *extremely important* for 64% of government respondents, but MDBs were seen as *good* or *very good* at that by 48%; and ownership of development programmes is rated *very* or *extremely important* by 83% of government respondents, but only 68% see the performance of MDBs as either *good* or *very good*. Nearly half of respondents think that processing times from project idea to board approval are too slow, and around a third are concerned about the management burden and reporting requirements of grants and loans, policy conditionalities and onerous environmental and procurement safeguards (though government officials are less worried about this than MDB officials think they are (29% against 46%)). Respondents from IDA countries are more likely than those from IBRD countries to report long processing times (59%/32%), onerous environmental and social safeguards (40%/27%) and misalignment between government priorities and MDB programmes (17%/7%).

How will demand for financial and technical assistance evolve?

Most respondents (57%) believe that demand for MDB grants and loans from their own country will increase over the next 5 to 10 years; only 15% expect it to decrease (Figure E3). These overall proportions have not changed since the first survey in 2021, although closer examination shows that the share of government officials who expect demand to increase has declined from 59% in 2021 to 51% in 2025, while the proportion of MDB officials who anticipate an increase has risen markedly, from 51% to 71%. Reflecting limited or lack of access to capital markets, respondents from IDA countries are more inclined than those from IBRD countries to believe that demand for MDB grants and loans

Figure E3 Trends in demand for grants and loans from MDBs



Source: Authors' survey: total of 543 respondents. Question for government officials: *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?* Question for MDB officials: *In the next 5–10 years, do you think the demand from the government of #country# for grants and loans offered by MDBs will increase or decrease?*

will increase in the medium term (64% versus 48%), and a higher proportion of respondents from two regions – Africa, and East and South Asia and the Pacific: 61% and 66% – expect demand for grants and loans from MDBs to rise. Just under half of respondents from Eastern Europe, the Middle East and Central Asia, and from Latin America and the Caribbean share this assessment.

Respondents who see stable or rising demand for MDB grants cited ongoing, significant financing needs (64%) and MDBs' ability to provide grant financing and concessional loans (45%). Other factors include MDBs' capacity to finance large-scale projects (40%), the combination of their offer of financing and technical cooperation (35%) and that their financing options are typically cheaper than alternatives (34%). MDB staff are almost twice as likely as government respondents to cite the combination of their offer as a key motivation for sustained demand for MDB grants and loans.

When asked which areas will have significant financing needs, more than half of respondents (54%, across all regions) noted economic and productive infrastructure, 19% investments in human capital, 15% climate change resilience and 8% climate mitigation.

Respondents who think that demand will decline cited the financial terms of MDB assistance, including the impact on debt sustainability (48%), high borrowing costs (40%) and the availability of faster financing options (35%). Other reasons include the perception that grants and loans from MDBs come with too many strings and policy conditions, the complexity and higher transaction costs compared with other sources, and misalignment with government priorities.

The country studies largely corroborate the findings from the online questionnaire but also provide additional context and constraints that shape decisions on whether to expand operations with MDBs. In most cases, government respondents would like to scale up operations with MDBs, usually to contribute to national plans, leveraging the more affordable financing and technical expertise that MDBs can provide, across both IDA- and IBRD-eligible countries. In several countries, MDBs are also expected to boost their private sector operations.

We also asked respondents which sectors they think each MDB should operate in in the medium term. Two sectors almost always came out at the top: agriculture, and water and sanitation, followed by education, energy generation and distribution, health and transportation. Meanwhile, sectors that featured least prominently include: financial sector development, governance/public administration (except for IDB), industry and trade and social protection. When asked specifically about the type of energy projects respondents would prefer to invest in, most cited renewables: 79% for solar photovoltaics, 54% for hydropower plants and 47% for wind energy. Only 3% indicated investment in coal-fired electric power plants, 3% in oil-fired electric power plants and 13% in fossil-gas electric power plants.

The division of labour between MDBs focusing on social sectors and those concentrating on economic and productive sectors was less prominent and less clear than in the survey's first edition. Government respondents often did not articulate whether a division of labour exists, whether one should be in place, or whether MDBs should focus on specific sectors.

In the online survey, just over half of respondents (51%) anticipate that demand for policy advice and technical assistance from MDBs will increase over the next 5 to 10 years. Officials from MDBs are more likely to believe this of government officials than government officials themselves (63% against 45%). Conversely, 19% of government officials expect a decrease in demand for policy advice and technical assistance, against 9% of MDB officials. No significant differences were observed across regions or lending terms. The findings from the country studies provide a much more positive picture of the medium-term trajectory of demand for policy advice and technical assistance from MDBs, suggesting strong demand going forward.

When asked about the criteria used to assess financial viability in a new MDB project/programme, the top three factors for respondents are the availability of grants to support specific components of the project (46%), the length of the grace period (30%) and the loan tenor (30%). Replies from government and MDB officials are broadly similar, though government officials place greater value on flexible repayment terms and access to fixed interest rates than MDB officials assume: 30% of government officials highlighted flexible repayment terms as important, compared with only 7% of MDB officials, and government officials value fixed interest rates more than their MDB counterparts (22% and 11%). Respondents from IDA countries prioritise concessionality while respondents in IBRD countries focus more on the cost of capital.

In the online survey, despite these being priorities in the reform agenda of MDBs, **the flexibility of currency denominations and the affordability of hedging options were not prominently mentioned**. Only 16% and 6% of government respondents, respectively, ranked these factors among their top three considerations when evaluating a new loan from an MDB. Views were mixed in the country studies as well, with limited knowledge of the opportunities and costs.

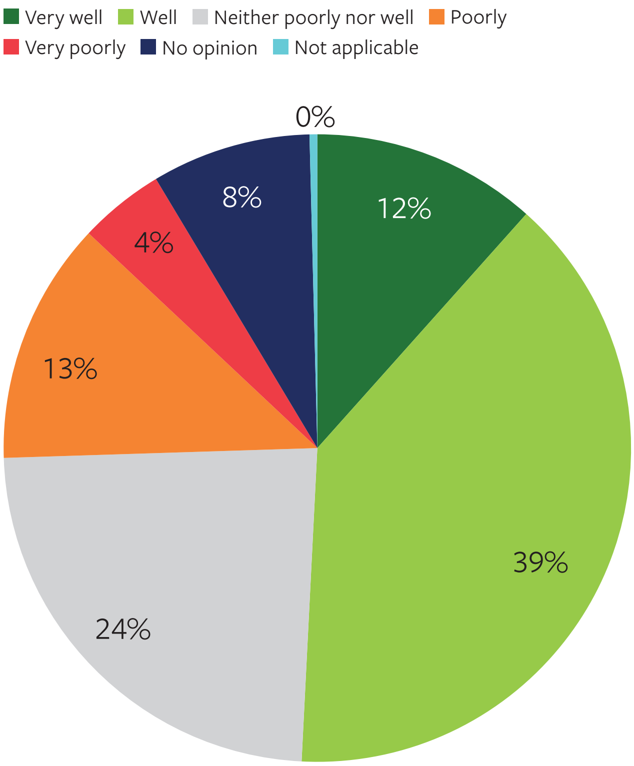
How can MDBs be 'better' institutions?

We looked at three areas of operational effectiveness: coordination among MDBs, building high-quality project pipelines and streamlining the project cycle.

Coordination among MDBs

Fewer than half of government respondents (48%) believe that MDBs are coordinating well in their countries (Figure E4). Despite ongoing efforts to improve coordination among MDBs, the perception of how well they work together at the country level has not improved on average: this share is unchanged from the 2021 survey, as is the figure of 15% who rate coordination as either *poor* or *very poor*. MDB staff are more likely to believe that coordination is effective, with 57% reporting that it works *well* or *very well*. Government officials from Africa are more likely than those in other regions to think that coordination among MDBs in their countries is either *poor* or *very poor*, with 21% expressing this view, compared to 5% in Eastern Europe, the Middle East and Central Asia; 12% in East and South Asia and the Pacific; and 11% in Latin America and the Caribbean. Government officials from East and South Asia and the Pacific (58%) are the most likely to report that coordination works *well* or *very well*, compared with 51% in Latin America and the Caribbean, 44% in Africa and 37% in Eastern Europe, the Middle East and Central Asia. Note that, in Latin America and the Caribbean, the perception of MDBs coordinating either *well* or *very well* at the country level improved, from 38% in 2021 to 51% in 2025.

Figure E4 Perceptions of MDB coordination at the country level



Source: Authors' survey. 527 total respondents.
Question: In your opinion, are MDBs coordinating between themselves poorly or well at the country level?

Both government officials and MDB representatives emphasised that co-financing of projects (74%) is the top priority for coordination among MDBs, followed by coordination on project preparation (57%) and on policy advice and technical assistance (56%). Just over one-third of respondents (37%) believe that MDBs should coordinate efforts on diagnostic tools, but there is wide regional variation on this between Africa (46%) and Eastern Europe, the Middle East and Central Asia, where only 15% of respondents indicated support for coordinating on diagnostic tools. Respondents among government and MDB officials are broadly aligned in their answers. The areas where MDBs are perceived to coordinate well include policy advice and technical assistance (rated either *well* or *very well* by 47% of respondents), co-financing of projects (44%) and social and environmental safeguards (41%).

Across all country studies, government respondents consistently value coordination among MDBs. Perceptions of the quality of that coordination, and the areas governments would prioritise, vary across countries, reflecting differences in government capacity and levels of engagement with MDBs. While some countries highlighted improvements in coordination on co-financing, policy advice or technical assistance, others emphasised the need for greater harmonisation of procedures, clearer division of labour and greater alignment with national priorities.

Building high-quality project pipelines

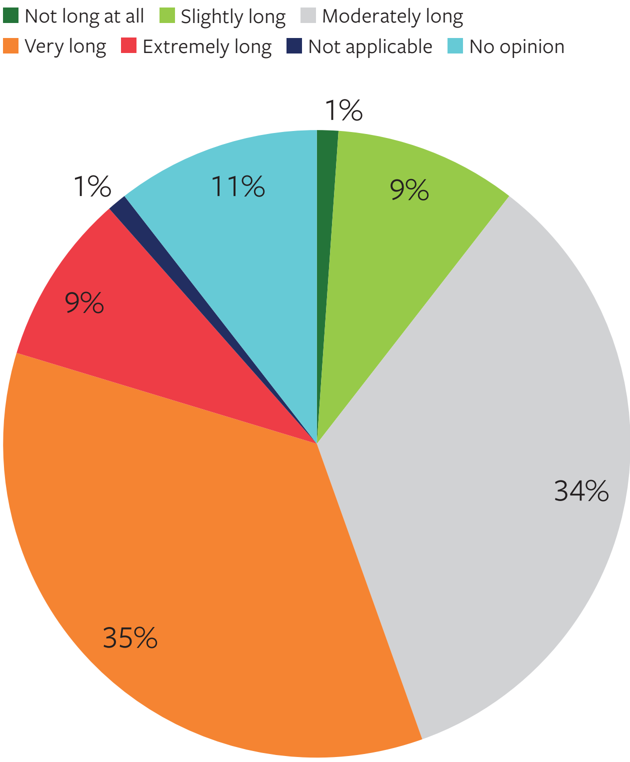
We asked respondents about the key challenges they face in building strong project and programme pipelines in their countries. Just over half (51%) mentioned weak institutional capacity at the national government level, followed by weak capacity at the subnational government level (40%), limited government financing for project preparation and the lack of grants for project preparation (36% and 31% respectively). Other enablers for long-term pipeline development – sector-specific legislation, multi-year financing frameworks and well-developed local financial institutions – are at the bottom of respondents' choices, with about 10% or fewer selecting each. MDB officials place greater emphasis on grant financing as a challenge for project preparation (43% chose it as one of the main challenges, ranking it second, against 26% of government officials, for whom it ranked fifth). By region, a higher percentage of respondents from East and South Asia and the Pacific (55%) identify weak institutional capacity at the subnational level as a significant challenge, while respondents from Africa are more likely to indicate underdeveloped local financial institutions (20%) and the limited availability of grants for project preparation (40%) than other regions.

Asked how MDBs could help expand project pipelines, respondents suggested help with strengthening institutional capacity for project preparation at the national (55%) and subnational level (30%), and coordinating project preparation with other MDBs active in the country (29%). One in four respondents think that MDBs should boost resources for project preparation. Both MDB staff and government officials believe that MDBs should prioritise strengthening institutional capacity at the national and subnational levels, though the former put greater weight on financing pre-project financing facilities (44%) than government officials (16%). Respondents from IDA countries are keener on support for sector-specific legislation, with 15% expressing this preference compared with just 6% of respondents from IBRD countries, and are also more likely to want MDBs to improve coordination with other MDBs active in the country during project preparation (34% against 22% in IBRD countries).

Streamlining the project cycle

Despite the steps some MDBs have taken to streamline internal processes, 44% of government respondents think that the time it takes from project concept to first disbursement is either *very* or *extremely long*, against 11% who think it is *not long at all* or *slightly long* (Figure E5). This concern was reinforced during our interviews, but the responsibility was reported to equally lie with MDBs and government. Time challenges were primarily to do with the nature of the project, i.e. particularly complex infrastructure projects.

Figure E5 Perceived length of the project cycle



Source: Authors' survey based on 395 government respondents. Question: *Thinking about a typical MDB project, how long would you say it takes from conception to first disbursement in #country#?*

The two top issues reported as lengthening the project cycle between concept note and board approval are project preparation (feasibility studies, engineering and technical design) (69%) and compliance with MDB requirements and environmental safeguards (57%). From board approval to disbursement, the top issues extending the process are internal administrative and legal procedures (46%), project preparation (45%), compliance with MDB requirements on procurement (42%) and establishing implementation arrangements (40%). Not being able to use country systems is not seen as a key impediment at either stage. Government officials are more likely than MDB counterparts to see compliance with financial management requirements as a key challenge (28% compared with 15%). MDB respondents are more inclined to identify project preparation as a significant challenge, with 56% citing it against 40% of government officials.

The four key recommendations for MDBs to help reduce the time from concept to first disbursement that emerged from the online survey are: 1) support for countries in project preparation (53%); 2) increased use of country systems to comply with MDB social and environmental safeguards and procurement policies (43%) (despite not identifying them as an impediment as above); 3) harmonised standards among MDBs (42%); and 4) support for countries' procurement and financial management systems (39%). Comparing the responses of government officials and MDBs, three key points stand out: first, a larger proportion of government respondents (47%) than MDB staff (31%) think that harmonising standards across MDBs would help reduce the time from project conception to the first disbursement; second, 27% of MDB respondents suggest adopting a risk-based approach, against 16% of government officials; and third, 43% of MDB officials consider strengthening the country's social and environmental safeguards a priority, while only 25% of government officials share this view. Perhaps reflecting stronger demand for capacity-building, government respondents in IDA countries are more likely to prioritise MDB support for strengthening procurement and financial management systems (47%), compared with 30% of respondents in IBRD countries. Priorities identified for governments are establishing implementation arrangements early in the process (50%), investing in capacity-building on project management and the fiduciary requirements of MDBs (49%) and strengthening project preparation capacity (47%). Only 13% of respondents think that the government should strengthen social and environmental safeguards.

Conclusion: how can MDBs increase their operational effectiveness in client countries?

Our analysis demonstrates that MDBs remain relevant institutions for client countries, and that their offer is in demand. In the discussions with government officials, recent reforms to enhance the effectiveness and efficiency of MDBs, both individually and as a system, are beginning to have an impact on the ground. However, the same evidence also highlights several areas where progress must accelerate. Addressing these areas and deepening the understanding of clients' perspectives could enhance MDBs' ability to help these countries meet their priorities and needs, ultimately boosting the overall effectiveness of these institutions.

We summarise priority areas in 10 broad points which MDB shareholders and management could consider:

1. Leverage the distinctive and mutually reinforcing combination of functions across MDBs.
2. Make use of MDB headroom. Demand for grants and loans from MDBs remains sustained, even across countries with market access.
3. Ensure country presence, including technical staff, for greater ownership and alignment to national programmes.
4. Provide tailor-made technical assistance that reflects the local context and culture, ensuring long-term sustainability and impact.
5. Continue supporting countries in transitioning to low-carbon energy solutions.
6. Clarify the availability of local currency lending and hedging options, if applicable.
7. Follow through with implementation of reforms to boost the operational effectiveness of MDBs, particularly in IDA countries.
8. Boost and invest more in coordination among MDBs at the country level, especially in IDA countries, and particularly on co-financing, project preparation, policy advice and technical assistance.
9. Invest more in project preparation and coordination among MDBs, including on building institutional capacity at the national and subnational level.
10. Continue efforts to streamline the project cycle, including strengthening government capacity.

1 Introduction

1.1 Context and objectives

Among development finance institutions, MDBs have a unique combination of functions, supporting the socioeconomic development of their client countries and helping address regional and global challenges. MDB financing is often highly concessional or on terms more favourable than a government could access from capital markets. MDBs provide advice on policy reform and technical assistance on project implementation. Their staff generate research and share knowledge across countries, and MDBs have strong convening power among their stakeholders.

Shareholders of global and regional MDBs have increasingly scrutinised their roles and performance, as well as the level of demand for what these institutions offer. For MDBs to remain relevant to their clients, and to boost the efficiency and impact of their support, the views and demands of their client countries should inform and shape their strategies and financing instruments.

However, **we know little about the perspectives of client countries regarding the relevance and performance of MDBs, what countries value in their financing and operations, and what they see as MDBs' main weaknesses**. In 2021, to inform the evolution of strategies and financing instruments for MDBs, Prizzon et al. (2022) conducted the first-ever independent comparative survey of MDB sovereign clients. MDBs run their own regular surveys with clients, but these are rarely managed simultaneously across countries, do not look at MDBs as a system or might not focus on strategic directions.

Since 2021, **calls for reform have intensified, particularly from the G20, to enable MDBs to scale up lending volumes and maximise the effectiveness and impact of their operations, individually and collectively**. An Independent Expert Panel led a review of MDBs' Capital Adequacy Frameworks in 2022 to identify concrete recommendations to stretch the balance sheets of these institutions, both individually and collectively (Independent Expert Panel, 2022). In 2023, the Independent Expert Group on Strengthening MDBs (G20 IEG, 2023a; 2023b) proposed recommendations to make MDBs more efficient and able to take on more risk. Under the Brazilian Presidency in 2024, G20 Finance Ministers and Central Bank Governors endorsed a *Roadmap towards better, bigger and more effective MDBs* (G20, 2024), setting a pathway for reforming the finances, operational models and impact measurement of these institutions, both individually and as a system, at the strategic level and for country-level operations.

MDBs have implemented several measures in response to these calls for reform. First, they have piloted innovations, such as hybrid capital and risk transfers, that could unlock \$300–400 billion in additional headroom across the major MDBs by the mid-2030s (Heads of MDBs Group, 2024a). Second, several MDBs have set targets and policy commitments to shorten the project cycle within their respective areas of responsibility. Third, at the institutional level, there have been renewed joint efforts to improve coordination and cooperation, as described in the Viewpoint Note (Heads of MDBs Group, 2024a).

With these and other reforms under way, **now is a good time to take stock, from the perspective of the clients of MDBs, of the effects of these reforms, to help track progress on the recommendations of the G20 processes, and to examine more closely issues that have re-emerged in the MDB reform agenda in recent years**. The G20 Roadmap covers many of these dimensions with its own monitoring and reporting framework (G20, 2024). However, survey results can still offer valuable insights into progress and setbacks. The preparation and compilation of the online survey, along with discussions during in-person and online meetings, also provided a platform and an opportunity for government officials in client countries to reflect and engage in dialogue about the strengths and weaknesses of these institutions, and the scope for further reform.

In a context of significantly reduced aid budgets across many donors and challenges to the purposes of development cooperation, escalating financing needs and rising debt in many borrowing countries; a fragmented development finance landscape with a variety of potential financing options; and geopolitical tensions and prolonged conflict, this report provides the evidence base to understand how relevant MDBs still are to their clients and their own mandates, how effective they are and where reform is most urgently required.

As in the first edition, **this report is intended for MDB shareholders and management. Its aim is to inform how MDB strategies and financing should evolve to reflect their clients' perspectives and enhance their relevance and effectiveness**. Our focus is mainly on sovereign lending and government perspectives. We are aware that these are partial as they do not capture the views of the private sector or of civil society organisations (CSOs) (the latter were included in the country study phase). Still, governments are among the main clients of most MDBs reviewed in this report, and their views should shape MDB strategies and financing offers, as both clients and shareholders.

1.2 Research questions and abridged methodology

This report maps the perceived strengths of MDB finances and policies, areas for improvement and trends in future demand for MDB assistance, including tracking progress and setbacks since the first edition of the survey in 2021. The report also provides insights into issues that have become more prominent since 2021, namely improving coordination among MDBs at the country level, support to project preparation and streamlining of operations – key tools and means to improve the operational effectiveness of MDBs (the 'better' pillar of the G20 Roadmap). We summarise these issues in four main strands of investigation. The first three were part of the first edition of the survey, while the fourth is a new addition:

1. *Perceived relevance and effectiveness.* What do government officials in client countries value most about cooperation with MDBs operating in their country, and how well do MDBs deliver on these priorities?
2. *Perceived strengths and areas of improvement.* What are the perceived strengths and weaknesses of MDBs in areas such as financing, technical cooperation and operations?
3. *Future demand.* How and why is the demand for MDB assistance and services expected to evolve in the medium term (5–10 years): e.g. grants, loans, policy advice and technical assistance? In which sectors is this demand expected to change the most in the medium term?
4. *How MDBs can be better banks.* How can MDBs coordinate and cooperate better?

What are the strengths and weaknesses of the MDB project cycle, including negotiations, project preparation, safeguarding policies and procurement policies? From the client perspective, what should MDBs do differently?

To answer these questions, we applied a mixed-methods approach: an online questionnaire, as in the first edition, followed by semi-structured interviews in a selected group of countries. Box 1 summarises the methodological differences between the two editions of this project; Appendix 1 describes the methodology of the online survey, and Appendix 3 the approach taken for the country case studies.

The online questionnaire reached respondents in 125 countries – in principle, all the countries whose governments can directly borrow from the World Bank (the largest MDB by client countries).[3] This is much more extensive coverage than the first edition (73 countries), where selection was stratified to ensure balanced representation in the sample and comparability over time.

We also expanded the MDBs under consideration, from six in the first edition[4] to 11 global and regional MDBs (see Box 1). In alphabetical order, the MDBs included in this edition are: AfDB, AsDB, AIIB, CAF, CEB, EBRD, EIB, IDB, IsDB, NDB and the World Bank.

In the 125 countries in the online questionnaire, respondents were senior government officials in central and line ministries who negotiated grants and loans with MDBs, managed relations and dialogue with MDBs, scrutinised the terms and conditions of MDB loans, and coordinated projects with MDBs in line ministries. To triangulate the information provided by government officials, we also contacted senior officials in the relevant MDB country offices. Among MDBs, we invited colleagues negotiating country programmes and with a broad overview of operations and conditions in each of the 125 countries. These included the country director/manager and the senior economist for country offices, including those in regional hubs (AfDB, AsDB, CAF, EBRD, EIB, IDB, IsDB, NDB and World Bank).[5] MDB respondents were asked to interpret the opinion of their government counterparts, rather than share their own perspective.

We received nearly 650 responses from government and MDB officials.[6] The online survey, available in five languages (English, Arabic, French, Portuguese and Spanish), was open from late November 2024 to early April 2025. Appendix 1 elaborates in detail on the methods and research protocol for selecting the recruitment and data collection mode, questionnaire design and scripting, cognitive testing, translation of questionnaires, survey population, eligibility of respondents, database-building and contact strategy, data collection, response rates and distribution of replies, and the weighting approach. Appendix 1 also includes the list of countries whose respondents were contacted for the online questionnaire. Appendix 2 reports the texts of the questionnaires sent to government and MDB officials.

3 While the World Bank Group has the largest number of sovereign clients, this approach meant that several European Union (EU) members – clients of other MDBs – have not been covered in this analysis.

4 These were the AfDB, AsDB, AIIB, EBRD, IDB and the World Bank.

5 AIIB does not have country offices. While it has a project office in Türkiye, CEB does not have offices in any of the other countries covered in this survey.

6 In the first edition, nearly 500 responses were received.

Results of the online survey are usually reported first by type of access to finance (concessional and non-concessional, labelled as 'IDA'[7] and 'IBRD'[8]), and second by region (Africa; East and South Asia and the Pacific; Eastern Europe, the Middle East and Central Asia; Latin America and the Caribbean).

The online survey methodology has several strengths, but also some limitations, particularly in capturing the nuance of respondents' replies and elaborating on the motivations behind them. Hence we introduced a country study phase for this edition of the project. The countries selected are: Bhutan, Botswana, Brazil, Côte d'Ivoire, the Dominican Republic, Ghana, India, Liberia, Mexico, South Africa, Sri Lanka and Uganda. These 12 countries reflect diverse eligibility for grants, concessional and non-concessional loans, as well as regional diversity, in line with the online survey's population. They also include countries experiencing rising and declining volumes of assistance. Appendix 3 outlines the criteria for the selection of the country studies in greater detail.

After the online survey responses were collected and analysed (April and May 2025), we planned and conducted the semi-structured interviews in these countries either online or in person, with government officials, MDB representatives in country offices and think tanks/CSOs. Nearly 250 informants participated between May and December 2025 (see Appendix 3 on the methodology and Appendix 4 for a list of interviewees who agreed to be identified by name).

1.3 Structure of the report

This report is structured as follows:

- Chapter 2 outlines key processes in the MDB reform agenda since the first edition of the survey, and progress and challenges thus far, especially in the areas analysed in this report for the first time in depth: MDB coordination at the country level; the role of MDBs in project preparation and building high-quality project pipelines; and streamlining of operations (e.g. environmental and social frameworks and procurement policies).
- Chapter 3 maps how respondents perceived the roles and functions of individual MDBs in relation to the social and economic development of their countries, how effective MDBs were in delivering these and how their strategies reflect country priorities, including how perceptions have evolved since the first edition of the survey.
- Chapter 4 elaborates on the strengths and weaknesses of MDBs, as expressed by respondents, in relation to grants and loans (financing), policy advice and technical assistance, and operational and development effectiveness.
- Chapter 5 articulates how respondents saw their demand for MDB assistance – grants, loans, policy advice and technical assistance – evolving in the next 5 to 10 years, for which sectors, and which terms and conditions they would prioritise should they be given the option.

7 '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.

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

- Chapter 6 looks at specific aspects of the operational effectiveness of MDBs (the 'better banks' pillar of the Roadmap): the quality and nature of coordination among MDBs at the country level, how MDBs can support countries in building robust project pipelines, countries' perceptions on the length of the project cycle and how governments and MDBs can help streamline the overall process.
- Chapter 7 draws recommendations from the findings of the online survey and semi-structured interviews for the financing, strategies and policies of MDBs.

Box 1 Methodological differences between the first and second edition of this project

In this second edition of the project we aimed to reduce measurement errors (in the case of an online questionnaire, this refers to minimising misunderstanding of the queries raised); capture aspects of the reform agenda of MDBs that have become more prominent since the first edition in 2021; reduce representation errors by expanding the countries included and the MDBs reviewed; and improve understanding of the nuances and motivations behind certain patterns across country groups, which an online questionnaire cannot probe.

We identify three main methodological differences between the first and second editions.

1. Part restructuring of the questionnaire, learning from the first edition, capturing emerging aspects of the MDB reform agenda and considering more extensive cognitive testing
Several questions were removed either because the reported results did not add substantially to the existing body of knowledge (in the case of multi-item questions, items with high correlation coefficients with other items in the same question added little new information), or because the information received in the first edition was sufficient, and the situation with a particular question was not likely to have changed substantially between the first and second editions (these questions may be reconsidered for inclusion in subsequent rounds). The questionnaire for the second edition was revised to explore other aspects of MDB operations and performance (e.g. coordination among MDBs at the country level; project preparation; streamlining operations), without increasing the overall number of questions. We conducted four cognitive testing interviews with the target audience, using a cognitive testing guide. Interviews focused on questions which were likely to be the most challenging for respondents. Priority was given to new questions that had not been included in the first edition. In testing, the focus was on the cognitive interpretation of individual questions, the suitability of response options and the terminology used in the questionnaire.

Box 1 Methodological differences between the first and second edition of this project (continued)

2. More comprehensive coverage of client countries and MDBs, along with a more inclusive questionnaire

The number of countries increased from 73 to 125, reflecting all the countries that can borrow from the World Bank, the largest MDB by number of shareholders. Countries with a population of less than 500,000 were included (refer to Appendix 1 for details on country eligibility and response weighting). Because the sample of countries covered in the first edition was stratified and weighted to be representative of each group analysed in the report (lending terms and main regions), the results between the two surveys are comparable over time. The number of MDBs increased from 6 to 11, extending the analysis to all institutions that are part of the MDB Heads Group, plus CAF. The questionnaire was translated from English into French, Spanish, Portuguese and, for the first time, Arabic, to ensure greater uptake and inclusivity.

3. Complement the results of the online questionnaire with semi-structured interviews

The online survey methodology has several strengths: efficient collection of a large number of responses from government and MDB officials, reduced impact from different time zones and language barriers, and anonymity. However, there are several limitations in relying solely on an online questionnaire. First, due to the small sample size in each country and the need to maintain confidentiality, only aggregate results by region or lending category can be analysed. Second, although the survey text has undergone cognitive testing, an online questionnaire does not provide the respondent with space to request further explanation or to capture nuance. An online questionnaire also reflects the researchers' hypotheses and priorities; despite extensive consultations with international experts in development finance and the cognitive testing phase, it may still overlook certain aspects of the research agenda or fail to capture latest developments. This was particularly the case as the online questionnaire was administered during the significant cuts to bilateral aid in early 2025.

Quantitative tools using standardised questionnaires are well-equipped to provide information on general trends and can be analysed by key subgroups, but they offer only limited insight into underlying causes. Introducing 12 country studies – whose selection aimed to reflect the different regions and lending groups – helped us better understand nuances in replies that a standard script cannot capture, and the motivations behind respondents' answers. For this project, we applied a sequential explanatory strategy to integrate the findings of the online questionnaire and the semi-structured interviews (see Appendix 3 for further details). The rationale for this approach is that the survey provides a general understanding of the research problem, and the interviews refine and explain the statistical results by exploring participants' views in more depth. The preliminary survey results informed the design of the interview guide – hence the start of the country phase right after the closure of the survey and the preliminary analysis of the results.

2 MDBs at the centre of the reform of the international financial architecture

Since the first edition of the survey of MDB clients in 2021, G20 Presidencies and their members, shareholders and individual MDBs have initiated several processes to expand the finances and improve the operational effectiveness of MDBs. These were motivated mainly by the urgency, scale and complexity of recent challenges facing emerging and developing economies, particularly the climate crisis and Covid 19.

In this chapter, we take stock of these initiatives (Section 2.1) and assess progress in their implementation (Section 2.2), with a particular focus on three closely related areas for improving the operational effectiveness of these institutions: streamlining the project cycle; boosting investment and support to project pipeline development; and MDB coordination at the country level. We examine the outstanding challenges that MDBs and their shareholders need to address in these three areas and review solutions identified in the literature (Section 2.3). Section 2.4 outlines the broad assessment of government respondents in the semi-structured interviews regarding the progress and limitations of these aspects of MDB reform, before delving into the results of the online survey and the country studies.

2.1 Reforming MDBs: an overview of recent initiatives

The financing needs to meet global goals and development challenges are rapidly increasing. The financing gap to achieve the Sustainable Development Goals (SDGs) has increased from $2.5 trillion annually in 2015 to $4 trillion in 2024 (UNCTAD, 2023). Meanwhile, global climate investments must reach about $6.5 trillion annually by 2030 and $7.5 trillion by 2035, with emerging and developing economies (excluding China) requiring $2.4 trillion per year by 2030 and $3.2 trillion by 2035 to stay on track with the Paris Agreement and the SDGs (IHLEG, 2025).

MDBs have a business model that effectively leverages paid-in capital. For example, by mobilising capital markets, the $150 billion in paid-in capital[9] has been transformed into more than $1.4 trillion of development assets[10] outstanding. While this can vary across MDBs,[11] it presents an overall average leverage ratio of more than nine times (GRaFF, 2025a), making MDBs a critical part of efforts to finance development and meet global goals.

9 Figures in this paragraph refer to the MDBs that participated in the Global Risk and Finance Forum (GRaFF, 2025a), excluding IDA: AfDB, AsDB, AIIB, CAF, CEB, EBRD, EIB, IDB, World Bank, IsDB, NDB and Nordic Investment Bank (NIB).
10 Development assets are generally defined as net disbursed loans and investments plus guarantees (GRaFF, 2025a).
11 For example, as of 30 June 2025, IBRD's 'Usable paid-in capital' was around $22 billion while the total loan exposure was around $268 billion; a leverage ratio of over 12 times (World Bank, 2025a).

MDBs' ability to leverage additional financing has been constrained by their Capital Adequacy Frameworks.[12] While MDBs differ fundamentally from commercial banks, their lending capacity is still largely shaped by how Credit Rating Agencies (CRAs) assess their creditworthiness. CRAs have tended to evaluate MDBs using methodologies similar to those applied to commercial banks, limiting how much MDBs can lend (Humphrey, 2017). This constraint has arisen mainly from a lack of a common understanding of MDBs' financial positions among shareholders, MDBs and CRAs, coupled with overly cautious Capital Adequacy Frameworks and leverage ratios employed by shareholders due to the absence of credible benchmarks for assessing MDBs' financial strength.

Recognising these challenges, G20 shareholders urged MDBs to revise their Capital Adequacy Frameworks policies and work with CRAs to align understanding of their financial positions, allowing greater lending capacity while preserving strong credit ratings. To support these objectives, the Italian G20 Presidency commissioned a panel of independent experts to establish credible benchmarks for assessing MDB Capital Adequacy Frameworks; to help shareholders, MDBs and CRAs develop a more consistent understanding of these frameworks; and to identify measures to maximise MDBs' financing capacity. Among the recommendations, the panel asked MDBs to redefine the approach to risk appetite and give more credit to callable capital (Independent Expert Panel, 2022).

Building on the Capital Adequacy Framework review **the Independent Expert Group (IEG) on Strengthening MDBs recommended that these institutions triple their finances**, so that 'the size of MDB lending be made commensurate with their anticipated contributions to the global goals and country outcomes that have been set by the SDGs and in the UNFCCC Paris Agreement and the Kunming-Montreal Global Biodiversity Framework' (G20 IEG, 2023a: 26). Furthermore, the IEG **expanded the focus of reform to include operational effectiveness ('better' MDBs) and private capital mobilisation ('bolder' MDBs)** (G20 IEG, 2023b). To improve operational effectiveness, the IEG considered three dimensions: streamlining environmental and social frameworks, increasing investment in project preparation, and encouraging MDBs to work more effectively as a system. More specifically:

- **MDBs should speed up and simplify their business processes through streamlining their environmental and social frameworks.** The IEG reports recommends that MDBs take a risk-based approach to project and programme approvals, delegate greater authority to management and country offices, and use country systems more widely. In addition, MDBs should further harmonise rules and procedures – particularly within country platforms, and especially in the areas of safeguards, procurement, audit, reporting and monitoring and evaluation (M&E) – and advance mutual recognition of each other's standards.

12 Capital Adequacy Frameworks are the internal policies, metrics and risk models that MDBs use to determine how much capital is required to absorb unexpected losses and preserve financial strength and market access. By comparing required capital to available capital (and applying related limits and buffers), these frameworks determine an MDB's safe lending capacity, or 'headroom', for clients (Independent Expert Panel, 2022).

- **MDBs should ramp up investment in project preparation facilities, individually and across the system, to ensure that countries have strong project pipelines that are aligned with climate and development targets.** Weak and sparse project pipelines, along with a lack of bankable projects, are key constraints preventing MDBs from significantly scaling up their infrastructure development operations. MDBs are encouraged to scale up and harmonise their project preparation facilities, and to include both downstream support (project preparation and structuring) and upstream activities (developing policies, frameworks and institutions).
- **To improve collaboration**, the IEG reports recommend that MDBs focus on reforms across four main areas: creating systematic institutional structures and incentives for collaboration, improving the operating model towards a more programmatic approach (particularly through country platforms), collaborating proactively with the private sector, and utilising their combined financial strength.

In 2024, the Brazilian G20 Presidency took this agenda forward. Building and expanding on the recommendations in the IEG reports, in November 2024 G20 Leaders endorsed the *G20 Roadmap towards better, bigger and more effective MDBs*. The Roadmap calls for expanding the overall scale of MDB operations, strengthening their effectiveness and impact as a system, and improving collaboration and coordination – both among MDBs themselves and with national development banks, governments and the private sector – at the strategic and country levels.

The Roadmap was the first document to outline a vision and plan for the reform of MDBs drafted, negotiated and endorsed by the G20, MDBs and invited countries. In 2025, **the South African G20 Presidency took forward the work to develop a monitoring and reporting framework and a progress report on implementation of the recommendations of the G20 MDB Roadmap.**

MDBs collectively reported progress in implementing the recommendations in the IEG reports, first in a Statement in October 2023 and then in a Viewpoint Note in April 2024 (Heads of MDBs Group, 2024a). Commitments include: 1) scaling up MDB financing capacity; 2) boosting joint action on climate; 3) strengthening country-level collaboration and co-financing; 4) catalysing private sector mobilisation; and 5) enhancing development effectiveness and impact. More specifically, to boost their operational effectiveness, MDBs have committed to coordinating better under the country platform framework, further harmonising and relying on each other's procurement processes, and developing a joint co-financing portal.

The Roadmap also urges MDBs to strengthen country systems and promote streamlined, agile and risk-based operational policies and procedures. The Roadmap promotes capacity-building, notably to support implementation of MDB environmental and social framework (ESF) and procurement policies, while also asking MDBs to identify and simplify differences in their processes. The Roadmap further asks MDBs to set concrete goals to increase the speed and agility of their financing without compromising quality, and to make greater use of one another's procedures through Mutual Reliance Agreements (MRAs) that facilitate co-financing and reduce countries' administrative burden.

To enhance project pipelines, the G20 MDB Roadmap calls on MDBs to provide upstream and coordinated project preparation support. It asks for MDBs to scale up joint project preparation support and coordinate proactively with the private sector in doing so. The Roadmap further encourages MDBs to provide upstream support and strengthen policy, legal and regulatory frameworks to remove obstacles to market creation and project development. MDBs are also called on to support country-owned and country-led platforms and work more closely with national and subnational development banks to help integrate them into country platforms where appropriate.

To lower the foreign exchange risks of MDB lending, the Roadmap also calls on MDBs to scale up local currency and hedging solutions. MDBs are encouraged to expand local currency financing options and step up technical assistance to build countries' capacity for currency risk management. They are also called on to develop, support and scale up foreign exchange hedging and other innovative solutions to mitigate currency risk for MDB projects and borrowers.

Individual MDBs also have their own processes to streamline operations and improve their operational effectiveness. We cite three examples here. The World Bank's 2023 Evolution Roadmap commits to shortening project preparation time from the historical average of 19 months to 12 months by FY2025 through strengthening client capacity to implement its ESF, applying a more consistent risk-based approach, delegating greater authority to regional offices and streamlining reporting requirements (World Bank, 2022a). The EIB aims to halve project effectiveness timelines by 2027 by cutting bureaucracy, deepening synergies within the EIB Group and with other European institutions and MDBs, and digitising and streamlining procedures – including risk-based project analysis, lighter reporting and more harmonised mandates and requirements (EIB, 2024). IsDB is modernising and consolidating governance structures to clarify roles, improve decision-making and enhance overall operational efficiency (IsDB, 2025a), while tracking internal targets for operational effectiveness (IsDB, 2025b).

Most reforms have focused on expanding the lending capacity of MDBs and boosting their impact. **One of the main gaps in the MDB reform agenda, however, is the lack of progress in ensuring voice and representation of client countries in those institutions.** Reforms will not support MDBs' relevance and impact unless the perspectives of client countries are meaningfully embedded into strategies and priorities. Sustained demand for lending and technical assistance will be the litmus test of the impact of reforms thus far. The IEG recommended a regular independent client survey to assess MDB performance and to broaden and deepen institutional collaboration (G20 IEG, 2023b).

2.2 Reforming MDBs: progress so far

MDBs have taken concrete steps individually and as a system to accelerate efforts to expand their finances, improve operational effectiveness and enhance impact. However, translating high-level commitments into on-the-ground impact remains a complex task. This section briefly assesses progress thus far across four dimensions: expanding the lending capacity of MDBs, streamlining their operations, boosting high-quality project pipelines and working more effectively as a system.

2.2.1 Expanding the lending capacity of MDBs

MDBs have made significant progress in implementing the Capital Adequacy Framework Review recommendations. According to the 2025 Progress Report prepared under the South African G20 Presidency, 11 of the 17 recommendations are now considered mainstreamed across MDBs. MDBs have made progress in harmonising approaches to Preferred Creditor Status (PCS)[13] and portfolio concentration risk, strengthening cross-MDB dialogue on Capital Adequacy Framework issues and increasing information-sharing on MDB loan portfolio performance. They are also adopting financial innovations such as hybrid capital and risk transfers, and have made significant progress in their engagement with CRAs (G20, 2025).

Reforms already implemented will free up an estimated $433 billion[14] in additional lending capacity over the next decade. A further $192 billion in lending capacity is projected to be unlocked in the medium term (G20, 2025). Engagement with CRAs has contributed to S&P's adoption of a new methodology for assessing MDB creditworthiness (GRaFF, 2025b; Humphrey, 2025b). Under this revised approach, major MDBs could collectively deploy an additional $600–800 billion in lending while maintaining their AAA ratings. However, similar adjustments by the other two major CRAs will be necessary to realise this potential (Humphrey, 2025b).

The main outstanding recommendation is the need to establish generally agreed standards on MDB capital adequacy. Approaches to this still differ significantly across MDBs and among CRA methodologies, making it difficult for shareholders, MDB management and markets to form a consistent understanding of what constitutes adequate capital in an MDB (G20, 2025). Other recommendations with limited progress include deepening and regularising Capital Adequacy Framework benchmarking across MDBs, incorporating the value of callable capital into MDB Capital Adequacy Frameworks, adapting the Multilateral Investment Guarantee Agency (MIGA) to serve as a risk transfer counterparty and providing MDBs with access to central bank liquidity. While most of these recommendations have been considered across MDBs and initial steps have been taken, progress will require systemic changes and strong shareholder support (G20, 2025).

2.2.2 Streamlining MDB operations

MDBs have taken steps to streamline internal processes and improve operational effectiveness. A central example is the World Bank Group's Evolution Roadmap, which set out a series of reforms to improve efficiency and effectiveness. These helped simplify internal reviews and decision-making processes while promoting larger, high-impact projects to achieve scale and lower transaction costs. The Roadmap expanded the use of the Multi-Phase Programmatic Approach (MPA), enabling long-term, scalable commitments without requiring full approval cycles for each subsequent phase. To reduce safeguarding delays and increase reliance on country systems, the Roadmap streamlined ESF processes, increased hands-on implementation support to clients and bolstered efforts to strengthen client capacity through targeted training on World Bank operational

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13 Recent disputes over the PCS of newer Southern-led MDBs – notably Afreximbank and the Trade and Development Bank (TDB) – have delayed debt restructurings in countries such as Ghana, Malawi and Zambia, and highlight the absence of agreed standards for PCS. For an analysis of these emerging debates, see Humphrey (2025a).

14 The G20 notes that approximately $228 billion of the additional headroom reflects reforms undertaken by the EIB, which operates predominantly in higher-income EU member states rather than in regions with the greatest development finance needs (G20, 2025).

procedures through the Strengthening Client Capacity for Impact programme (World Bank, 2022a; 2024a; 2025b). Average project preparation time had fallen from a historical average of 19 months to under 13 months by mid-2025 (World Bank, 2025c).

AfDB's 10-year strategy (2024–2033) has as a key goal increasing execution speed and enhancing continuous process improvements, shortening the time it takes for projects to go from concept note to first disbursement (AfDB, 2024a).

To streamline operations and reduce the administrative burden on their clients, MDBs are also taking steps to recognise each other's rules and procedures. MDBs have reaffirmed their commitment to harmonisation and mutual recognition of processes, particularly in aligning procurement approaches, facilitating the use of MRAs and establishing a common understanding on country platforms (Heads of MDBs Group, 2025). The Full Mutual Reliance Framework between AsDB and the World Bank enables each to use one set of rules[15] for co-financed projects, while also helping identify differences across their guidelines and harmonise their processes. The framework is expected to serve as a model for closer collaboration among MDBs (World Bank, 2025d).

2.2.3 Building high-quality project pipelines

MDBs have launched initiatives to strengthen project pipelines, while addressing barriers to investment and private sector engagement. The World Bank's Private Sector Investment Lab is designed to tackle barriers to private investment in emerging markets and help create conditions for developing bankable projects (World Bank, 2025e). The Grant Facility for Project Preparation is intended to help IBRD and IDA borrowers overcome early stage project preparation barriers – such as feasibility studies, technical designs and environmental and social assessments – through grant-based financing so that complex, high-impact projects are well-structured, investment-ready and aligned with global best practices (World Bank, 2025f).

The World Bank has also strengthened diagnostics and knowledge-sharing between IBRD/IDA, the International Finance Corporation (IFC) and MIGA through Joint Country Representation[16] and joint country partnership frameworks (IFC, 2025a; 2025b). Global Challenge Programmes aim to promote scalable, programmatic sector approaches, combined with upstream-to-downstream support, to systematically engage with the private sector (Development Committee, 2023; Schneidewind and Prizzon, 2024; World Bank, 2024b).

The IDB Group is advancing a Synergies Framework and IDBImpact+ agenda to promote market creation and public–private cooperation by strategically integrating the capabilities of the IDB, IDB Invest and IDB Lab. IDB Invest is taking a more proactive role in formulating country strategies (IDB, 2025a). Similarly, AsDB is stepping up efforts to deepen integration between its Private Sector Operations Department and its sovereign operations under Strategy 2030 and its New Operating Model, promoting more

15 Either the rules of the AsDB or those of the World Bank can be used.
16 The Joint Country Representation Model means there is a single point of contact at the country level for access to all World Bank Group products and services. There is one country director for IFC and IBRD/IDA, whereas these were separate in the past.

systematic cooperation between sovereign and non-sovereign operations across Country Partnership Strategies (AsDB, 2022).

2.2.4 MDBs working as a system

MDBs are deepening their collaboration and working better as a system. MDBs have affirmed their commitment to support and operationalise country-led platforms. They have further expressed their intention to explore enlargement of the Joint MDB Long-term Strategy Program (LTS-P)[17] to enable further coordinated MDB support for country platform development, implementation and delivery (Heads of MDBs Group, 2024b).

MDBs are harmonising metrics and enhancing transparency in how they measure impact. MDBs have taken concrete steps to set standards across institutions (i.e. on procurement (G20 IEG, 2023b)) and enable joint reporting on common initiatives, including the joint report on MDBs' climate finance (EIB, 2025a), the *MDB comparison report* (GRaFF, 2025a) and the Joint Annual MDB *Water security financing report* (World Bank et al., 2025). MDBs have also fostered innovation across institutions, such as through the issuance of hybrid capital and innovations related to callable capital (Fitch Ratings, 2025), while also creating space for policy dialogue between management through the Heads of MDBs Group (EIB, 2025b), and among technical staff through working groups and forums such as GRaFF (CEB, 2025). In 2025, MDBs and DFIs published the 2023 joint report *Mobilization of private finance*, with an updated methodology that aims to help harmonise reported metrics and enable more direct comparisons with data reported by the Organisation for Economic Co-operation and Development (OECD) (IFC, 2025c).

MDBs are boosting joint resource mobilisation. Several MDBs are pursuing new Exposure Exchange Agreements (EEAs) for sovereign-guaranteed lending operations, helping to free up capital and reduce risk by diversifying portfolios (Risk Control, 2024). Recent transactions include an EEA between AfDB and AsDB in 2024 (AfDB, 2024b), between AfDB and IDB in 2025 (AfDB, 2025), and between CEB and IDB, signed in 2025 (IDB, 2025b).

To encourage co-financing among MDBs and with other development partners, MDBs have co-created the Global Collaborative Co-Financing Platform (World Bank, 2024d). This aims to facilitate additional convening among development partners and MDBs, as well as enabling them to share and access data on projects seeking or benefiting from co-financing.

2.3 Improving the operational effectiveness of MDBs: a review of outstanding challenges and potential solutions

Most earlier efforts to reform MDBs focused on expanding their size, particularly by maximising the lending potential of MDB balance sheets. But how MDBs lend, implement projects and programmes and measure impact also matter. As the IEG points out, a wholesale rethinking of the MDB operational model is required, including changes to institutional cultures that shape how they

17 The LTS-P is a joint MDB initiative, hosted by the World Bank, created to provide coordinated donor funding to support countries in creating Long-term, Low-Emissions Development Strategies (LTSs) under the Paris Agreement (World Bank, 2024c).

operate, both individually and as a system (G20 IEG, 2023b). This includes streamlining processes, scaling up support to build strong, high-quality project pipelines in client countries and coordinating and collaborating more closely, to make them more than the sum of their parts.

Whilst Section 2.2 assessed the progress MDBs have made across these three areas, here we identify the outstanding challenges that continue to constrain operational effectiveness and review potential solutions proposed in the literature. They informed the design of the questions and options in the online survey and the interview guide. It is worth noting that, while balance sheet reforms can potentially yield relatively quick gains in lending, the operational and cultural changes recommended by the G20 and other stakeholders require longer implementation periods and more time before their impacts are felt by clients or reflected in development outcomes (G20, 2024; G20 IEG, 2023b).

2.3.1 Streamlining environmental and social frameworks

MDBs apply ESFs and procurement policies to uphold high operational standards and minimise unintended negative impacts. Although these standards have been highly effective (Georgoulias and Arrasate, 2016; MOPAN, 2023a; 2023b), implementation often imposes additional costs, extended timelines and administrative burdens on public and private sector clients, while sometimes also weakening country ownership of projects (Getzel and Humphrey, 2024; Prizzon et al., 2022).

The G20 has called on MDBs to develop more streamlined, agile and risk-based operational policies and processes. The IEG has also noted the need for MDBs to halve processing time across the first stages of the project cycle (G20, 2024; G20 IEG, 2023b). The most fundamental challenge is to maintain high standards while responding to client and shareholder demands to reduce administrative burdens and shorten processing times. In streamlining the project cycle, MDBs face several challenges:

- *Differences in ESF policies across MDBs:* ESFs and procurement policies across MDBs follow a very similar structure, but differences persist in coverage and implementation. While these individually are sometimes minor, together they increase the administrative burdens for clients (Getzel and Humphrey, 2024).
- *Fragmented and inconsistent project risk assessments:* Although all MDBs assess project risks to determine procedural requirements, approaches vary substantially across institutions and are influenced by centralised review structures that incentivise conservative interpretations of standards (AsDB Independent Evaluation Department, 2020; Getzel and Humphrey, 2024). Coupled with overly legalistic and rigid approval processes, this contributes to higher transaction costs, heavier workloads for staff and clients, and limited delegation of authority to project and country teams (Getzel and Humphrey, 2024).
- *Uneven and limited use of country systems:* Most MDB ESFs and procurement standards allow use of country systems in certain circumstances, but this is rare. This is mainly due to the risk aversion of MDB staff and insufficient staff capacity to evaluate multiple country systems and justify their adequacy to MDB boards (Getzel and Humphrey, 2024).

To address these challenges, MDBs could:

- *Harmonise and mutually recognise their procedures*. To reduce the administrative burden to their clients, MDBs need to harmonise and mutually recognise ESF and procurement standards across institutions (G20 IEG, 2023b). This includes harmonising requirements, documentation and guidelines, aiming for identical language and processes wherever feasible (G20, 2024; Getzel and Humphrey, 2024). MDBs should accelerate the use of MRAs for ESF and procurement processes as a pragmatic step towards streamlining and harmonising requirements (G20, 2024; Getzel and Humphrey, 2024).

- *Strengthen risk-based approaches.* To shorten the project cycle, MDBs need to refine, strengthen and harmonise risk-based approaches to ESF and procurement policy implementation. MDBs should undertake incremental, coordinated improvements to clarify and standardise risk classifications (Getzel and Humphrey, 2024). More consistent application of risk-based approaches would allow greater delegation of decision-making to project and country staff and enable more systematic use of country systems (G20 IEG, 2023b).[18]
- *Expand the use* of *country systems.* The long-term goal of ESF and procurement standards should be to enable MDBs to rely on countries' own legal and regulatory frameworks, reducing costs and strengthening country ownership. To support this transition, MDB management and shareholders should encourage staff to make greater use of country systems for environmental, social and procurement issues, backed by adequate resources and guidance (Getzel and Humphrey, 2024).

2.3.2 Supporting project preparation and high-quality project pipelines

Developing countries face growing investment needs to achieve the SDGs and climate targets (see Section 2.1). Mobilising additional finance will be ineffective without a solid pipeline of investment-ready projects (Schneidewind and Prizzon, 2024). Many emerging markets and developing economies struggle to convert infrastructure deficits into such pipelines, limiting the impact of additional finance.

MDBs are uniquely positioned to address this scarcity of well-developed projects due to their technical expertise, range of instruments, and close engagement with governments (Schneidewind and Prizzon, 2024). Recognising this, the G20 and the IEG have called for MDBs to scale up project preparation support and triple the pipeline of bankable projects while ensuring that these pipelines lead to strong deal flows (G20, 2024; G20 IEG, 2023b).

Three main factors affect the ability of countries to build strong pipelines of projects:

- *Weak country ecosystems and limited institutional capacity:* High-quality project pipelines are often constrained by limited institutional capacity and underdeveloped country ecosystems. Government institutions at national and subnational levels may lack clear mandates, sufficient resources or the ability to oversee and manage project preparation effectively. In addition, project preparation responsibilities are frequently dispersed across multiple actors – ministries, state-owned

18 Such approaches also increase the relevance of independent accountability mechanisms within MDBs, which, through external complaints, can provide insights on the impacts and costs of operations and inform future planning.

enterprises, private developers – without adequate coordination, limiting the scale and quality of projects and their alignment with national priorities (GI Hub, 2019; Global Infrastructure Facility, 2022; Le Houérou and Lankes, 2023).
- *Weak enabling environments for investments:* The absence of well-regulated, functional markets can be a significant obstacle to translating project opportunities into actual investments (Le Houérou and Lankes, 2023). Sector-specific barriers, market failures, inadequate regulation or institutions and misaligned incentives can prevent markets from emerging. This is often compounded by a lack of strategic planning and transparency from the government, which sends unclear signals to market participants (Global Infrastructure Facility, 2022).
- *Fragmented and underfunded project preparation support:* The system of project preparation facilities (PPFs) is highly fragmented, with numerous institutions operating diverse mandates and business models and often relatively modest financing (GI Hub, 2021; Global Infrastructure Facility, 2022). Given the trillions of dollars in additional investment required to achieve the SDGs and address climate change, tens of billions of dollars may be needed annually to finance project preparation (GI Hub, 2021). Limited transparency, weak coordination and uneven information about PPF performance make it difficult for countries to access and navigate preparation support efficiently. The lack of coordination among MDBs contributes to higher costs and longer timelines for project preparation (Schneidewind and Prizzon, 2024).

To address these challenges, MDBs could help their clients by:

- *Strengthening country ecosystems and institutional capacity.* To ensure that project pipelines are larger, of higher quality and aligned with national priorities, MDBs must shift their focus from preparing individual projects to strengthening the broader country ecosystem that generates them. This requires supporting the development of effective government institutions, at national and subnational levels, that can oversee project preparation effectively and translate infrastructure needs into coherent investment plans that guide project selection (G20, 2024). MDBs should work closely with and help strengthen national development banks and local financial institutions, as key intermediaries for identifying, structuring and scaling up projects (G20, 2024). Support should increase for private developers, who bring technical expertise and innovation to project design and delivery, particularly in sectors where government capacity is limited (Schneidewind and Prizzon, 2024).
- *Providing 'market upstream' support and creating enabling environments.* The absence of well-functioning markets and regulatory frameworks is a significant challenge to developing strong project pipelines. MDBs must therefore engage 'upstream' to help establish the necessary conditions for investment. This can include tackling sector-specific regulatory barriers and structural constraints through targeted diagnostics and policy advice (Schneidewind and Prizzon, 2024) and supporting the development of legal frameworks and market standards, such as power purchase agreements or strengthened procurement laws (G20, 2024).
- *Ensuring greater coordination on project preparation.* MDBs can help address a highly

fragmented system of project preparation by strengthening coordination mechanisms that streamline how countries access and navigate preparation assistance (Schneidewind and Prizzon, 2024).

- *Boost resources and review financing models and incentive structures.* To drive high-quality investment growth, shareholders and MDBs must significantly scale up funding for project preparation. The G20 IEG (2023b) has recommended establishing new mechanisms specially designed to mobilise resources from institutional investors and expand the available funds for developing project pipelines. MDBs should implement strategies to facilitate cost recovery and stabilise funding streams, such as pooling and syndicating funds for project preparation (Bains et al., 2024).

2.3.3 Boosting MDB coordination and cooperation

By coordinating and cooperating more closely, at the institutional and country level, MDBs can be more than the sum of their parts for their clients and maximise their development impact (Prizzon et al., 2024). While competition between MDBs can, in some cases, benefit the client country, it more often leads to duplication of effort and smaller, fragmented projects as MDBs compete for the same operations and limited concessional funding (Prizzon et al., 2024). While coordination and cooperation can be costly for MDBs (Prizzon et al., 2024), they must continue developing a systematic institutional structure for collaboration that ensures operations at the country level are aligned with collective goals and joint impact objectives (G20 IEG, 2023a), while maintaining the high quality, efficiency, effectiveness and affordability of their offer (G20, 2024).

Beyond the coordination challenges faced when aiming to harmonise ESF and procurement procedures (Section 2.3.1) and to strengthen project pipelines (Section 2.3.2), MDBs face additional obstacles to more effective coordination:

- *Fragmented diagnostics and uncoordinated knowledge work:* Despite progress in coordinating implementation through mutual recognition of procurement and ESF procedures, MDBs continue to produce broadly similar knowledge and diagnostics products, often requesting similar information from governments (Prizzon et al., 2024). This duplication can strain country systems and add limited value to client countries. Policy advice and technical assistance often fail to meet country needs as MDBs struggle to adapt support to local realities, prioritise advice from headquarters over local expertise, and focus on securing new project approvals rather than providing tailored, context-specific analysis and advice (Bains et al., 2024).
- *Uncoordinated and small-scale lending:* MDBs often operate in parallel rather than in coordinated financing arrangements, resulting in higher transaction costs for client countries and a fragmented pipeline of operations (GI Hub, 2022). This lack of coordination limits MDBs' ability to pool risk, support larger and more complex transactions, and mobilise concessional resources (Prizzon et al., 2024). The absence of shared platforms, common processes and clear criteria for co-financing also weakens country ownership (Kotchen and Negi, 2019; Prizzon et al., 2024).
- *Barriers to private sector engagement and local currency lending:* Private sector mobilisation is constrained by fragmented approaches to local-currency lending, limited risk mitigation structures and weak coordination across MDBs

(Prizzon et al., 2024). Lower-income countries face heightened debt vulnerabilities due to currency exposure, while local currency lending options remain small in scale and technically complex, and often rely on rigid offshore hedging instruments (Prizzon et al., 2024; TCX, 2023). These constraints are compounded by limited capacity in debt management offices and risk-averse, unaligned incentives within MDBs (Bains et al., 2024).

Beyond the recommendations to streamline ESF and procurement policies and expand high-quality project pipelines discussed above, to improve country-level coordination MDBs should also:

- *Use common diagnostic and evaluation tools.* Utilising common diagnostic tools can help build common, coherent country strategies led by client country governments and bring MDBs together behind country development goals and global challenges (G20 IEG, 2023b). Using common diagnostic tools at the country level can also support more systematic and coordinated action across MDBs to enable investments through policy advice, technical assistance and capacity-building at the sector level (Prizzon et al., 2024), as well as support efforts to co-develop new financial instruments and consider each other's country strategies (G20, 2024).
- *Promote joint financing.* Co-financing between MDBs can help reduce transaction costs for client countries, support larger operations and help mitigate concentration and project risks, thereby enabling the financing of bigger and more complex transactions (GI Hub, 2022). Strengthening co-financing efforts can also promote country ownership of projects and programmes (Kotchen and Negi, 2019), especially when implemented through country-led platforms (G20, 2024).
- *Collaborate more on co-creating opportunities with the private sector, including on local currency lending and hedging options* (G20, 2024). MDBs can boost private sector mobilisation by addressing barriers to private investment, strengthening risk-mitigation structures, expanding the use of blended finance and reviewing and expanding options to manage foreign exchange risks (G20, 2024; Prizzon et al., 2024). The G20 called on MDBs to set clear, ambitious targets for mobilising and enabling private capital and to ensure staff incentives are aligned with these objectives (G20, 2024). MDBs could also expand technical assistance to build capacity in foreign exchange risk management and debt sustainability analysis across lower-income countries while also identifying ways to increase the affordability of hedging in these contexts (TCX, 2023).

2.4 What impact have the latest reform measures already delivered?

At the beginning of each interview, we asked government officials and MDB staff for their opinions and assessments of whether the latest round of reforms across MDBs, individually and as a system, had started delivering results.[19] Across the 12 country studies, some common patterns emerged. These are not affected by the terms and conditions of borrowing, or by the region in question.

19 At the end of the questionnaire, we included an open-ended question on the impact of reforms: *Do you feel that MDBs, individually and collectively, are making change that will benefit #country# in the future? Please freely express your views on this or on other matters related to the topic of our survey.* Unfortunately, very few replies could be considered and therefore we omit the results in this report.

First, **most interviewees acknowledged that reforms to the financing and operations of MDBs are benefiting their countries in these areas**:

- MDBs have expanded their financial headroom, with a greater volume of resources for the country and larger average project size (Bhutan, Côte d'Ivoire, Dominican Republic, Ghana, India, Mexico, South Africa).
- MDBs have increasingly aligned their operations with the country's priorities, with more inclusive, selective and longer-term partnership strategies and stronger government ownership (Brazil, Botswana, Côte d'Ivoire, Dominican Republic, Ghana, Mexico, Uganda). MDBs have increasingly delegated authority at the country level (India, Uganda).
- MDBs have been more strategic in mobilising the private sector (Botswana, Brazil, Côte d'Ivoire, Dominican Republic, Sri Lanka).
- MDBs have scaled up the use of local currency instruments (Brazil) and, in general, expanded their toolkit of instruments (Sri Lanka).
- MDBs have supported a low-carbon transition and measures to address climate change (Brazil, Mexico).
- MDBs are coordinating more effectively with each other at the country level, with the government and with other finance providers, particularly DFIs, with several examples given of co-financed operations (Bhutan, Botswana, Dominican Republic, Ghana, India, Liberia).
- Support from MDBs on project preparation has increased (Bhutan, Dominican Republic, Ghana).
- The length of the project cycle has shortened thanks to streamlined ESF and procurement policies, mutual recognition of these policies and/or greater flexibility in operations (Brazil, Côte d'Ivoire, Dominican Republic, Ghana, Sri Lanka).

Many government officials also stressed that the pace of change and implementation is not fast enough to address the development challenges they face. Respondents in some countries have not yet noticed significant progress from MDBs on reducing the administrative burden or shortening the project cycle, particularly when the portfolio focuses on infrastructure (Bhutan, Botswana, Brazil, Sri Lanka, Uganda). In some countries, respondents would like to see stronger collaboration among MDBs (Botswana, Ghana, Mexico, Uganda) as well as significantly higher private capital mobilisation (India).

The following chapters elaborate on all of these aspects, answering the four main questions raised in this project, particularly what respondents in the online survey and the semi-structured interviews value about the offer of MDBs, and their effectiveness and alignment to national strategies; countries' demand for financing and technical assistance from MDBs in the medium term; and the extent to which MDBs have improved their collaboration, their ability to support project preparation and their help in streamlining the project cycle.

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

In this and the following three chapters, we report and analyse the views informants shared through the questionnaire. We elaborate on any differences between groups,[20] as well as integrating and comparing the questionnaire results with findings from the semi-structured interviews in the country studies.

Respondents in the online survey were primarily government officials in central and line ministries in 125 countries. We also invited their counterparts in MDB country offices so we could triangulate and compare their answers with those of government officials. Government officials were asked to answer all the questions, while MDB officials were presented with only a subset, requiring their interpretation of government's views rather than providing their own. For example, we excluded questions where respondents from MDBs would have been explicitly asked to assess the performance of their own institution. The survey questionnaires are in Appendix 2.

Unless specified, we refer to both government and MDB officials in the answers in Chapters 3, 4, 5 and 6. Respondents were divided into four regions (Africa; East and South Asia and the Pacific; Eastern Europe, the Middle East and Central Asia; and Latin America and the Caribbean), which usually have access to assistance from the World Bank and at least one regional development bank. Categories also reflect 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'). We understand these denominations apply to the World Bank only, but they are a good approximation of access to MDB concessional finance in other MDBs with a soft window, as well as a proxy for their access to markets and other financing options ('IBRD countries') or not ('IDA countries'). Further methodological details about how the survey was designed and implemented can be found in Appendix 1 (Technical note). It includes the specifics of how the sample was built and how the 643 respondents were distributed by affiliation (government or MDB), region and lending terms (concessional or non-concessional). All percentages in the bar and pie charts are rounded; therefore, their sum may not equal 100%.

Second, following a sequenced approach, the results of the online questionnaire are integrated with findings from interviews with nearly 250 informants across 12 countries. Interviewees included government officials from central and line agencies, representatives of MDB country offices, and experts from think tanks or CSOs, with a mix of in-person and online meetings. Appendix 3 elaborates on the methodology for the country studies; Appendix 4 lists the interviewees who agreed to their names being published, along with the dates and interview modality.

20 Unless specified, differences are statistically significant on a 95% significance level.

More specifically, in this chapter, we analyse how important respondents perceived the roles and functions of MDBs to be for the social and economic development of their countries, how effective MDBs were assessed in delivering them and how their strategies reflect country priorities, including how perceptions have evolved since the first edition of the survey, where applicable.

3.1 How much do the roles and functions of MDBs matter for a country's socioeconomic development?

What MDBs offer matters for their clients. Every dimension of the offer of MDBs – financing at better-than-market terms,[21] the provision of policy advice and technical assistance,[22] the generation of knowledge and research[23] and convening[24] – matters for respondents: at least 76% rate each function as either *very* or *extremely relevant* for the long-term socioeconomic development of their country (Figure 3.1.1). These four broad categories build on the literature for the first edition of the survey (Prizzon et al., 2022). While not every MDB offers this entire combination of functions, the framework still applies to most institutions reviewed in this edition of the survey, the more so as most questions focused on MDBs as a group, working together as a system at the country level.

Not all functions offered by MDBs are equal: financing at better-than-market terms, providing policy advice and technical assistance, and convening power matter more to respondents than research and knowledge generation. Three in five respondents (60%) recognise that financing at better-than-market terms is *extremely relevant* for the country's socioeconomic development;[25] nearly half of respondents share the same opinion regarding policy advice and technical assistance (48%) and convening power (47%). This share falls to one in three respondents (34%) for research and analysis (Figure 3.1.1).

The perceived importance of MDBs' offer has increased over time. Compared with the first edition of the survey, both the provision of financing at better-than-market terms and policy advice and technical assistance have become more relevant: a greater share of respondents stress how financing at better-than-market terms is *extremely relevant* to the socioeconomic development of their country (60% in the 2025 survey and 54% in the 2021 survey); the same applies to policy advice and technical assistance (48% in the 2025 survey and 43% in 2021) and convening (47% in the 2025 survey and 40% in 2021) (Figure 3.1.2).

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21 In general, MDBs are expected to provide finance at more affordable rates – or longer maturities – than markets can offer for most borrowing countries.

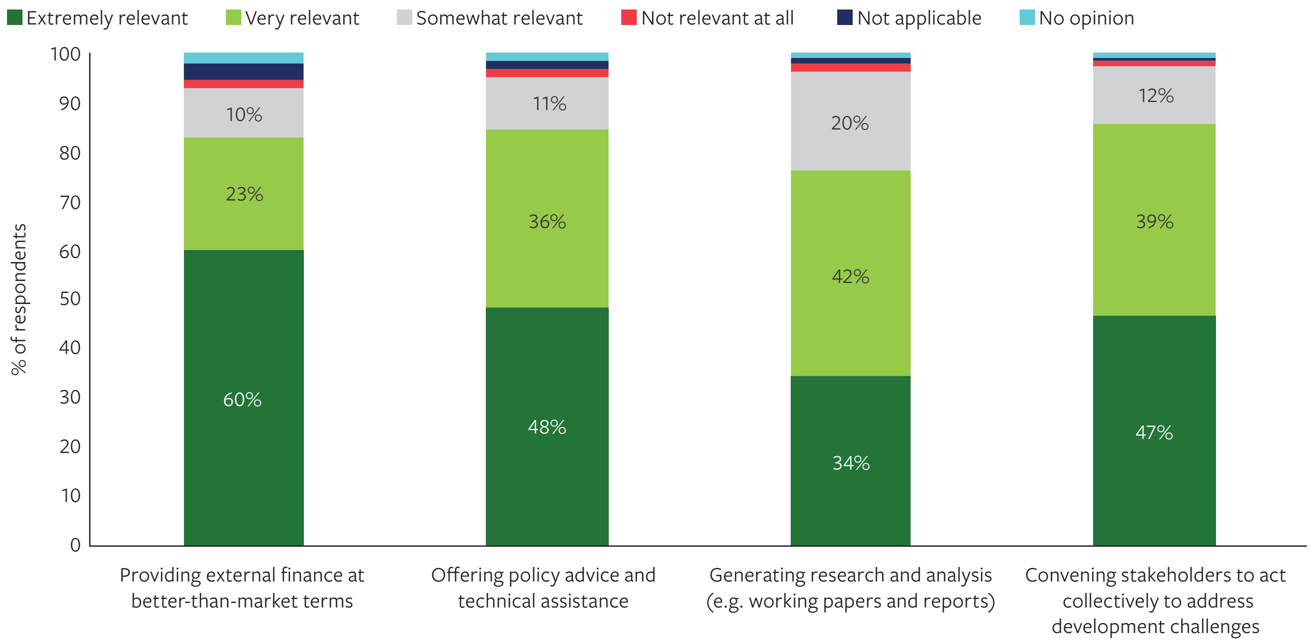
22 Technical assistance is explicitly provided to facilitate the implementation of a project. Policy advice has a broader scope, supporting policy design and implementation, building capacity, strengthening institutions and informing development strategies or operations.

23 Most MDBs have world-class research centres, generate rigorous and well-respected research, offer open data and contribute to data collection.

24 In the questionnaire and interviews we considered the World Bank (2020: vii) definition of convening power as 'bringing together relevant actors to act collectively to address global or regional development challenges'.

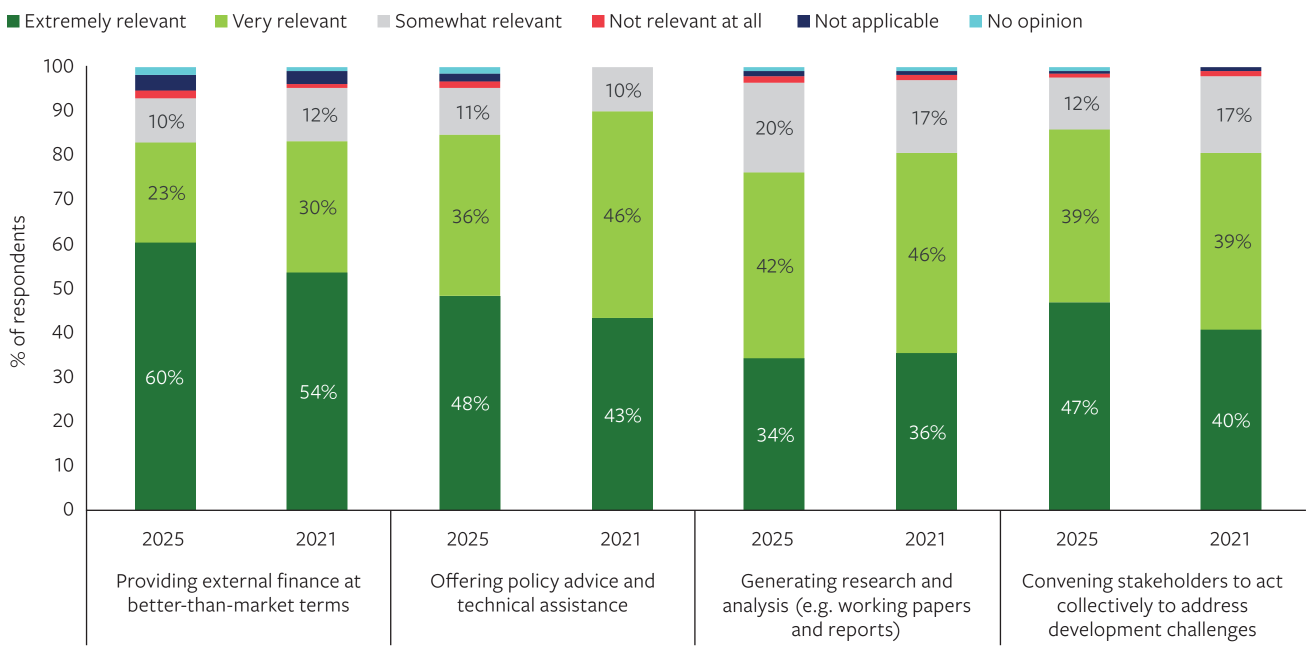
25 Not surprisingly, given their role in resource mobilisation, government officials in central agencies are more likely than those in line agencies to rate financing at better-than-market terms either *very* or *extremely relevant* to the country's socioeconomic development (88% vs. 77%).

Figure 3.1.1 The relevance of the roles and functions of MDBs



Source: Authors' survey; based on all respondents (643). Question: *Looking at what multilateral development banks generally offer, how would you rate each of these items in terms of their relevance for the long-term social and economic development of #country#.*

Figure 3.1.2 The relevance of the roles and functions of MDBs: comparison between the 2021 and 2025 surveys



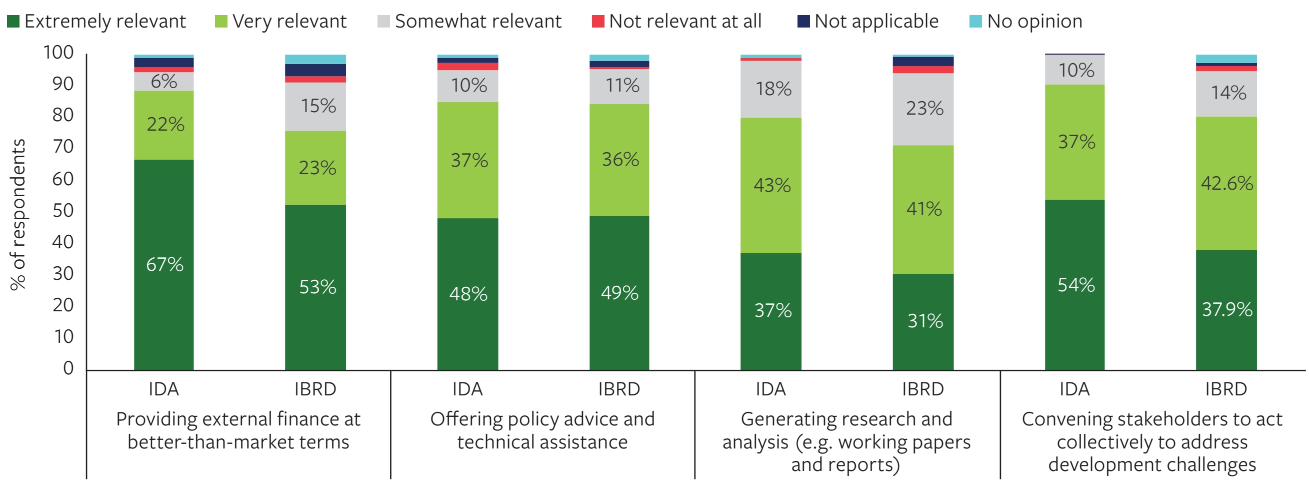
Source: Authors' survey; based on all respondents (643 in 2025 and 487 in 2021). Question: *Looking at what multilateral development banks generally offer, how would you rate each of these items in terms of their relevance for the long-term social and economic development of #country#.*

As their economies usually have larger financing needs and limited access to domestic and international capital markets, it is no surprise that **financing at better-than-market terms matters more for countries borrowing at concessional terms**. Among respondents from IDA countries[26] 89% find financing at better-than-market terms to be *very* or *extremely relevant*, compared with 76% of respondents from IBRD countries (Figure 3.1.3).

For countries borrowing at non-concessional terms, the provision of policy advice and technical assistance remains the most valued aspect of the MDB offer, as in the first edition of the survey. In this group, 85% of respondents rate it as either *very* or *extremely relevant* to the country's socioeconomic development (Figure 3.1.3). Higher-income countries often have stronger demand for targeted technical assistance than for financial transfers (Calleja and Prizzon, 2019). Financing at better-than-market terms is either *very* or *extremely relevant* for three-quarters (76%) of respondents in countries borrowing at non-concessional terms.[27]

Respondents across IDA countries tend to place greater importance on the convening power of MDBs (rated as *very* or *extremely important* by 90% of respondents) **than those in IBRD countries** (80%).[28]

Figure 3.1.3 The relevance of the roles and functions of MDBs – by access to concessional and non-concessional finance



Source: Authors' survey; based on 381 respondents from IDA countries and 262 from IBRD countries. Question: *Looking at what multilateral development banks generally offer, how would you rate each of these items in terms of their relevance for the long-term social and economic development of #country#.*

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26 In this report 'IDA countries' is a shortcut for countries borrowing at concessional terms from MDBs that have a concessional window. 'IBRD countries' are countries borrowing at non-concessional terms.

27 Differences across regions are not statistically significant. A larger share of respondents among MDB officials rate each function as *very* or *extremely relevant* than government officials; the difference is, however, statistically significant only for the offer of policy advice and technical assistance (93% for MDB staff vs. 82% for government officials).

28 For the other two dimensions, differences in responses between the two groups are either negligible (both groups rated the importance of policy advice and technical assistance at around 80%) or not statistically significant (for research and analysis).

In this edition of the survey, we did not ask respondents to rank the importance of the four functions, given their interconnectedness. Instead, we explored this in interviews with key informants across the 12 country studies. Many of the points emerging from the online survey broadly resonated with interviewees.

First, from most of the interviews we conducted with government officials, MDB staff and experts from think tanks and CSOs, it is clear that **MDBs' strength lies in their ability to combine all four functions. Indeed, respondents saw MDBs not only as financial institutions, but as partners providing technical assistance, capacity-building and knowledge**. This applied across all countries, borrowing at concessional and non-concessional terms, and across regions. Respondents in Botswana, Brazil, Côte d'Ivoire and India see MDBs playing a catalytic role in mobilising private sector investment and engaging other development partners.

Second, as in the online survey results, **interviewees from IDA countries tended to place greater emphasis on financing at better-than-market terms than those from IBRD countries**. Across government respondents in Bhutan, Ghana, Liberia, Sri Lanka and Uganda, financing at terms better than market, especially grants, was deemed the most important function of MDBs. In Bhutan, the provision of financing at better-than-market terms was considered the top priority because of the country's ambitious development agenda – Bhutan aims to double its gross domestic product (GDP) by 2030 and multiply it by 10 times its current level by 2040 – and limited access to international capital markets. In Ghana, this priority for concessional financing reflects the government's strategy to reduce the cost of capital, lack of access to capital markets and significant financing needs. One interviewee pointed out that *'without the tangible support of the MDBs, we would not be able to deliver our budget'*. In the case of Sri Lanka, which regained IDA eligibility following the default on its external debt and ongoing International Monetary Fund (IMF) programme, funding from MDBs was the only external finance the government could access at the time we conducted the study. Across all these countries (Bhutan, Ghana, Liberia, Sri Lanka and Uganda) the importance of policy advice and technical assistance came a close second.

Technical assistance may be more important than financing in countries on a path towards graduation. For example, for most government respondents in Côte d'Ivoire, policy advice and technical assistance on benchmarking and reforms would now take priority over receiving financing at concessional terms, as the country is better positioned to mobilise other sources of finance beyond external assistance. In previous years, however, receiving financing at better-than-market terms from MDBs was seen as the main priority.

Third, across IBRD countries (and for Sri Lanka, now an IDA country), **technical assistance and knowledge are highly valued, often more so than financial support. At the same time, the type of technical assistance should evolve to meet client needs.** In Brazil, for example, several stakeholders noted that the lack of technical support or knowledge generation in projects and programmes is often a deal-breaker in negotiations with MDBs. Respondents from the Dominican Republic see policy advice and technical assistance, particularly for feasibility studies and project implementation, as the priority for engagement with MDBs. As one interviewee pointed out, '*we are a developing country, and we need technical support to improve our capacity*'. Respondents in Sri Lanka value the policy advice and technical assistance offered by MDBs, which has a longer-term vision and provides better support than consulting companies might deliver.

Knowledge and technical assistance – and the convening power of MDBs – are the priorities of the Indian government in its engagement with MDBs (in the government jargon, often referred to as 'Finance+' and 'Budget+'). One Indian government interviewee stated that, in the future, '*our engagement will be more on knowledge exchange rather than financing. MDBs still focus on finance rather than knowledge transfer though and … we will move away from high volume to high impact projects*'.[29] Notwithstanding growing financing needs, this shift is motivated by the Indian government's access, at least at the time of the study, to several financing sources at similar rates. Domestic commercial lending is also not affected by currency fluctuations. From discussions with officials in the Indian government, it became clear that MDBs must deliver added value beyond finance. This means financing from MDBs must leverage every dollar, multiplying it through private capital mobilisation, and provide cutting-edge knowledge.

Fourth, **financing from MDBs remains highly valued by respondents in IBRD countries**, in line with the results of the online survey. In Brazil, the government was concerned about the cost of capital, and borrowing from MDBs was significantly cheaper than market rates. It valued financial support from MDBs and their ability to catalyse other investors. Among respondents in Mexico and South Africa, financing at better-than-market terms was considered a key role for MDBs, with technical assistance complementary to the financial offer. Botswana is an outlier among the IBRD countries we analysed for this project. Due to the fall in diamond revenues, which has left a large fiscal deficit, the government was placing significant emphasis on accessing financing from MDBs at the time the interviews were conducted. MDB financing is, overall, considered more affordable, more transparent and with longer maturities than capital markets might offer.

Finally, **the capacity of MDBs to generate research and analysis was mentioned only briefly in the interviews, despite prompting**. **It was explicitly raised only among interviewees in IDA countries.** In Ghana, several government officials noted that MDB research and policy advice can help inform decisions that might not be politically popular. In Uganda, research was valued and encouraged, as was policy advice. In Sri Lanka, several government officials stressed that the research and knowledge generated by MDBs are not necessarily focused on solutions or the country's needs.

3.2 How effective is each MDB perceived in its roles and functions?

As a group, the offer of MDBs – financing at better-than-market terms, policy advice and technical assistance, knowledge and research and convening power – matters to client countries in supporting their development trajectories. This is consistent across regions and lending groups, albeit to different extents. The results of the online questionnaire and of the semi-structured interviews strongly suggest that MDB operations are, in principle, still highly valued by their client countries. But to what extent are individual MDBs effective in performing their roles and functions?

29 In the discussions with officials in India, we also understood that the country placed a greater emphasis on financing from MDBs when it was an IDA country.

We asked this question in the online questionnaire and in the semi-structured interviews in the country studies. In this section, we assess replies for individual MDBs, by region and by concessional and non-concessional arms, when applicable.

Before illustrating and analysing the results, we reiterate the methods we applied (see Appendices 1 and 3). First, questions on the effectiveness of individual institutions were submitted only to government officials in the online questionnaire, or asked only to government officials, think tanks and CSOs in the country studies. Second, the online questionnaire was structured so that an institution could be rated only if the respondent's country was eligible for its assistance. If a country was eligible for assistance from more than three MDBs, only three were randomly selected for inclusion in each survey response. Government officials were not asked to rank MDBs and were asked the same questions for each MDB, one at a time. Third, in the semi-structured interviews, the research team first listed all the MDBs the country was in principle eligible to borrow from, before asking the relevant question. Government officials were offered the option of not rating the institution, either because this was not applicable or they did not have an opinion. We acknowledge that not all MDBs offer all four functions, their mandate might be more focused on specific sectors than others, that this survey covers only part of their eligible clients,[30] that MDBs have different shareholding structures and membership, and that respondents are government officials who might be less familiar and involved with MDBs with large private sector operations and a different business model than MDBs with a significant share of sovereign portfolios.

Table 3.2.1 illustrates governments' perception of the effectiveness of individual MDBs by function. The results place MDBs into three distinct groups. First, the long-standing MDBs with a large sovereign lending arm, such as the World Bank, AfDB, AsDB and IDB, are perceived as *very* or *extremely effective institutions* by at least 60% of their government respondents and across all functions. Second, this share drops to 30–40% for AIIB, EBRD, EIB, IsDB and CAF, except for one function for IsDB.[31] Finally, for MDBs with smaller sample sizes (CEB and NDB)[32], about 15–25% of respondents recognise their activities as either *very* or *extremely effective*.

Even though countries are, in principle, eligible borrowers and might have active operations, the smaller or newer banks share a common characteristic, namely a large share of respondents with no opinion on them, in several cases above 30%. A large share of government respondents having no opinion motivates the significantly lower assessment of perceived effectiveness across functions compared with AfDB, AsDB, IDB and the World Bank (Table 3.2.2).[33] Many of the newer or smaller MDBs do not have country offices or, if they do,

30 See Appendix 1. Client countries refer to those borrowing from the World Bank, so usually excludes high-income European countries.

31 60% of the relevant respondents rate IsDB as *very or extremely effective* in providing financing at better-than-market rates.

32 Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

33 Respondents were asked to assess only the MDBs that have operations in their countries.

Table 3.2.1 Perceived effectiveness of individual MDBs by government respondents, by function

	External finance at better-than-market terms		Policy advice and technical assistance		Research and analysis		Convening	
% of respondents	Effective %	Not effective %	Effective %	Not effective %	Effective %	Not effective %	Effective %	Not effective %
AfDB	73.9	19.5	62.6	34.2	58.8	36.9	63.2	34.1
AIIB	40.8	18.1	37.3	20.0	34.9	22.3	38.4	23.2
AsDB	69.3	13.0	73.2	15.5	63.4	23.2	66.2	22.5
CAF	53.7	24.3	56.7	19.5	47.2	25.8	44.2	27.6
CEB	17.9	25.0	22.8	31.0	25.9	23.4	24.2	29.6
EBRD	35.7	37.9	42.7	32.9	33.0	38.6	39.8	28.7
EIB	38.3	25.9	32.0	31.6	32.5	31.6	34.9	31.9
IDB	62.8	19.9	72.4	17.2	81.5	9.4	69.7	22.9
IsDB	60.1	27.1	40.6	37.3	27.1	50.4	45.5	44.1
NDB*	14.4*	51.4*	0*	59.4*	0*	59.4*	14.4*	20.5*
World Bank	72.7	18.5	72.9	22.1	74.9	19.4	74.1	21.0

Source: Authors' survey; based on 147 government respondents for AfDB, 109 for AIIB, 99 for AsDB, 83 for CAF, 28 for CEB, 37 for EBRD, 286 for EIB, 89 for IDB, 85 for IsDB, 7 for NDB and 389 for the World Bank. Question: *In your opinion, how effective or not effective is* [*the MDB*] *at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow* (*eligible for borrowing*). *These figures are indicative due to the very small number of respondents and smaller number of member countries than other MDBs. Effective refers to 'very effective' or 'extremely effective' in the questionnaire. Not effective combines the responses 'not effective at all' and 'somewhat effective'.

they may have only consultants, a representation office or an office not in the capital city, or they mainly operate through co-financing arrangements, and therefore have limited visibility in the country. These factors were also raised by government interviewees, particularly for AIIB (in Brazil, Côte d'Ivoire, Ghana, India and Sri Lanka) and EIB (across all country studies).[34] Some smaller or newer MDBs might work in fewer sectors, or have a specific mandate. Respondents were given the option to select 'not applicable' in case they thought that the MDB did not perform that function – but it was selected by less than 10% of respondents at its highest value.

34 No country study covered CEB and EBRD.

Table 3.2.2 Share of government respondents with no opinion on the effectiveness of individual MDBs by function

MDB	External finance at better-than-market terms	Policy advice and technical assistance	Research and analysis (e.g. working papers and reports)	Convening
AfDB	3.8%	2.8%	3.8%	2.2%
AIIB	34.5%	34.8%	34.9%	31.7%
AsDB	11.0%	9.3%	10.0%	9.3%
CAF	20.7%	22.6%	25.7%	26.4%
CEB	48.9%	38.1%	40.3%	38.1%
EBRD	26.4%	24.4%	27.0%	31.5%
EIB	28.4%	29.4%	31.0%	28.2%
IDB	8.8%	2.8%	1.5%	6.9%
IsDB	11.5%	14.2%	15.6%	9.1%
NDB*	26.2%*	32.5%*	32.5%*	57.0%*
World Bank	6.5%	4.2%	3.2%	4.1%

Source: Authors' survey; based on 147 government respondents for AfDB, 109 for AIIB, 99 for AsDB, 83 for CAF, 28 for CEB, 37 for EBRD, 286 for EIB, 89 for IDB, 85 for IsDB, 7 for NDB and 389 for the World Bank. Question: *In your opinion, how effective or not effective is* [*the MDB*] *at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow* (*eligible for borrowing*). *Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

Long-standing regional development banks with large sovereign operations in many sectors, such as AfDB, AsDB and IDB, often score better than, or at least as high as, the World Bank in specific dimensions (Table 3.2.1). The World Bank records the highest share of government respondents rating its convening power as either *very* or *extremely effective*: 74%. IDB is the second-best-rated MDB (70%). However, for all other dimensions some of these regional development banks with large public sector arms are perceived as the most effective institution: financing at better-than-market terms (AfDB, 74% of respondents rating it as *very* or *extremely effective*), provision of policy advice and technical assistance (AsDB, 73%), research and analysis (IDB, 82%). In all these cases, however, the World Bank is second (financing at better-than-market terms: 73%; policy advice and technical assistance: 73%; research and analysis: 75%).

Government officials tend to perceive IDA as more effective than the other two main concessional funds, the AfDF and the AsDF, but by a small margin.[35] Differences between the three concessional funds in their perceived effectiveness in providing financing at better-than-market terms are minor, as are differences between

35 This refers to respondents in countries borrowing at concessional terms only. We do not have sufficient information for a comparison by region.

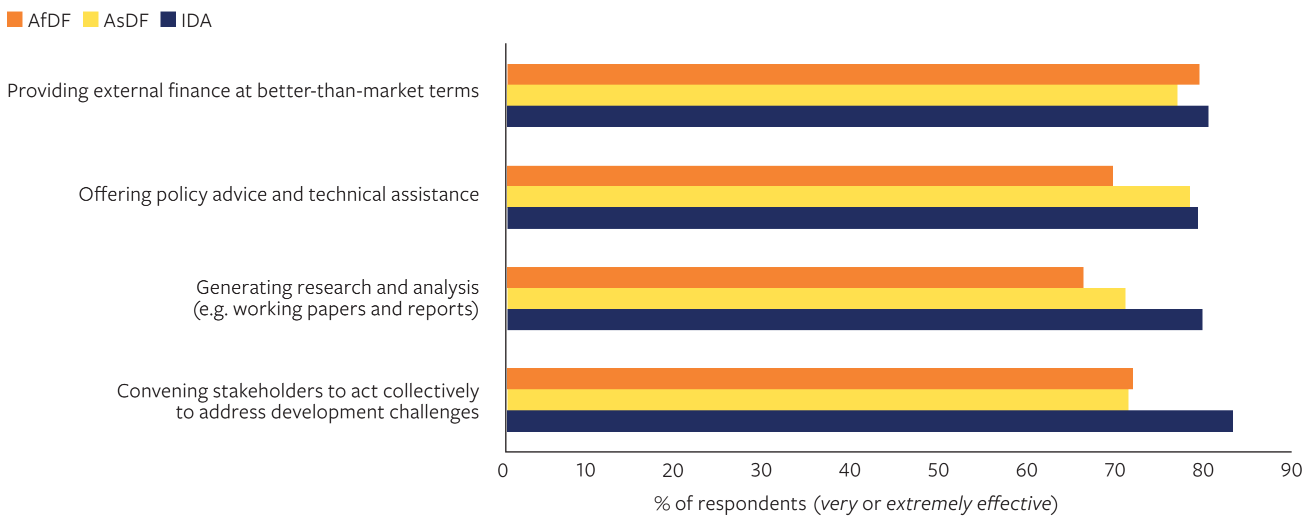
the World Bank/IDA and the AsDF in their delivery of policy advice and technical assistance. However, government officials single out the World Bank/IDA for its research and knowledge generation and its convening power (Figure 3.2.1).

In Africa the World Bank is considered the most effective MDB across all functions, though this varies by function (Figure 3.2.2 (a) and (b)). For example, the difference in perceived effectiveness between the World Bank and AfDB for the financing function is only 6%. The difference reaches nearly 10% for policy advice and technical assistance, 18% for the research function and 16% for convening power. In East and South Asia and the Pacific, differences in perceptions of effectiveness between the World Bank and AsDB are generally less pronounced.

The country studies partly corroborate these results, both for sub-Saharan Africa[36] and South Asian countries. Government officials sometimes found it difficult to elaborate on the effectiveness of individual institutions, as in the cases of Bhutan, India and Sri Lanka. We asked government officials about the interpretation of the results in their region rather than directly in their own country.

- In Botswana, AfDB is considered to be closer to the country and to engage with a broader group of government entities when on mission. The World Bank is seen as having a wider range of expertise.
- In Côte d'Ivoire, a possible explanation for the preference for the World Bank is its ability to provide larger volumes of financing than the other MDBs, its breadth of sectors, its flexibility and its ability to mobilise other partners, its long-term view and planning capacity and its emphasis on quality of reforms.

Figure 3.2.1 Perceived effectiveness of individual MDBs by government respondents: concessional windows



Source: Authors' survey; based on 123 government respondents for AfDB, 80 for AsDB and 256 for the World Bank. Question: *In your opinion, how effective or not effective is* [*the MDB*] *at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow* (*eligible for borrowing*).

36 We excluded South Africa as we had only one interviewee from the government.

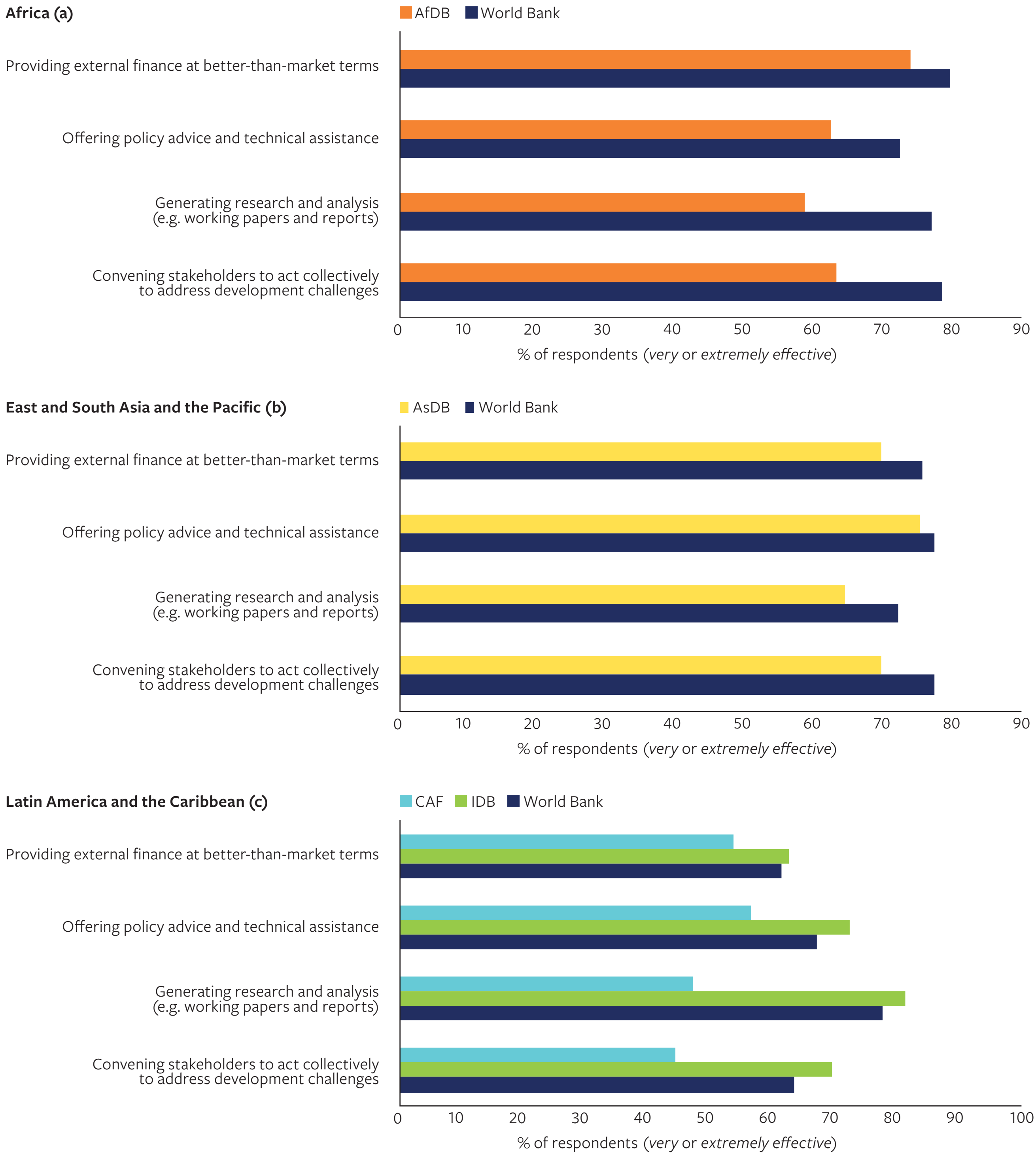
- In Ghana, government officials consider the World Bank effective because of its more affordable financing, greater resources and flexibility, and the broader range of innovative lending instruments compared to other MDBs. Some government officials from line ministries noted that they have more experience with World Bank procedures and requirements and therefore feel more comfortable working with the World Bank. AfDB is considered the 'partner of choice', especially for its convening power and grant financing.
- In Uganda, whilst seen as rigid and often not aligned with country priorities, most interviewees regard the World Bank as the 'go-to' institution because of the size of its lending and the quality of its projects, which no other MDB can match, strong stakeholder engagement and innovation. AfDB is considered 'their own institution' by many interviewees, involving the government in the development of the country's strategy, aligning with the country's priorities and being flexible. The real challenge for the government's engagement with AfDB seems to be the limited volume of assistance it can mobilise.
- Respondents in India mentioned relative strengths – some MDBs are cheaper, more innovative or more involved – determined by the nature of the project. Likewise, respondents in Sri Lanka do not find significant differences between MDBs. AsDB is seen as more aligned with the country's needs, more demand-driven, more hands-on and more involved in project preparation. The World Bank (IDA) is considered to offer better financing terms and the broadest set of lending options (including different lending periods and rates and innovative instruments such as guarantees).

In Latin America and the Caribbean, IDB is perceived as the most effective MDB (Figure 3.2.2 (c)). This resonates with discussions with government officials in Brazil and the Dominican Republic.[37]

- In Brazil, government interviewees see IDB as aligned with national priorities and as having substantial experience working with both subnational and federal governments. Respondents highlighted its relevant expertise and its ability to take a holistic, long-term approach when providing technical assistance. Respondents stressed how IDB offers relatively low-cost financing and innovative tools to manage financial risks. It also takes a proactive role in supporting subnational governments to achieve their development goals without imposing specific projects. The World Bank is valued for its knowledge and its technical assistance. Some government respondents noted that the Bank is also slower to adapt to the country's needs and less willing to work on smaller projects. CAF is perceived as less effective across the four functions because its financing is seen as more expensive and because its focus on specific sectors makes it less suitable for certain types of projects.
- Across government respondents in the Dominican Republic, IDB was identified as the most effective multilateral institution in the country. Its larger portfolio size and the long-term country presence of IDB staff, including at the technical level, were considered key strengths. Government officials also pointed to IDB's greater investment in project preparation, better understanding of project design, the capacity to execute projects, and its flexibility, responsiveness and adaptability, particularly in problem-solving.

37 We do not report results for Mexico because we only had one formal government interviewee, albeit they summarised views across the department.

Figure 3.2.2 Perceived effectiveness – across MDBs and functions – by region

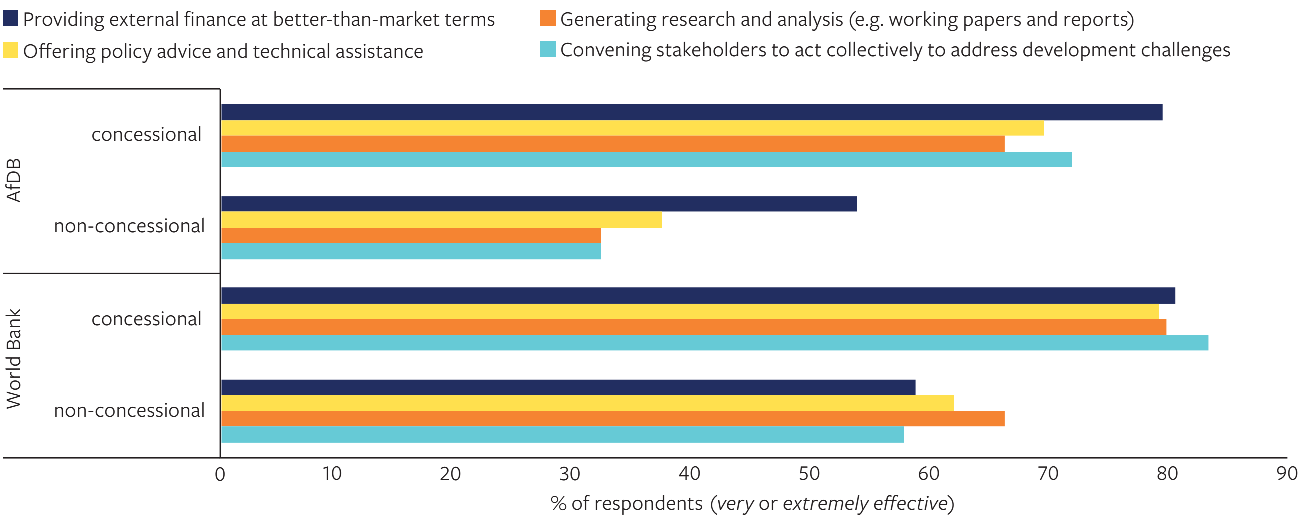


Source: Authors' survey; for Africa based on 147 government respondents for AfDB, 147 for the World Bank; for East and South Asia and the Pacific: 94 for AsDB and 93 for the World Bank; for Latin America and the Caribbean: 83 for CAF, 89 for IDB, and 116 for the World Bank. Question: *In your opinion, how effective or not effective is* [*the MDB*] *at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow* (*eligible for borrowing*).

The findings from Uganda highlight strengths and areas for consideration not captured in the online survey. **IsDB was considered the preferred MDB in most discussions in Kampala, where it has both a country office and regional hub.** Reasons given by government officials include its strong alignment with the government's priorities, its flexibility, rapid delivery, non-interference, project orientation with clear impact and results, and the ability to mobilise additional funders (MDBs with shareholders from Arab countries and the private sector). The key challenges identified by interviewees for IsDB were low volumes compared with the World Bank and non-concessional terms (defined as semi-concessional). For these reasons, IsDB projects mainly focus on infrastructure. In Côte d'Ivoire, IsDB was noted for its flexibility and provision of semi-concessional finance.

Countries borrowing at concessional terms tend to see MDBs as more effective than those with market access (Figure 3.2.3).[38] Respondents from IDA countries are more likely to report that the World Bank is *very* or *extremely effective* (81%) in providing financing at better-than-market terms; this falls to 59% among respondents in IBRD countries. Similar patterns apply to the other three functions. For AfDB,[39] 80% of respondents accessing concessional finance believe that it is either *very* or *extremely effective* in providing finance at better-than-market rates; this falls to 54% among countries borrowing at non-concessional terms. For the other three dimensions, respondents from countries

Figure 3.2.3 Perceived effectiveness – across MDBs and functions – concessional and non-concessional lendings



Source: Authors' survey; for AfDB based on 123 government respondents borrowing at concessional terms; 24 at non-concessional terms; 256 and 133 respectively for the World Bank. Question: *In your opinion, how effective or not effective is [the MDB] at delivering each function?* Government respondents were asked to rate up to three MDBs, assigned randomly. *Government respondents were invited to analyse only the MDBs from which their country can borrow (eligible for borrowing).*

38 We focused on MDBs with a large concessional window (the World Bank and AfDB). AsDF is now merged with the ordinary capital resources (OCR) window.

39 The smaller sample size means that results are not statistically significant for AfDB.

borrowing at concessional terms are more than twice as likely to indicate that AfDB is either *very* or *extremely effective* than respondents from countries borrowing at non-concessional terms from AfDB.

While most interviewees in the country studies acknowledged that reforms to the financing and operations of MDBs in recent years are benefiting their countries (Section 2.4), **in the online survey, perceived effectiveness has remained stable or fallen over time for most MDBs and functions, with one exception**. The first edition of the survey took place in 2021 and was published in 2022, just before the acceleration of the MDB reform agenda (Section 2.1). At that time, we analysed AfDB, AsDB, EBRD, IDB and the World Bank.[40] (All figures here refer to respondents who rated a function as *very* or *extremely effective*. Appendix 1 also includes notes on the comparability of the results between the editions of the survey.)

For the **World Bank**, more respondents find it effective in using its convening power (74% in 2025, up from 67% in 2021). Fewer respondents now consider it effective in providing policy advice and technical assistance (73% in 2025, compared with 79% in 2021).[41] Fewer respondents rate **AsDB** as effective at generating research and analysis (-6% share of respondents from 2021), while other functions remain unchanged. For **EBRD**, perceived effectiveness declined by at least 10% of respondents across all functions. The proportion of respondents finding **IDB** effective in its research and knowledge (+5%) and convening functions (+11%) increased. Perceptions of effective delivery decreased for its financing offer at better-than-market terms (-7%) and for policy advice and technical assistance (-7%). **AfDB is the exception, with stable or increasing shares.** While the proportion of respondents rating its effectiveness on financing and technical assistance/policy advice remained stable, this increased for research and knowledge (+7%) and convening power (+9%).[42]

3.3 How well do MDBs support the priorities of their client countries?

Albeit with some differences, at times significant, most government officials believe that their priorities are either *well* or *very well supported* by MDBs.[43] We analysed how well each MDB captured the views of its clients, both in the online questionnaire[44] and in the semi-structured interviews in the country studies (Figure 3.3.1).[45]

40 AIIB was included in the survey but the large share of 'not applicable' or 'don't know' answers made the analysis challenging. Results are reported in Prizzon et al. (2022).

41 Other dimensions did not change.

42 In the country studies, we probed these findings between the two editions of the survey to understand underlying trends, but we did not identify robust and consistent explanations.

43 Statistically significant for AfDB, AsDB, IDB and the World Bank versus the other MDBs covered in this analysis. Samples are smaller, so differences between groups (regions, when applicable; lending terms; central/line ministries) are often not statistically significant.

44 In the first survey, we examined how well MDBs as a group – not individually – supported countries' priorities. Reflecting feedback – see Appendix 1 – we asked government officials to rate each MDB. The questionnaire raised the same question for all MDBs operating in the respondent's country. In the semi-structured interviews, we also asked about MDBs in which the country is a member or could borrow from, and we mentioned this at the beginning of both the interview and the relevant question.

45 Note that not all the MDBs were covered in the country studies, as the regional focus was on Latin America and the Caribbean, South Asia, and West and Southern Africa. CEB and EBRD were not included in the studies as they either do not have operations (CEB) in those regions or are setting up their country programmes (EBRD in sub-Saharan Africa).

First, **long-standing sovereign MDBs supporting a large number of sectors, with a large sovereign lending arm and a country office, tend to have a significantly higher proportion of government officials stating that these institutions support the country's priorities either *well* or *very well* (above or close to 80%).** In the online questionnaire, 90% of government respondents think this is the case for IDB, 86% for AsDB, 80% for the World Bank and 79% for AfDB. This resonates with the findings from the country studies. In interviews, government respondents stressed that a long-standing country presence and operations makes it easier for MDBs to align with national priorities (in nearly all country studies, this was explicitly mentioned – Brazil, Botswana, Dominican Republic, Ghana, Mexico, Sri Lanka, Uganda – or indirectly, as outlined in the previous section). In the Dominican Republic, for example, several discussions clearly highlighted that having operational staff living in the country helps in understanding the country's priorities and facilitates alignment.[46]

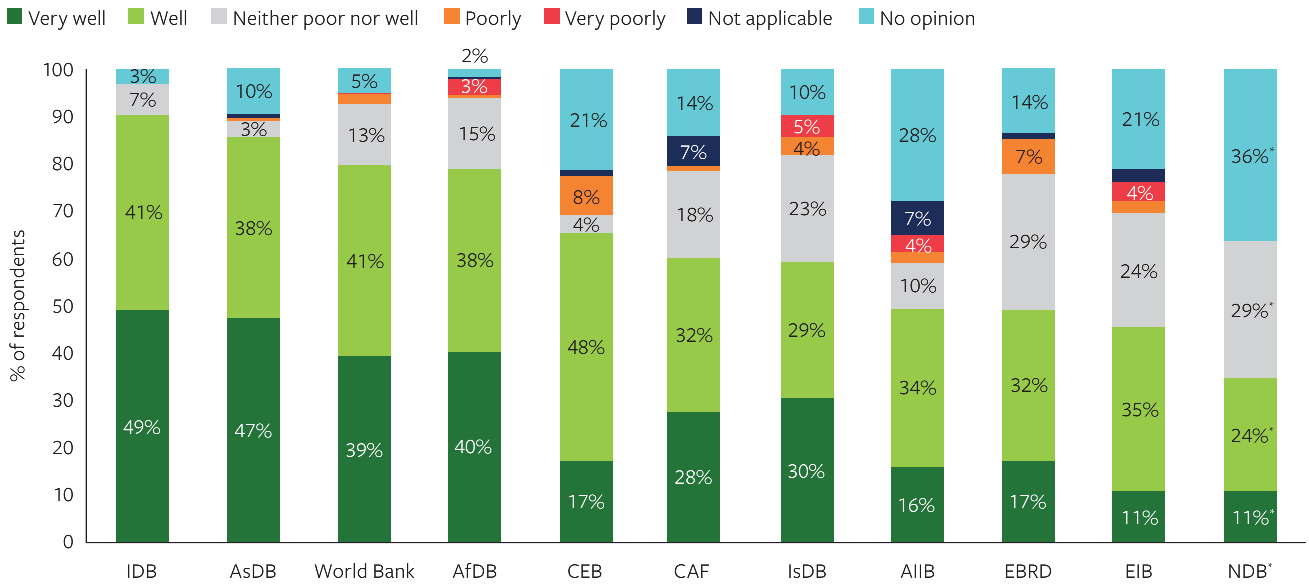
This share is higher for regional development banks such as IDB and AsDB, where nearly half of government respondents believe their government priorities are *very well captured*. For example, looking at the results for Latin American and Caribbean respondents,[47] IDB is seen as the MDB that best captures the priorities of its borrowing countries (90% of government respondents said IDB reflects their views and priorities either *well* or *very well*). This falls to 81% for the World Bank and 60% for CAF. In Brazil, government respondents argued that this might be the case because CAF focuses on specific sectors rather than the whole range of government priorities. Government respondents in Brazil and the Dominican Republic stressed that IDB is better aligned with national priorities than the World Bank, being more proactive and involved, particularly in project preparation, and taking on smaller projects (as also discussed in the previous section).

In Asia, interviewees in India and Sri Lanka told us that AsDB is significantly more hands-on, more proactive in project preparation and invests more in developing its partnership with the government than the World Bank.[48] In the African region, government officials in central agencies[49] are significantly more likely to say AfDB supports their priorities either *well* or *very well* (91%) than officials in line agencies (62%). A few government interviewees in Ghana and Uganda consistently told us that AfDB is the MDB closest to their country's priorities: our 'own' MDB.

Looking at the results of the online questionnaire assessing the different arms of the World Bank based on countries' borrowing eligibility, government respondents from IDA countries are significantly more likely to say the World Bank/IDA supports their priorities *well* or *very well* (85%) than respondents from IBRD countries (74%).[50]

46 Respondents from the Dominican Republic stressed that having CAF staff in the country is improving relations and partnerships. In the same country, a significant increase in the Central American Bank for Economic Integration's (CABEI) portfolio – not covered in this analysis – reflects the presence of a very proactive country manager.
47 Results are not shown in Figure 3.3.1.
48 Results in the online questionnaire for AsDB are more difficult to compare with the World Bank, as AsDB is active in two regions in our sample (East and South Asia and the Pacific, and Eastern Europe, the Middle East and Central Asia). Not all countries in this region are borrowers from AsDB.
49 These include agencies that deal with finance, planning, development policies or national treasuries.
50 Not shown in Figure 3.3.1.

Figure 3.3.1 How well the MDB supports the country's priorities



Source: Authors' survey; government respondents only; 145 for AfDB, 129 for AIIB, 97 for AsDB, 90 for CAF, 32 for CEB, 59 for EBRD, 317 for EIB, 100 for IDB, 101 for IsDB, 10 for NDB and 398 for the World Bank. Question: *Thinking about individual MDBs operating in your country, how poorly or how well do the following MDBs support the priorities of #country#?*
*Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

Second, **about 60% of government respondents think that CAF, CEB and IsDB support their priorities either *well* or *very well*** (Figure 3.3.1). Here, there are several potential explanations. First, in this group, a large proportion of government respondents either lack an opinion or believe the MDB is not relevant to the country. This is particularly true of CEB, where 21% of government officials had no opinion. Second, two of these MDBs do not have a country office (CEB and, in some cases, IsDB, which works through regional hubs). Third, the sample of respondents is smaller and not all borrowing countries are included (CEB).[51] Finally, either by mandate or by strategic decision, the MDB might be active in fewer sectors (in the case of CEB and CAF; for the latter, government respondents in Brazil and the Dominican Republic explicitly mentioned this as a reason for these overall results).

The results of the online survey for IsDB do not align with the discussions in the country studies. As noted in the previous section, in Uganda, where IsDB has a regional hub and a country office in Kampala, government officials stressed that IsDB operations are well aligned with the country's policy priorities. A similar point was raised in discussions with government officials in Côte d'Ivoire.

51 As explained in Appendix 1, the client countries selected for the online survey and country studies are actively borrowing from the World Bank, and we excluded EU member countries. That means several member states or borrowing countries of CEB, EBRD and EIB were not included in the online questionnaire.

Finally, for the remaining MDBs, **the share of government respondents finding country priorities *well* or *very well* supported is lower, about 50% or less:** AIIB (50%), EBRD (49%), EIB (45%) and NDB[52] (35%) (Figure 3.3.1). We could identify several factors behind these lower shares. First, **EBRD has a much larger share of non-sovereign operations than the other MDBs covered here**, and government officials – the respondents in this questionnaire – oversee only a small proportion of those operations. Results can be affected by a methodology applied across MDBs, which might be less relevant to EBRD, and by not having included all borrowing EBRD countries.

Second, **the visibility of these MDBs in the country emerged as a key challenge in assessing their alignment with the country's priorities**. In the online questionnaire, several government officials indicated that some of these MDBs do not operate in the country or do not have projects with the respondent, even though, in principle, they do ('not applicable' option in Figure 3.3.1). This is notably the case with the newest MDBs, AIIB (28% of government respondents did not have an opinion) and NDB[52] (36%). In the country studies, government respondents often needed prompting to identify MDBs beyond the long-standing MDBs. That was usually the case also for AIIB and EIB. In regard to the country studies, in some government structures these two MDBs are managed under the resource mobilisation department but within bilateral units, rather than with other multilateral partners, with an affiliation reflecting their largest shareholder.

In the case of **AIIB**, the lack of a country office – and therefore visibility with national authorities – as well as limited familiarity with government legislation and processes were cited as constraints in nearly all relevant case studies (Brazil, Côte d'Ivoire, Ghana, India, Sri Lanka, all AIIB regional and non-regional members). In some cases, the lack of alignment to national priorities was raised as an issue, described as 'a problem' by one interviewee in a lower-income country. At the same time, some government officials argued that AIIB has fewer projects than other MDBs in the country and was seen as a new actor still in learning mode[53] – with projects often not yet in the implementation stage, or the bank following the lead of another MDB as part of co-financing arrangements. In some countries, even if eligible for lending, AIIB loans are not concessional, and the country cannot take them up (this was raised in discussions in countries under an IMF programme).

Government officials rarely mentioned **EIB** in the semi-structured interviews. Interviewees pointed to several reasons for this, including that most interactions were with the regional office or hub (in nearly all countries), because non-EU countries are not shareholders of the institution and therefore have less influence over the strategy; more stringent procedures, particularly on project preparation, than other MDBs; and limited co-financing arrangements.

3.4 Summary

What do government officials in client countries value most about the cooperation with MDBs

52 Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

53 Several government officials acknowledged that AIIB is learning by co-financing operations with other MDBs – notably the World Bank and AsDB in the cases we reviewed.

operating in their country, and how well do MDBs deliver on these priorities? From the analysis in this chapter, we identify five key points.

1. **Every dimension of the offer of MDBs matters for respondents, and their perceived importance has increased.** In this edition of the analysis, at least 76% of respondents rate what MDBs provide as either *very* or *extremely relevant* to their country's long-term socioeconomic development. Relative to the first edition of the survey, respondents attribute greater importance not only to financing at better-than-market terms, but also to policy advice and technical assistance. This shift suggests a broader appreciation of MDBs' value beyond their financial role. Across all country groups, most interviewees perceive MDBs' comparative strength as lying in the combination of their core functions – concessional or near-concessional financing, policy advice and technical assistance, knowledge and research and convening power. MDBs are not seen primarily as lenders, but rather as long-term partners combining finance with technical support and capacity-building.
2. However, **not all functions offered by MDBs are equally important to respondents**: financing at better-than-market terms, policy advice and technical assistance and convening matter more to respondents than research and knowledge generation – the latter did not come up strongly in most of the interviews either.
3. **The weight attributed to each function differs between lending groups.** As their financing needs are higher and they have limited or expensive access to long-term domestic and international capital markets, financing at better-than-market terms matters more for countries borrowing at concessional terms. The provision of technical assistance and policy advice remains the most valued aspect of the offer in IBRD countries (85% of respondents rate it as either *very* or *extremely relevant*). Demand for technical support from these economies is significantly more targeted; policy advice and technical assistance add value to borrowing from MDBs compared to capital markets, as emerged from the interviews. Nonetheless, financing at better-than-market terms remains either *very* or *extremely relevant* for three-quarters (76%) of respondents in IBRD countries. This was confirmed in the semi-structured interviews, as even countries with market access appreciate the lower borrowing costs of MDBs.
4. **The long-standing MDBs with a large sovereign lending arm, such as AfDB, AsDB, IDB and the World Bank, are perceived as *very* or *extremely effective* institutions by at least 60% of government respondents and across all functions.** This is usually because of their long-standing operations in the country and their regular dialogue with the government. This reflects their presence, proximity and visibility – and often the fact that the government is a shareholder of the institution. Regional development banks with large sovereign operations, such as AfDB, AsDB and IDB, are perceived to perform at least as well as – or better than – the World Bank in some dimensions, particularly IDB in Latin America and the Caribbean.
5. **In the online questionnaire, most government officials believe that MDBs support their priorities either *well* or *very well*.** In the interviews, government officials stressed how the alignment of MDB operations with government plans has significantly improved over recent years. Once again, government officials see MDBs with a country office and long-standing presence as better able to support their priorities.

4 Financing, policy advice and technical assistance and operations: strengths and weaknesses of MDBs from a country perspective

In this chapter, we highlight the characteristics of the MDB offer that respondents find most relevant to support the long-term socioeconomic development of their country, how effective they rate them, and their views on the strengths and weaknesses of MDB financing, technical assistance, development effectiveness and operations. Rather than analysing the performance of individual institutions, this chapter explores clients' perceptions of MDBs as a group.

4.1 Financing of MDBs: relevance and perceived effectiveness

4.1.1 Importance and performance

In this edition of the client survey,[54] we once again asked respondents to rate the importance of characteristics that grants and loans of MDBs should have, in their view, to support the long-term development of their countries. We also asked how effective they think MDBs are in delivering them.

Response options were designed based on an analysis of the strengths and weaknesses of MDBs from the literature and on the principles of development effectiveness outlined in Prizzon et al. (2022). On the financing characteristics of MDB grants and loans, these strengths include:

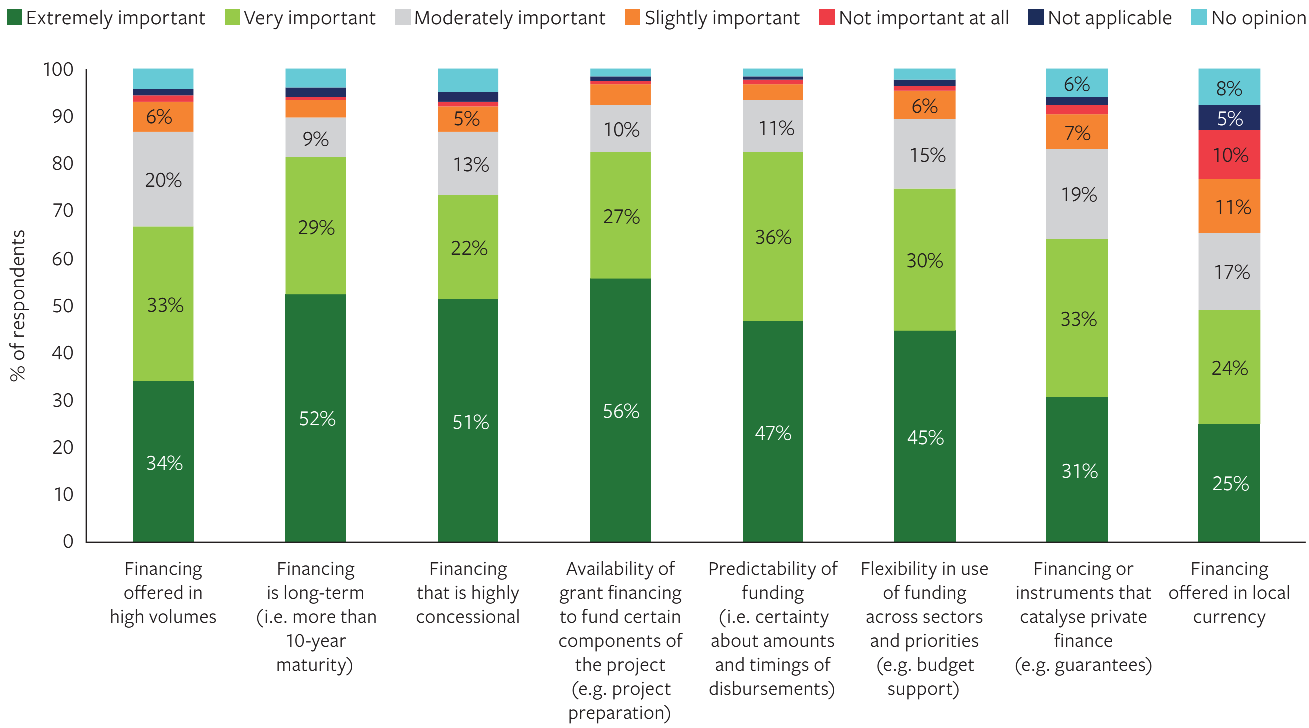
- Large volumes of funding (usually higher than those offered by most individual bilateral donors).
- Long-term maturities (of more than 10 years, which is the maximum for most sovereign bonds in lower-income countries).
- The high degree of loan concessionality, again compared to what countries might obtain in international capital markets (provided they can access them).
- The availability of grants to fund certain components of a project (e.g. project preparation) that might be offered by the private sector.
- Predictability, meant here as certainty over the amounts and timing of disbursements, particularly reflecting country allocations set for the medium term for lower-income countries.
- Flexible use of funding across sectors and priorities (e.g. budget support or development policy finance), which is currently rare among bilateral donors.
- The ability of funding to catalyse additional private finance, which is one of the objectives of MDB lending.
- Financing offered in local currency.

54 We compared the results of the first and the second survey only when significant.

All these characteristics matter to government and MDB respondents for the socioeconomic development of the country (Figure 4.1.1).[55]

- Financing that is long-term (more than 10-year maturity), that offers grants for specific components of projects and that is predictable are the three most valued aspects, either *very* or *extremely important*, selected by at least four in five respondents (equivalent or close to 80%).[56]
- The share is still high, but it goes down for characteristics such as flexible financing (75%), highly concessional financing (73%), financing offered in high volumes (67%) and financing that catalyses private finance (64%).
- Despite measures to boost MDB lending in local currency (see Section 2.2), fewer than 50% of respondents consider financing offered in local currency to be either *very* or *extremely important* for their country's socioeconomic development.

Figure 4.1.1 Financing development: importance of financing terms and modalities for socioeconomic development



Source: Authors' survey: based on 602 government and MDB respondents. Question for government officials: *Below, we have listed different characteristics of development projects. Could you please tell us how important or not important each of these characteristics is for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important at all and 5 is extremely important.* Question for MDB officials: *Below, we have listed different characteristics of development projects. 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 their country, on a scale from 1 to 5, where 1 is not important at all, and 5 is extremely important?*

55 These results are similar to those in the first edition of the survey for seven dimensions in Figure 4.1.1. We did not include the provision of local currency in the first edition of the survey.
56 Respectively 81%, 82% and 82% of respondents.

While replies from MDB officials usually corroborate those of government officials, this latter result is largely explained by the interpretation by MDB officials of government priorities. The lower score for the importance of local currency lending is indeed not attributable to government officials (56% of them rated it as a *very* or *extremely important* characteristic of financing), but to MDB officials (33%). The same applies to the flexibility of funding: this is either *very* or *extremely important* for the country's socioeconomic development for 82% of government officials (and nearly half think it is *extremely important*). This share goes down to 57% among MDB officials.[57]

On average, respondents from IDA-eligible countries place greater importance on nearly every dimension of financing from MDBs for socioeconomic development than respondents from IBRD countries. For example, three-quarters of respondents from IDA countries (75%) find financing offered in high volumes as *very* or *extremely important*. This share falls to 57% among respondents across IBRD countries.[58] This can be partly explained by the greater reliance on concessional finance in the financing portfolios of IDA-eligible countries, as well as the alternative financing options available to IBRD countries. **Officials in central agencies find it more important than those in line agencies that financing from MDBs is long-term, concessional and predictable**, likely explained by their role in managing resource mobilisation and budgeting.[59]

These characteristics of financing offered by MDBs matter for government officials for their national development, but how well are MDBs as a group perceived to deliver them? For most dimensions, about two-thirds of government officials think that MDBs are either *very* or *extremely effective*. In particular:[60]

- Flexibility and predictability of financing are considered *very* or *extremely important* by over 80% of government officials. On these dimensions, around two-thirds of government respondents perceive that MDBs deliver *well* or *very well* (66% and 69%, respectively).
- The ability of MDBs to mobilise the private sector was rated *very* or *extremely important* by 65% of government officials, while 46% rate MDBs' performance as *good* or *very good*.
- Local currency lending was assessed as *very* or *extremely important* for 56% of government respondents, but just 38% consider MDBs' delivery on this dimension as *good* or *very good*.

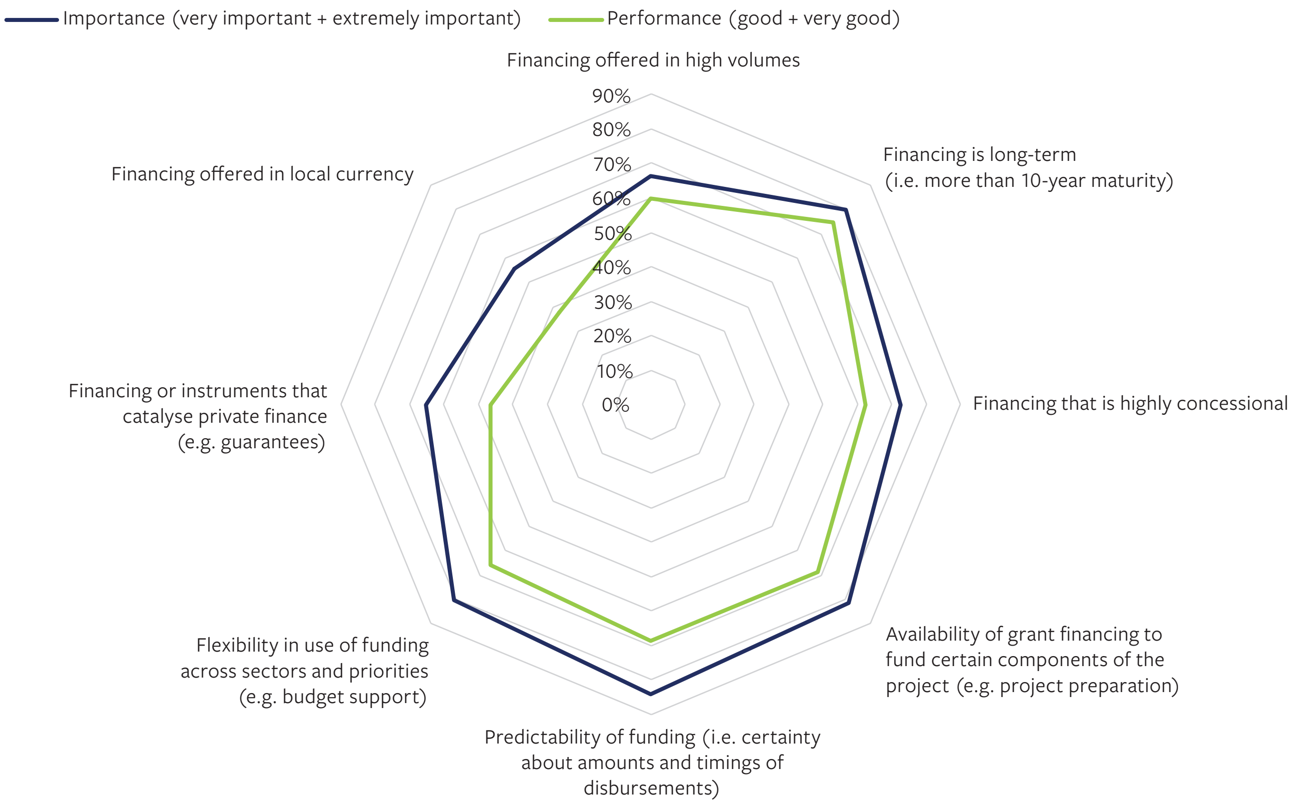
57 For all the other functions, the differences between government and MDB officials are not statistically significant.

58 For other dimensions: financing that is long-term (85% of respondents in IDA countries against 76% of respondents in IBRD countries), financing that is highly concessional (83% vs. 62%, reflecting the greater weight of concessional finance for IDA countries); availability of grant financing to support certain components of the project (87% vs. 77%); predictability of funding (87% vs. 76%); flexibility of funding (83% vs. 64%).

59 Officials in central agencies find it more important than officials from line agencies that financing is long-term (*very* or *extremely important* for 91% of government officials in central agencies vs. 74% in line agencies), highly concessional (85% for government officials in central agencies vs. 66% in line agencies), and predictable (92% for government officials in central agencies vs. 82% in line agencies).

60 Results are in line with the first survey and there are no significant differences (within 2–5 percentage points maximum).

Figure 4.1.2 Financing – importance vs. performance



Source: Authors' survey: government responses only; 465 responses for importance, 435 responses for performance. Question about the importance of different financing dimensions: *Below, we have listed the characteristics of development projects. Could you please tell us how important or not important each of these characteristics is for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important at all and 5 is extremely important.* Question for the performance of MDBs in each dimension: *Thinking about these 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

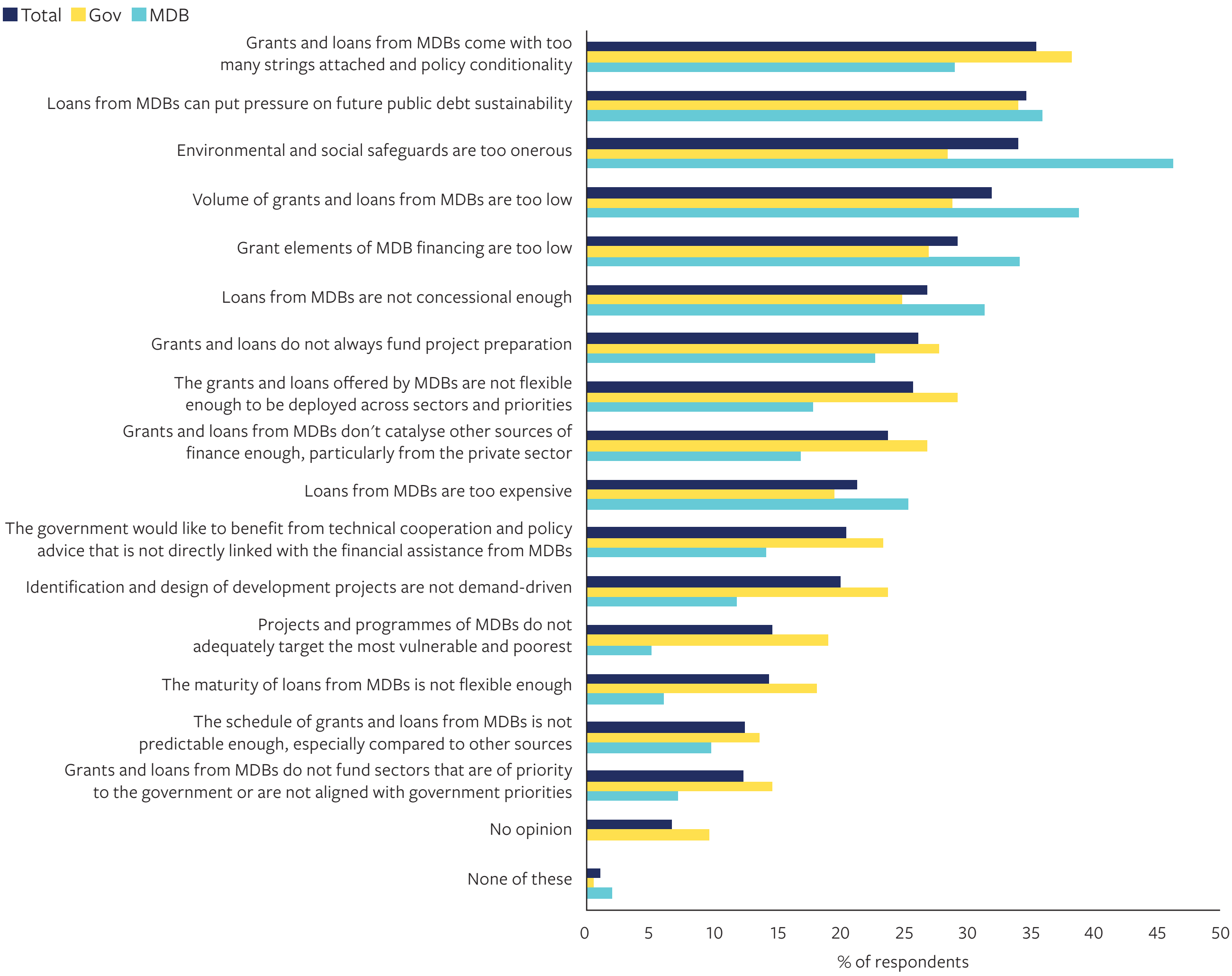
In this edition, we again directly asked respondents about the perceived weaknesses of the finances and operations of MDBs. The list of weaknesses of MDBs' grants and loans is built on the literature review conducted for the first edition of this project (Prizzon et al., 2022). Figure 4.1.3 focuses on both financing and operational aspects of MDB projects and programmes. In this section we analyse the former, and the latter in Section 4.3. Some of these findings have been further elaborated in other questions (and analysed in Chapters 5 and 6).

Focusing only on financial dimensions of MDB operations, about one-third of respondents think that loans from MDBs put pressure on future debt sustainability (35%) and that the volumes of grants and loans are too low (32%). Fewer than 3 in 10 respondents find that the grant element is not enough (29%) or that loans are not concessional enough (27%); that grants and loans from MDBs do not fund project preparation

(26%); and that grants and loans from MDBs are not flexible enough (26%) or do not catalyse other sources of finance (24%). Results tend not to be statistically different between government and MDB respondents, with one exception. For nearly 30% of government officials loans are not flexible enough across sectors, against 18% of MDB officials, reflecting the same difference in attribution of importance to this dimension seen in Section 4.1.1.

Across regions, two significant differences stand out. **The share of respondents who think the volume of MDB loans is too low rises to 44% among respondents from African countries**, compared with an average of 32% across countries, probably reflecting a greater need for resource mobilisation at better-than-market rates. For 33% of respondents in Eastern Europe, the Middle East and Central Asia, loans from MDBs are too expensive, compared with the average across countries of 21%.

Figure 4.1.3 Disadvantages of MDB grants and loans



Source: Authors' survey: 545 total replies, 412 from government officials and 133 from MDB officials. Question for government officials: *What are the main disadvantages of grants and loans offered by multilateral development banks for the #country#?* Please select as many as applicable. Question for MDB officials: *And what do you think the government of #country# sees as the main disadvantages of grants and loans offered by MDBs?*

The most striking difference is between countries borrowing at concessional and non-concessional terms: respondents from IDA countries identified more disadvantages with the financial dimensions of grants and loans than IBRD respondents, and concerns are more widespread.[61] The question had no upper limit and respondents could select all that applied. Respondents among IDA countries are more than twice as likely to stress that the volume of grants and loans is too low (44%) than respondents in IBRD countries (18%) (incidentally the first is the same percentage as across African countries). The next concern for respondents from IDA countries is that grants and loans from MDBs are not flexible enough (36%), nearly triple the share of respondents from IBRD countries (13%) (this can also be explained by greater use of development policy finance in countries with market access). This is followed by grants and loans from MDBs not being able to catalyse other sources of finance (31% of respondents in IDA countries, 15% in IBRD countries), as pressure to mobilise resources can be higher in IDA countries where there are fewer alternative funding options. On average, 27% of respondents in IBRD countries believe that MDB loans are too expensive, compared with 17% in IDA countries, reflecting the more favourable terms for countries borrowing from the soft windows of MDBs.

Comparing the two editions of the survey where applicable, the share of respondents has not changed for many dimensions, with one crucial exception. While in 2025 21% of respondents thought that MDB loans are too expensive, this was only 5% in 2021.

Table 4.1.1 Disadvantages of MDB grants and loans – IDA and IBRD countries – financing

% of respondents	Total	IDA	IBRD
The volume of grants and loans from MDBs is too low	32%	44%	18%
The maturity of loans from MDBs is not flexible enough	14%	20%	8%
Loans from MDBs are not concessional enough	27%	29%	24%
Loans from MDBs are too expensive	21%	17%	27%
Grant elements of MDB financing are too low	29%	34%	24%
Grants and loans do not always fund project preparation	26%	29%	23%
The schedule of grants and loans from MDBs is not predictable enough, especially compared to other sources	13%	17%	8%
The grants and loans offered by MDBs are not flexible enough to be deployed across sectors and priorities	26%	36%	13%
Grants and loans from MDBs don't catalyse other sources of finance enough, particularly from the private sector	24%	31%	15%

Source: Authors' survey: 545 total replies, 323 from respondents in IDA countries and 222 from respondents in IBRD countries. Question for government officials: *What are the main disadvantages of grants and loans offered by multilateral development banks for the #country#?* Please select as many as applicable. Question for MDB officials: *What do you think the government of #country# sees as the main disadvantages of grants and loans offered by MDBs?*

61 Dimensions of operational effectiveness are discussed in Section 4.3.

4.2 Policy advice and technical assistance: relevance and perceived effectiveness

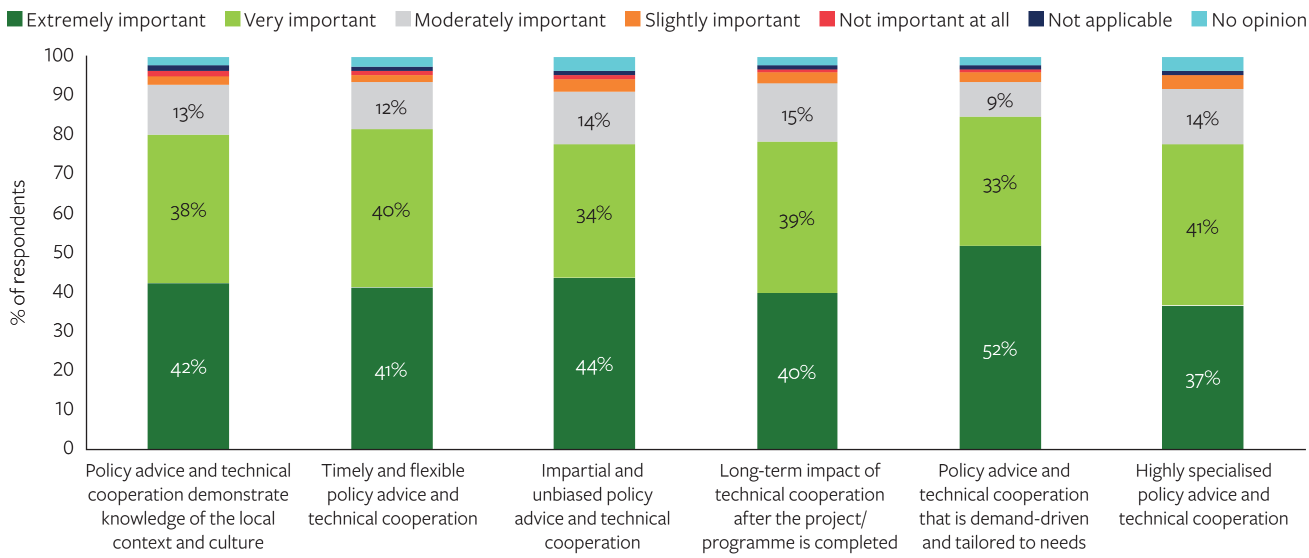
4.2.1 Importance and performance

As in the first edition of this survey, **we assessed the extent to which certain desired characteristics of policy advice and technical assistance offered by MDBs matter to respondents, and how effective government officials rate MDBs on these fronts.**

We asked respondents to consider six key features of policy advice and technical assistance: that it is demand-driven, timely and flexible, reflects the local context and culture, has long-term impact, is highly specialised and is unbiased and impartial.

Respondents find that all six features matter for the long-term socioeconomic development of the country, with above or close to 80% of respondents considering them *very* or *extremely important* (Figure 4.2.1).[62] While still high, this is

Figure 4.2.1 Policy advice and technical assistance – importance



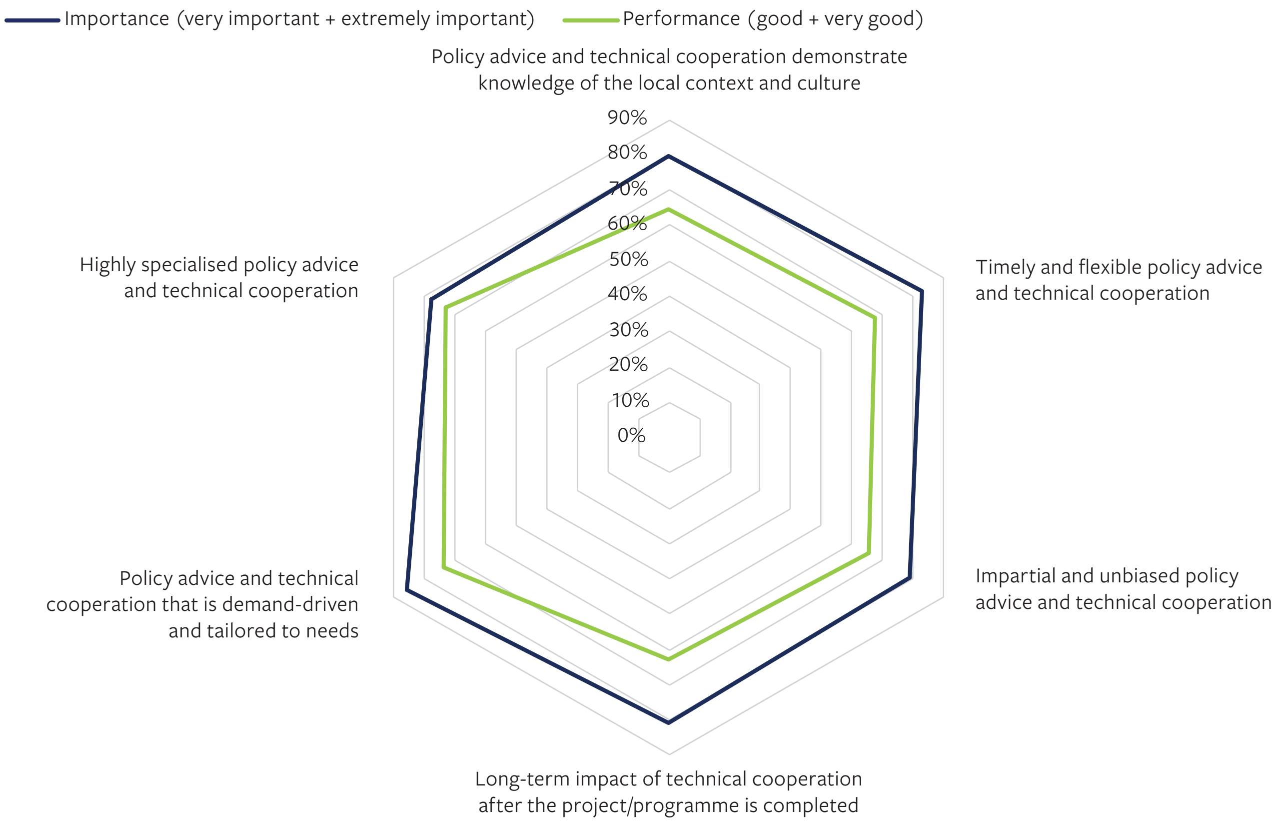
Source: Authors' survey: based on 582 government and MDB responses. Question for government officials: *Below, we have listed different characteristics of development projects. Could you please tell us how important or not important each of these characteristics is for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important at all and 5 is extremely important?* Question for MDB officials: *Below, we have listed different characteristics of development projects. 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 their country, on a scale from 1 to 5, where 1 is not important at all, and 5 is extremely important?*

62 Policy advice and technical cooperation that is demand-driven and tailored to needs (85% of respondents finding it *very* or *extremely important*); timely and flexible (82%), that reflects the local context and culture (80%), that has long-term impact after the project is completed (78%), that is highly specialised (78%) and that is unbiased and impartial (78%). Differences in replies between lending groups, ministry officials (central and line agencies) and MDB/government officials are not statistically significant and therefore not reported here. Between regions, a much greater share of respondents in Africa, East and South Asia and the Pacific, and Latin America and the Caribbean place greater importance on policy advice and technical assistance that demonstrates knowledge of the local culture and context and has long-term impact beyond project completion than respondents from Eastern Europe, the Middle East and Central Asia.

slightly lower than in the previous edition of the survey (where the share was close to 90% of respondents (Prizzon et al. 2022)). Contrary to the first edition of the survey, when MDB staff tended to underestimate the importance of some characteristics of technical assistance and policy advice compared to government officials, in this edition the two groups do not statistically differ.

Government officials perceive MDBs to be broadly effective, particularly for highly specialised policy advice and technical assistance (73% of government respondents find MDBs' performance as a group to be *good* or *very good*) (Figure 4.2.2). However, **only about two in three government officials think that MDBs are either *good* or *very good* at providing policy advice and technical assistance that has a long-term impact (63%) and reflects local context and culture (65%)**.

Figure 4.2.2 Financing – importance vs. performance



Source: Authors' survey: government responses only; 445 responses for importance and 427 responses for performance; Question asked to measure importance: *Below, we have listed different characteristics of development projects. Could you please tell us how important or not important each of these characteristics is for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important at all and 5 is extremely important?* Question asked to measure performance: *Thinking about these 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?*

This scored least among the options offered. In general, responses are very similar and in line between the two rounds of the survey (changes are generally between 2 and 5 percentage points), except for these two dimensions, where shares went up (they were 56% and 59% respectively). The next section elaborates further on this, including insights from the country studies.

4.2.2 Strengths and weaknesses

In this edition, we once again explicitly asked respondents about the advantages and disadvantages of MDB policy advice and technical assistance. The list is based on the literature review (Prizzon et al., 2022) and on experience from the first edition of this project (see Appendix 1).

According to respondents, the top advantages of policy advice and technical assistance provided by MDBs are the ability to fill gaps in technical knowledge and expertise (64% of respondents), followed by the combination of technical assistance and policy advice with grants and loans (48%) and high specialisation (42%).[63] At the bottom end, only 22% of respondents think that policy advice and technical assistance offered by MDBs reflect knowledge of the local context and culture – a view shared by both government and MDB officials, and partly corroborating the finding we discussed in the earlier section on the effectiveness of the MDB offer – and 24% think that it is timely and flexible (Figure 4.2.3). Responses from government and MDB officials do not differ significantly, except in one case: MDB staff are nearly twice as likely to mention that policy advice and technical assistance are less expensive than those of other providers (46%) compared with government officials (26%).

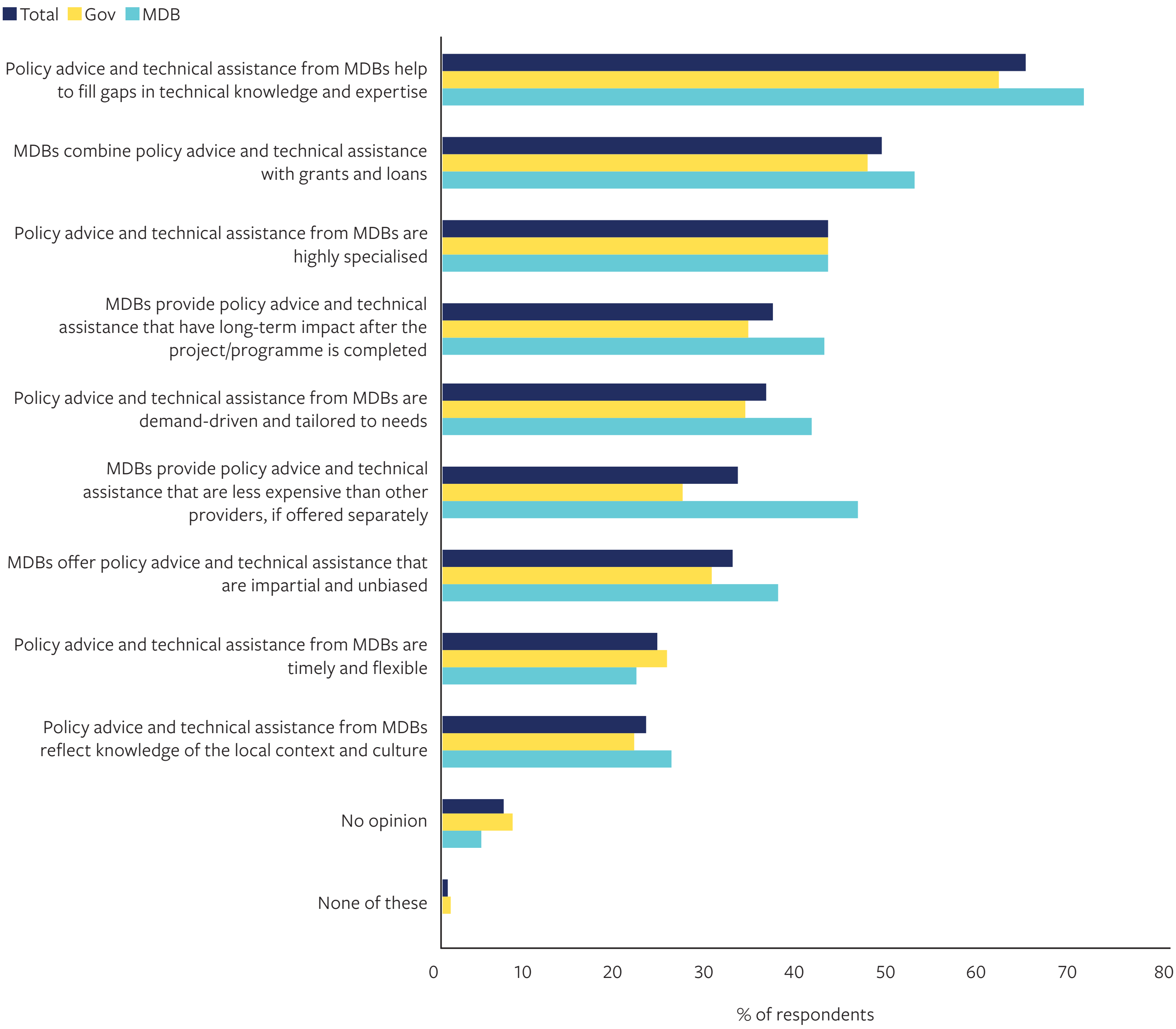
Most results are similar across the other groups (regions and lending terms) that we analyse throughout this report, with a couple of exceptions. First, respondents from East and South Asia and the Pacific are more likely to think that technical assistance and policy advice offered by MDBs is demand-driven and tailored to needs (50% of respondents) than those from Latin America and the Caribbean (26%). Respondents from IDA countries are more likely to say that policy advice and technical assistance from MDBs helps fill gaps in technical knowledge and expertise than respondents from IBRD countries (70% vs. 57%).

Looking at the perceived weaknesses of MDBs' policy advice and technical assistance (Figure 4.2.4), 3 in 10 government respondents note that MDBs do not tailor them to the culture and context in the country. The association of technical assistance and policy advice with grants and loans, rather than a stand-alone option, is a challenge for 32% of government respondents – a similar result as in the first edition of the survey.[64] Results are not significantly different between groups, with one notable exception – *32% of MDB officials think that MDB policy advice and technical assistance are not timely or flexible*, compared to only 19% of government officials. Around one-fifth of MDB officials think that none of the options offered apply – this is the case for only 8% of government officials.

63 The options have been significantly reviewed in this edition, so they are not directly comparable with the first online survey.

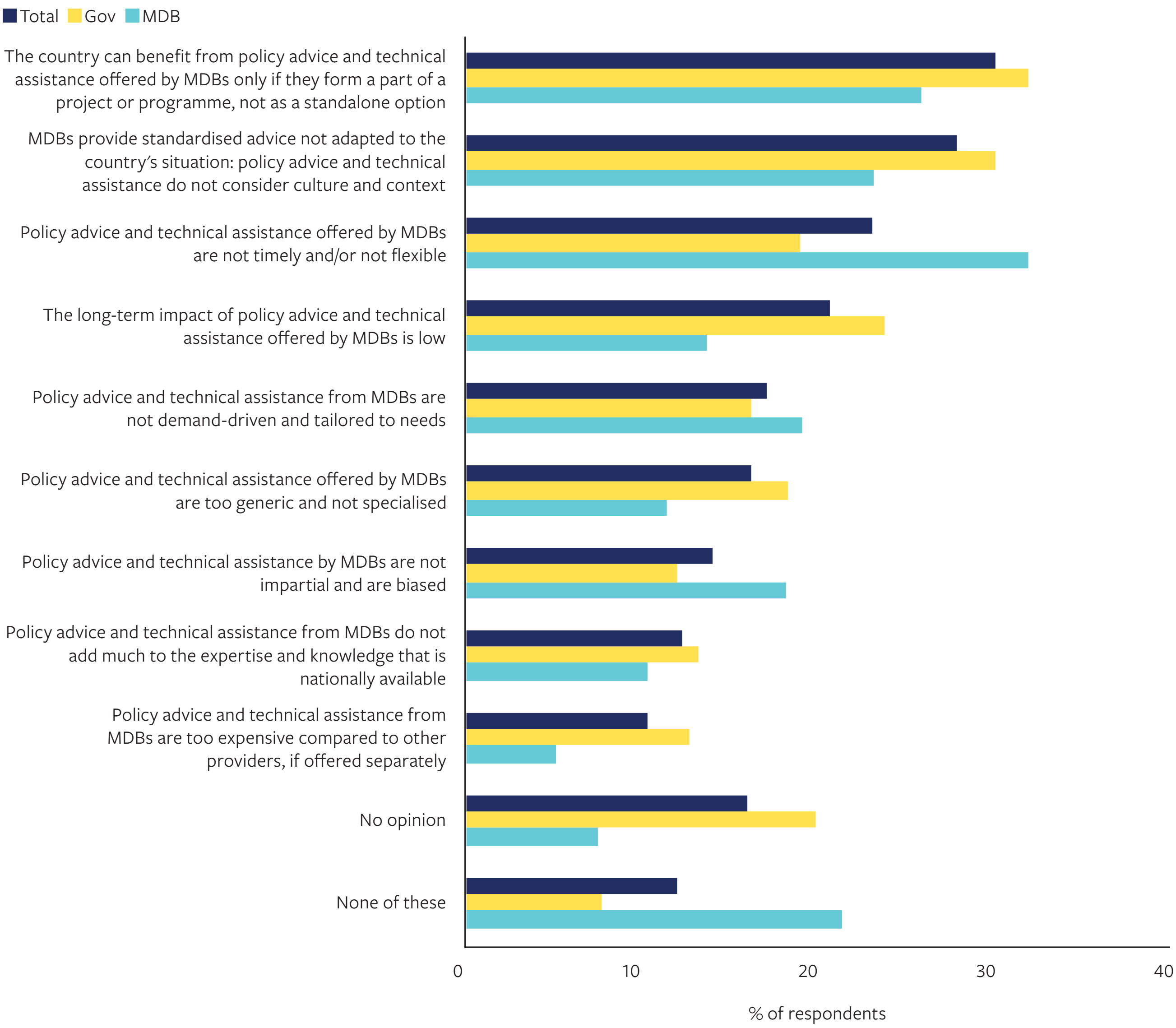
64 Once again, results from this edition of the survey are broadly in line with those of the first study.

Figure 4.2.3 Advantages of policy advice and technical assistance



Source: Authors' survey. 537 responses, 407 from government officials and 130 from MDBs. Question for government officials: *Additionally, what are the main advantages of policy advice and technical assistance offered by multilateral development banks for #country#? Please select as many as applicable.* Question for MDB officials: *Additionally, what do you think the government of #country# sees as the main advantages of policy advice and technical assistance offered by multilateral development banks?*

Figure 4.2.4 Disadvantages of policy advice and technical assistance



Source: Authors' survey. 527 responses, 399 from government officials and 128 from MDBs. Question for government officials: *What are the main disadvantages of policy advice and technical assistance offered by multilateral development banks for #country#? Please select as many as applicable.* Question for MDB officials: *What do you think the government of #country# sees as the main disadvantages of policy advice and technical assistance offered by multilateral development banks?*

The findings from the online survey on the effectiveness of MDBs in providing technical assistance and policy advice broadly resonate and were confirmed in the interviews we conducted across all countries, regardless of lending terms or region, with the limitations and challenges strongly emphasised.

Regarding the strengths of the MDB offer, across most countries interviewees find that policy advice and technical assistance are demand-driven, aligned to national priorities, of high quality and closely identified between the government and the MDB, reflecting the results of the online survey.

When it comes to the challenges, first, interviewees in Botswana, Bhutan, Ghana and Uganda were concerned about technical assistance programmes not being able to transfer skills to local staff and therefore having limited long-term impact on national development plans and strategies. Second, while valuing experience and lessons MDBs bring from other clients, interviewees from most countries (Bhutan, Côte d'Ivoire, the Dominican Republic, Ghana, Sri Lanka and Uganda) stressed how technical assistance programmes do not take into consideration the nature of government systems – institutions and legal frameworks – and the country's political economy. Failing to tailor technical assistance to the local context, culture and language limits its impact. According to one interviewee, '*there is a lot of "copy and paste"*'; another: '*MDBs still take a "one-solution-fits-all approach" that doesn't help anyone*'; another: '*much of the technical assistance provided gathers dust in the drawers and isn't taken on board*'. Several interviewees across IBRD countries and in Uganda strongly recommended that consultants recognise the existing capacity of civil servants, understand it and build their programmes on it.

Discussions in the country studies highlighted several aspects of the technical assistance offer that were not captured in the questionnaire.

- First, a request from interviewees from several countries (Côte d'Ivoire, the Dominican Republic, Ghana, India, Sri Lanka) for technical assistance to move away from a strong emphasis on diagnostics and the identification of problems they are already aware of to the development of recommendations and practical solutions. Some interviewees noted that MDBs offer 'theoretical' advice and focus on knowledge rather than on solutions tailored to the country context.
- Second, interviewees in Bhutan, Ghana and Sri Lanka were concerned about the lack of coordination among MDBs on identifying and coordinating technical assistance among themselves, leading to duplication and competition.
- Finally, for IBRD countries (or former ones) like Botswana, the Dominican Republic and Sri Lanka, respondents stressed the challenge of needing to take up loans to finance technical assistance, instead of receiving grants, particularly for project preparation (see also Sections 6.2 and 6.3).

4.3 Development effectiveness and operations: relevance and performance

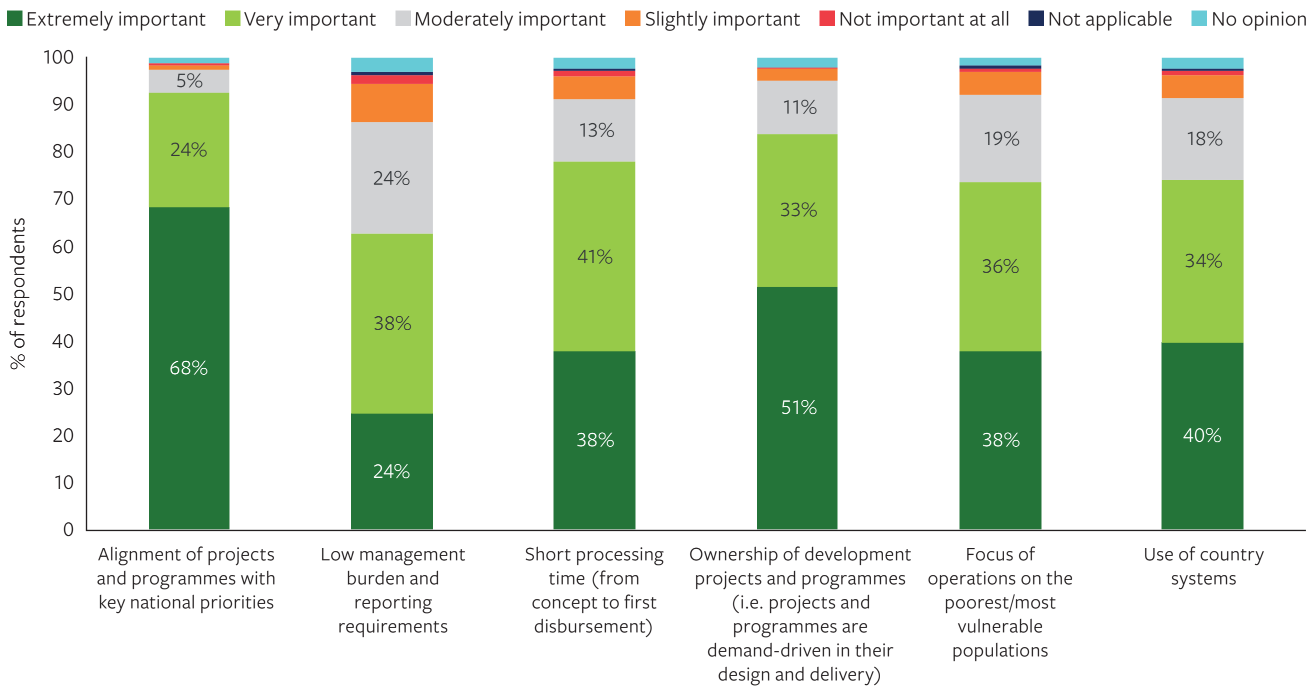
Lastly in this chapter, we assess how respondents perceive development effectiveness and project delivery in terms of the long-term socioeconomic development of their country, and how they rate MDBs' performance against these dimensions. We focused on seven aspects, partly reflecting the principles of development effectiveness and partly using some of the strengths and weaknesses of MDB operations that emerged in the literature review conducted for the first edition of the survey (Prizzon et al., 2022), and lessons from that edition (see Appendix 1):

- Alignment of projects and programmes with key national priorities.
- Low management burden and reporting requirements.
- Short processing time (from concept to first disbursement).
- Ownership of development programmes and projects (demand-driven in their design and delivery).
- A focus on the poorest and most vulnerable in countries.
- The use of country systems.

Most respondents believe that operations aligned with national priorities (93%) and owned by the country (84%) are either *very* or *extremely important* for the country's socioeconomic development. Approximately three-quarters of respondents believe the same is true for the quick delivery of projects and programmes (78%), the use of country systems (74%) and targeting the poorest and most vulnerable (74%). Only 63% of respondents think this is the case for low management burden and reporting requirements (Figure 4.3.1). Results are similar to the first survey when applicable, except for a significant 13% fall in respondents stating that operations focusing on the poorest and most vulnerable populations are either *very* or *extremely important*. This can be explained by a significantly different position and interpretation of government priorities between government officials and MDBs.

While in general responses between government and MDB officials tend to align, government officials place much greater emphasis on the poorest and most vulnerable populations, and on the use of country systems in MDB operations, than MDB officials believe they do. First, 80% of government respondents think that focusing on the poorest and most vulnerable is either *very* or

Figure 4.3.1 Development effectiveness and operations – importance

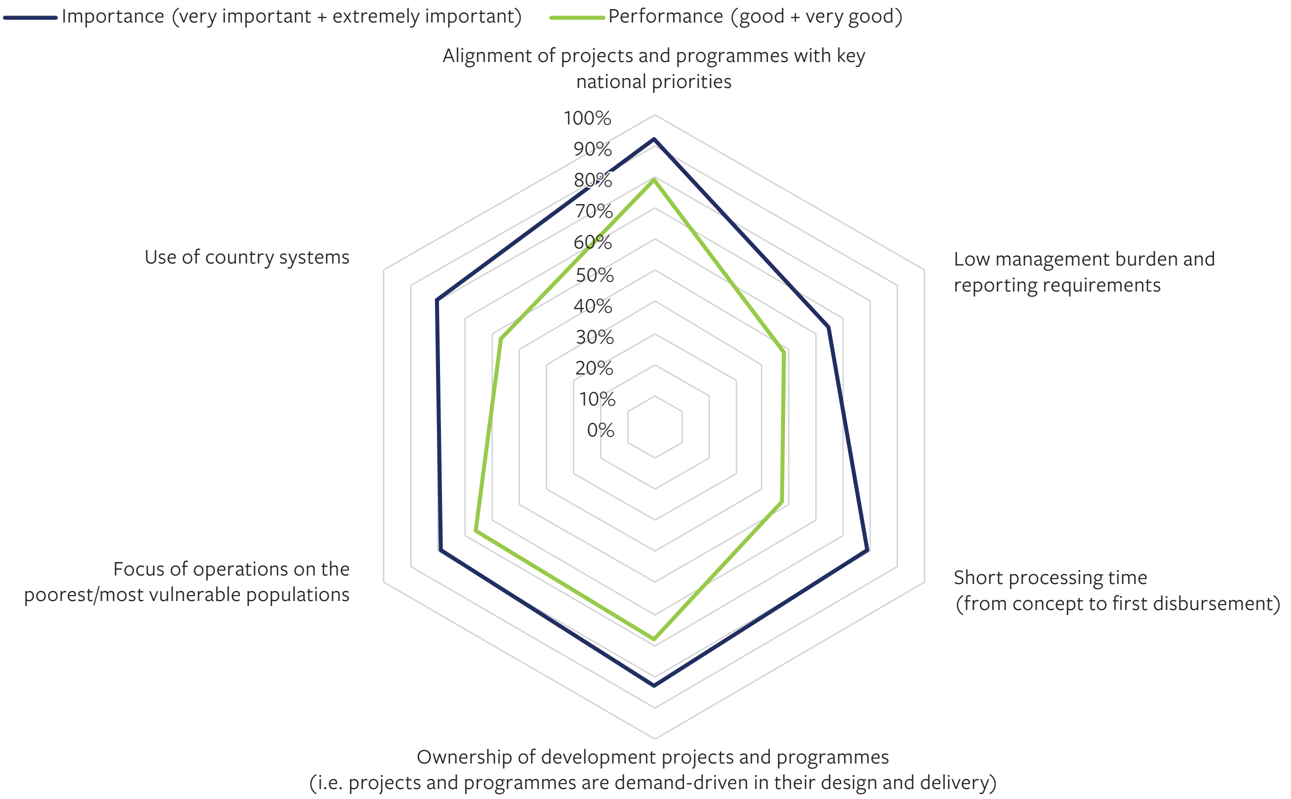


Source: Authors' survey; based on all government and MDB respondents (589). Question for government officials: *Below, we have listed different characteristics of development projects. Could you please tell us how important or not important each of these characteristics is for the long-term social and economic development of #country# on a scale from 1 to 5, where 1 is not important at all and 5 is extremely important?* Question for MDB officials: *Below, we have listed different characteristics of development projects. 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 their country, on a scale from 1 to 5, where 1 is not important at all, and 5 is extremely important?*

extremely important, compared with 60% of MDB officials. The results are coincidentally the same for use of country systems: 80% of government officials argue that using country systems is either *very* or *extremely important*, compared with 60% of MDB officials. Respondents from IDA countries tend to place greater emphasis on all dimensions of operational effectiveness than respondents in IBRD countries (except for ownership of development programmes and the use of country systems, where there is no statistically significant difference).[65]

As with financing and policy advice/technical assistance, we also assessed the perceived effectiveness of all these dimensions (Figure 4.3.2).

Figure 4.3.2 Development effectiveness and operations – importance vs. performance



Source: Authors' survey: government responses only; 452 responses for importance; 434 responses for performance. Question asked to measure the importance of operations: *Below, we have listed different characteristics of development projects. 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 their country, on a scale from 1 to 5, where 1 is not important at all, and 5 is extremely important?* Question asked to measure performance of operations: *Thinking about these 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*?

65 Respondents from Africa, East and South Asia and the Pacific, and Latin America and the Caribbean are more likely to attribute greater importance to these dimensions than those in Eastern Europe, the Middle East and Central Asia.

Two dimensions see less than 50% of government officials rating them as *good* or *very good*: short processing time rated as either *good* or *very good* by 47% of government respondents – this share went up from the previous survey (43%); and 48% of government respondents considered low management burden as *good* or *very good* – again, an increase since the previous survey (44%).

About two-thirds of government officials see other dimensions either *well* or *very well delivered* by MDBs (use of country systems 57%; focus on the poorest and most vulnerable 66%, ownership of development programmes 68%).

Nearly four out of five (79%) government respondents recognise that MDB projects and programmes are aligned with key national priorities – a finding that resonates with the discussion in Section 3.3.

As shown in Figure 4.1.3, and corroborating the points above, **the most commonly identified disadvantages of grants and loans include** time from project idea to MDB board approval, which respondents believe is too long and could be streamlined further (nearly half of respondents, 47%, believe this is the case);[66] high management burden and reporting requirements of grants and loans (39%); too many strings attached and policy conditionalities (36% of respondents); and onerous environmental and procurement safeguards (34%). Government officials are less concerned about this than MDB officials (29% vs. 46% of respondents mentioning it as a disadvantage of MDB operations).

Several dimensions of the operations of MDBs are seen as less problematic by government officials: 15% of government respondents think that grants and loans from MDBs do not fund sectors that are a priority for the government; 19% that MDB operations do not target the most vulnerable and poorest populations; and 24% that the identification and design of projects are not demand-driven.

While in some cases replies do not differ between respondents in IDA and IBRD countries, at least statistically, those from IDA countries are more likely to see long processing times as a concern (59%; IBRD countries 32%). Onerous environmental and social safeguards (40% of respondents in IDA countries vs. 27% in IBRD countries) and misalignment between government priorities and MDB programmes (17% in IDA countries and 7% in IBRD countries) are seen as key disadvantages of working with MDBs, requiring greater attention and support from MDB management (Table 4.3.1).

66 This figure is largely driven by 59% of respondents in IDA countries stating that the project cycle should be streamlined.

Table 4.3.1 Disadvantages of MDB grants and loans – IDA and IBRD countries – operational effectiveness

	Total	IDA	IBRD
Processing times from project idea to MDB board approval are too long and could be streamlined	47%	59%	32%
Grants and loans from MDBs come with a high management burden and reporting requirements	39%	40%	39%
Environmental and social safeguards are too onerous	34%	40%	27%
Grants and loans from MDBs come with too many strings attached and policy conditionality	36%	39%	32%
Identification and design of development projects are not demand-driven	20%	23%	16%
Grants and loans from MDBs do not fund sectors that are a priority for the government or are not aligned with government priorities	12%	17%	7%
Projects and programmes of MDBs do not adequately target the most vulnerable and poorest	15%	15%	15%

Source: Authors' survey: 545 total replies, 323 from respondents in IDA countries and 222 from respondents in IBRD countries. Question for government officials: *What are the main disadvantages of grants and loans offered by multilateral development banks for the #country#?* Please select as many as applicable. Question for MDB officials: *What do you think the government of #country# sees as the main disadvantages of grants and loans offered by MDBs?*

4.4 Summary

This chapter addresses the second research question we set for this project on the perceived strengths and weaknesses of MDBs in areas such as financing, technical cooperation and operations. It identifies five key findings.

1. Regarding the characteristics of MDB grants and loans, **most respondents (at least four in five) highly value the long-term horizon of MDB financing (maturity of more than 10 years), the fact that it offers grants for specific project components, and its predictability**. Flexibility of funding is also highly prized by government officials. Despite ongoing discussions on expanding the volume and availability of MDB lending in local currency, this is rated as the least important characteristic of MDB grants and loans by government respondents, with 56% considering this *very* or *extremely important* for their country's socioeconomic development.
2. **Government officials perceive MDBs to be performing *well* or *very well* on those financing characteristics that are more important to them.** Government officials see MDBs delivering *well* or *very well* on flexible, long-term and predictable financing (at least two-thirds of government officials). However, 38% of government officials think that MDBs are delivering either *well* or *very well* on local currency lending, and 46% on their ability to mobilise the private sector.
3. **Most respondents find several aspects shaping the operational effectiveness and efficiency of MDB programmes *very* or *extremely relevant* for their countries**, notably alignment with national priorities, country ownership, short processing times, the use of country systems and targeting the poorest and most vulnerable. Less than 50%

of government respondents think that MDBs are either *good* or *very good* at delivering on short processing times and maintaining a low management burden.

4. **The most significant disadvantages of MDB financing relate to the operational effectiveness and efficiency of MDBs (at least one-third of respondents):** processing times from project idea to MDB board approval, which are deemed too long and could be streamlined (this may involve both MDB procedures and government approval processes); the high management burden and reporting requirements of grants and loans; too many strings attached and policy conditionalities; and onerous environmental and procurement safeguards.
5. Similar to the results of the first edition of the survey, government respondents value **policy advice and technical assistance from MDBs** for their high specialisation, being demand-driven, impartial and unbiased, and their ability to fill gaps in technical knowledge and expertise. Both the online questionnaire and the country interviews indicate that MDB policy advice and technical assistance often do not sufficiently reflect local context and culture and may not have long-term impact or be sustainable. MDB policy advice and technical assistance are considered timely and flexible by only a quarter of respondents.

5 Future demand for assistance offered by MDBs

This chapter considers how respondents expect the demand for financial and technical assistance offered by MDBs to evolve in the medium term (over the next 5 to 10 years), should there be no constraint on supply or country allocation (Section 5.1 on the demand for grants and loans from MDBs and Section 5.2 on the demand for policy advice and technical assistance), and the sectors in which respondents think each MDB should operate (Section 5.3). We examine whether respondents perceive the future role and presence of MDBs in their country as either expanding or shrinking, and how these views differ across regions and lending terms. While government officials who responded to our questions were under no obligation to follow up on their choices, their answers can guide expectations for future support.

In the semi-structured interviews for the country studies, we discussed both future demand for assistance, and expectations around sectors of operations (Section 5.1.3). We also include an analysis of the criteria countries use to assess the financial viability of MDB financing (Section 5.4). We also elaborate on countries' preferred modality choices (development policy finance, investment project finance and results-based finance) and the primary motivations behind these preferences (Section 5.5).

5.1 Demand for grants and loans

5.1.1 Trajectories for financial assistance from MDBs

Most respondents (57%) believe that demand for MDB grants and loans from their own country will increase over the next 5 to 10 years; only 15% expect it to decrease over the same period (Figure 5.1.1). **These overall proportions have not changed since the first round of the survey in 2021:** the share of respondents who think that demand for grants and loans offered by MDBs will go up is 56%; 16% feel that it will go down (Prizzon et al., 2022). Responses do not indicate demand for specific volumes, but rather general trends.

Beyond the aggregate results, differences between groups are significant. We analyse this based on access to finance (concessional and non-concessional), region and type of respondent (government or MDB officials; ministerial affiliation for government officials).

First, as might be expected, access to capital markets financing is a significant factor influencing future demand for MDB grants and loans (Figure 5.1.1). Respondents from IDA countries are more inclined than those from IBRD countries to believe that demand for MDB grants and loans will increase in the medium term (64% of respondents in IDA countries, versus 48% in IBRD countries), as they might have fewer available financing options. In the previous chapter we saw that, for 44% of respondents in IDA countries, the volume of grants and loans from MDBs is considered too low. The percentage of respondents anticipating a decrease in demand for grants and loans from MDBs is, however, similar across both groups, and there are no significant differences between the two survey editions.

Second, **responses from different regions indicate varying levels of interest in MDB grants and loans**. A higher proportion of respondents from Africa and East and South Asia and the Pacific expect demand for grants and loans from MDBs to rise: 61% and 66% of respondents, respectively, indicate either a *significant* or *slight increase*.[67] A smaller share of respondents from Eastern Europe, the Middle East and Central Asia (49%) and Latin America and the Caribbean (46%) share this assessment. In the Eastern Europe, Middle East and Central Asia region, the percentage of respondents who believe demand will increase (*significantly* or *slightly*) rose from 42% in 2021 to 49% in 2025. In Latin America and the Caribbean, the share of respondents who indicated that demand for grants and loans might increase declined from 51% in 2021 to 46% in 2025. The proportion of respondents in this region expecting a decline in demand for grants and loans went up from 9% in 2021 to 16% in 2025.

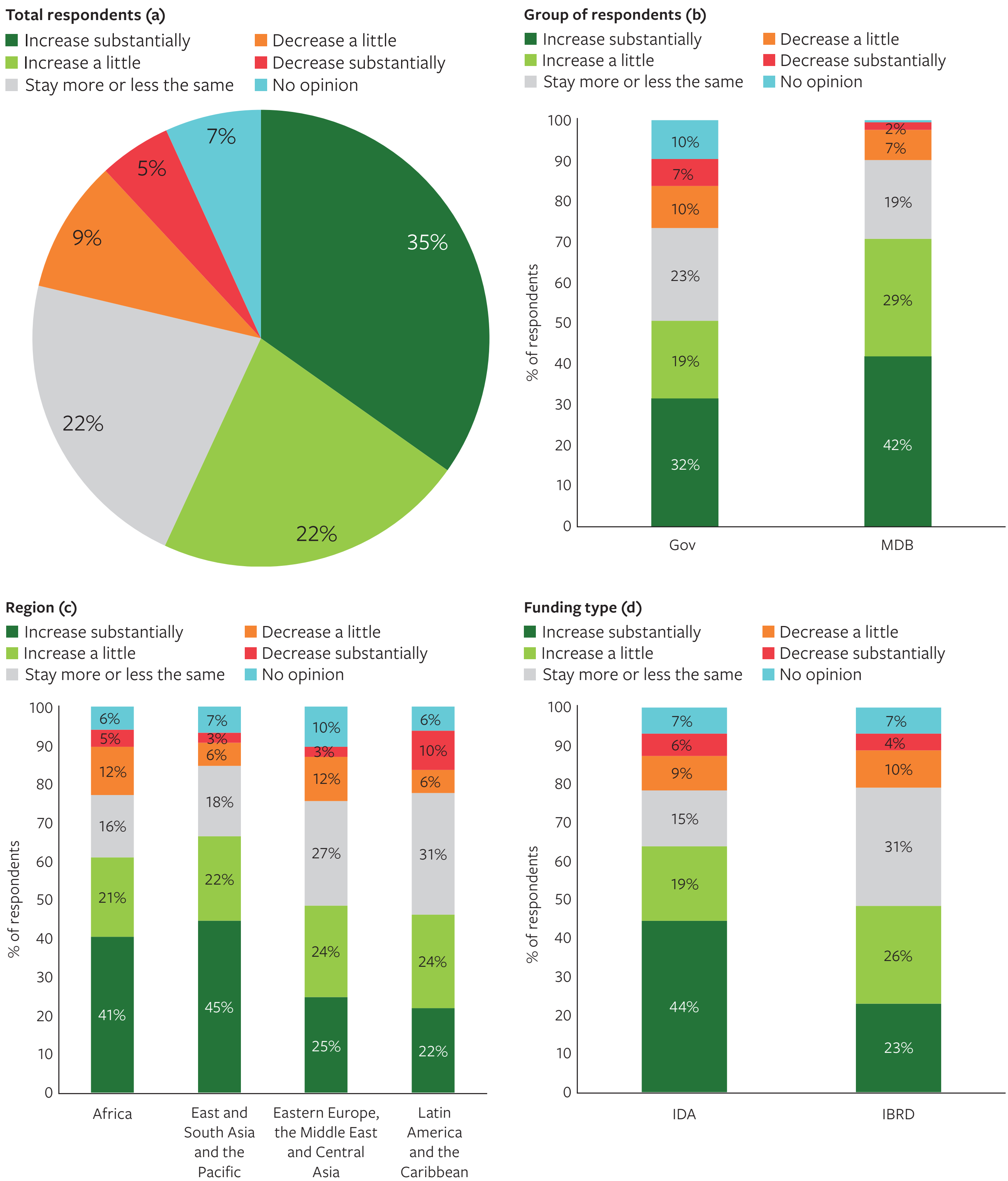
Finally, MDB staff are more likely than government officials to believe that demand from their government for grants and loans from MDBs will increase.[68] In this edition of the survey, 71% of MDB staff expect demand for assistance to grow in the medium term, either *significantly* or *slightly*. Only 51% of government officials share this view. MDB staff are also less likely to suggest that the demand for grants and loans might decrease, with only 9% of MDB respondents believing this could happen, against 17% of government officials (Figure 5.1.1). Comparing the two editions of the survey, the share of government officials who expect demand for grants and loans to increase has declined, from 59% in 2021 to 51% in 2025. The proportion of MDB officials who anticipate an increase has risen significantly, from 51% in 2021 to 71% in 2025.[69]

67 Between the first and second editions of the surveys, the proportions of respondents from Africa, and from East and South Asia and the Pacific stating that demand for grants and loans from MDBs will increase remained stable.

68 All results (by type of access to finance and regions) have been checked to ensure relative results have not been affected by the type of respondent (government or MDB official).

69 The share of government officials who expect demand to decline is consistent across both surveys, with 13% in 2021 and 17% in 2025. However, this percentage fell from 16% in 2021 to 9% in 2025 for MDB respondents.

Figure 5.1.1 Trends in demand for grants and loans from MDBs



Source: Authors' survey: total of 543 respondents. Question for government officials: *In the next 5–10 years, do you think demand for grants and loans offered by multilateral development banks from #country# will increase or decrease?* Question for MDB officials: *In the next 5–10 years, do you think demand from the government of #country# for grants and loans offered by MDBs will increase or decrease?*

5.1.2 What is affecting demand for financial assistance from MDBs?

In this edition of the survey, we asked respondents to explain why they thought demand for MDB grants and loans would increase, remain stable or decline in the medium term.[70]

Rising or stable demand

Significant financing needs and the availability of grants and concessional financing from MDBs are the primary reasons respondents cited for stable or rising demand in the medium term. When anticipating a rise in demand for these financial resources, respondents identified large financing needs as the primary driver (64%). Additionally, 45% pointed to MDBs' ability to provide grant financing and concessional loans that put less pressure on public debt sustainability. Other factors include MDBs' capacity to finance large-scale projects (40%), the combination of their offer (35%) and the fact that their financing options are typically cheaper than alternatives (34%) (Figure 5.1.2). **MDB staff are more likely to cite the combination of their offer as a key factor in sustained demand for MDB grants and loans**, with 50% mentioning this, compared with 27% of government respondents.[71]

Comparing across regions, after the need for additional financing, the second most important factor for African respondents is the availability of grants and loans that put less pressure on public debt sustainability (52%), followed by 45% who noted that grants and loans from MDBs are cheaper than other financing options (this sentiment is notably stronger in the African region than elsewhere). In Eastern Europe, the Middle East and Central Asia, the provision of MDB financing for large-scale projects is the second most frequently cited reason for rising demand (57% of respondents).

When comparing views across different lending terms, a higher proportion of respondents in IDA countries (53%) cited MDB financing **putting less pressure on public debt sustainability** as a key reason for rising demand, compared with 36% in IBRD countries. Nearly half of respondents from IBRD countries attributed rising demand to **the combination of financing and technical assistance in MDBs' offer** (47%). Only 25% of IDA respondents expressed the same view.

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70 Appendix 2 (survey text) outlines the options respondents were given, asking them if they expected demand for grants and loans to decline (Q11a), stay stable or increase (Q11b).

71 Across government departments, financing large needs is the top priority for officials in both central and line agencies. For line agencies the second most frequently mentioned factor is the availability of financing for large-scale projects (45%). For central agencies, it is the high degree of concessionality, which puts less pressure on future debt sustainability (48%).

Figure 5.1.2 Why might demand for grants and loans from MDBs increase?

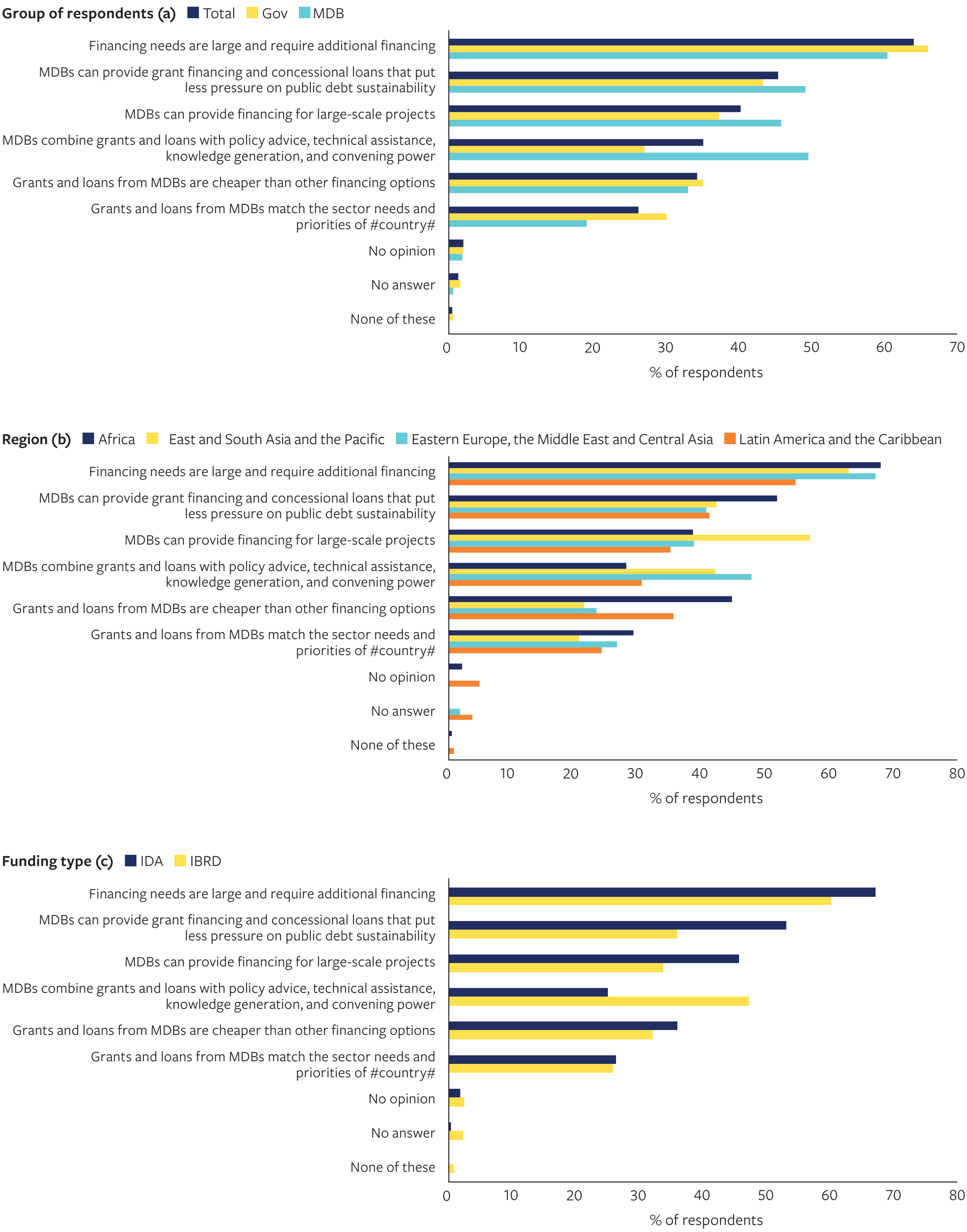
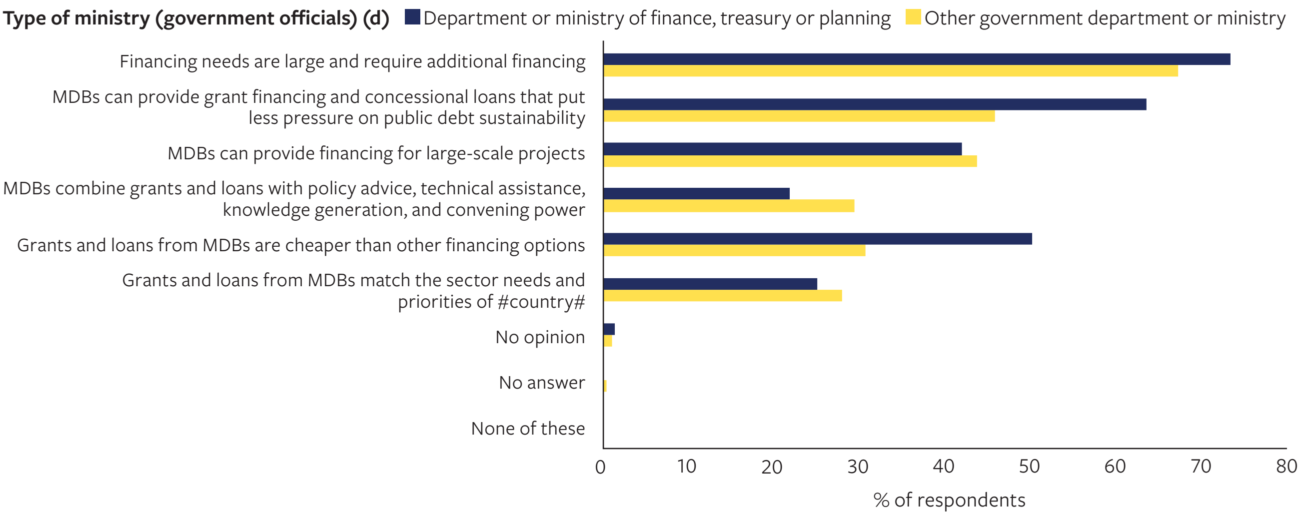


Figure 5.1.2 Why might demand for grants and loans from MDBs increase? (continued)



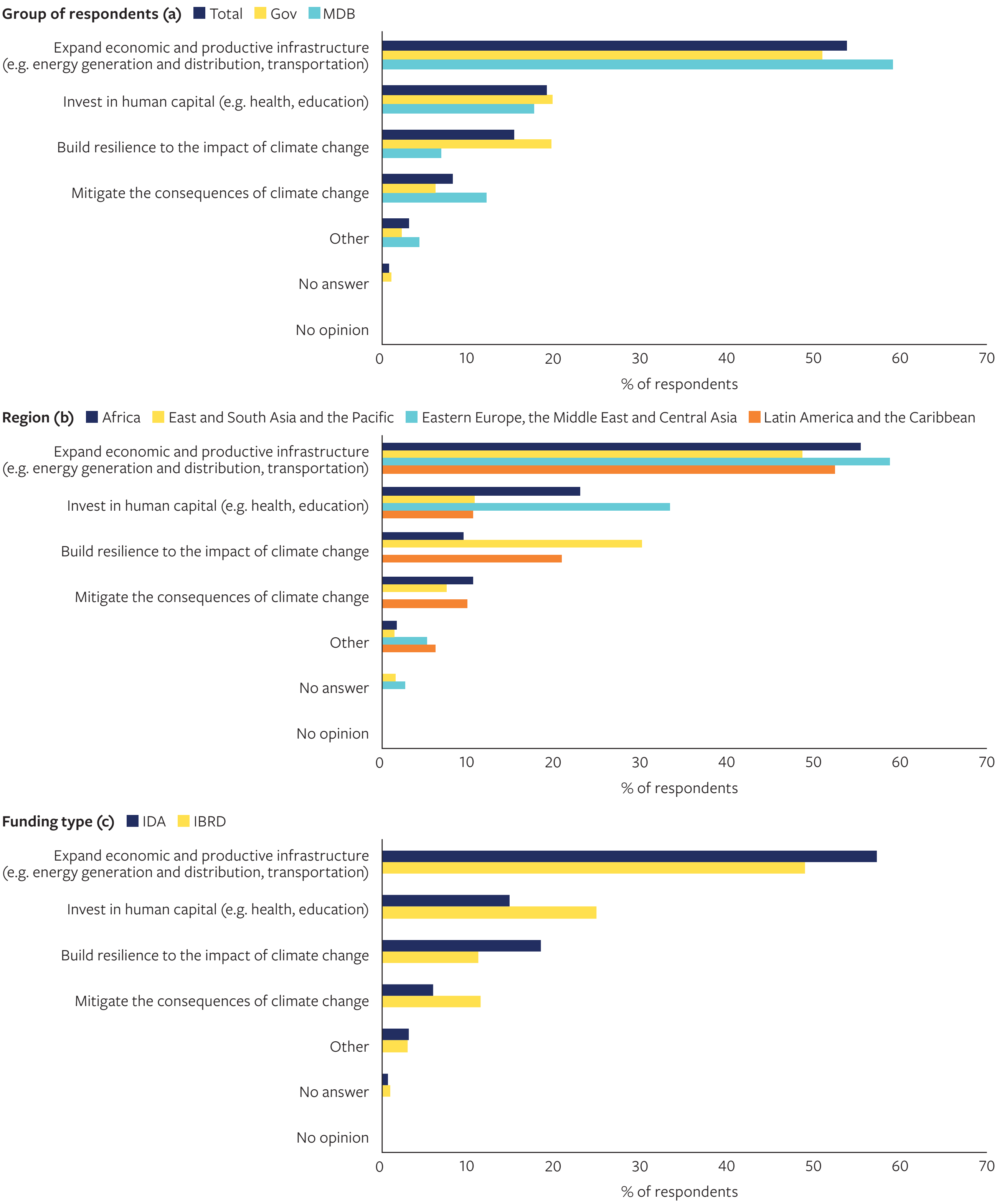
Source: Authors' survey: 427 respondents. Question: *You mentioned that, in your opinion, the demand for grants and loans from #country# will increase or will stay the same. Which of the following factors, in your opinion, will play a role in increasing demand/demand staying the same? Please select up to three.*

When we asked respondents what they thought this increased **financing should be spent on**, more than half (54%) prioritised expanding economic and productive infrastructure, 19% investment in human capital, 15% building resilience to climate change, and 8% climate change mitigation (Figure 5.1.3). **Government officials are more than twice as likely to prioritise building resilience to climate change, with 20% indicating it as a focus compared to just 7% of MDB officials who thought this was a government priority.** When it comes to mitigating the consequences of climate change, the situation is reversed: only 6% of government officials would prioritise this, compared with 12% of MDB officials.

The expansion of economic and productive infrastructure, such as energy generation and distribution and transportation, is the top investment priority across all regions. The second-ranked priority varies by region. In Africa, nearly one-quarter of respondents prioritised investment in human capital, as did a third of respondents in Eastern Europe, the Middle East and Central Asia. In East and South Asia and the Pacific and Latin America and the Caribbean, building resilience to the impact of climate change is the second most important reason for increased financing needs (30% and 21% of respondents, respectively). No respondents from Eastern Europe, the Middle East and Central Asia said they would prioritise climate mitigation or adaptation.

The expansion of economic and productive infrastructure remains a primary driver of financing needs for respondents in both IDA and IBRD countries. However, respondents from **IBRD countries** are more likely to emphasise investing in **human capital** (25%, compared with 15% in IDA countries). In **IDA countries**, the second most common reason for increased financing needs is to **enhance resilience to climate change**, mentioned by 18% of respondents.

Figure 5.1.3 Where are financing needs concentrated?



Source: Authors' survey: 266 respondents. Question: *You indicated 'financing needs are large and require additional financing' as one of the top three factors that play a role in increasing demand/demand staying the same in #country#. In your opinion, what will require additional financing, in particular? Please select one option.*

Falling demand

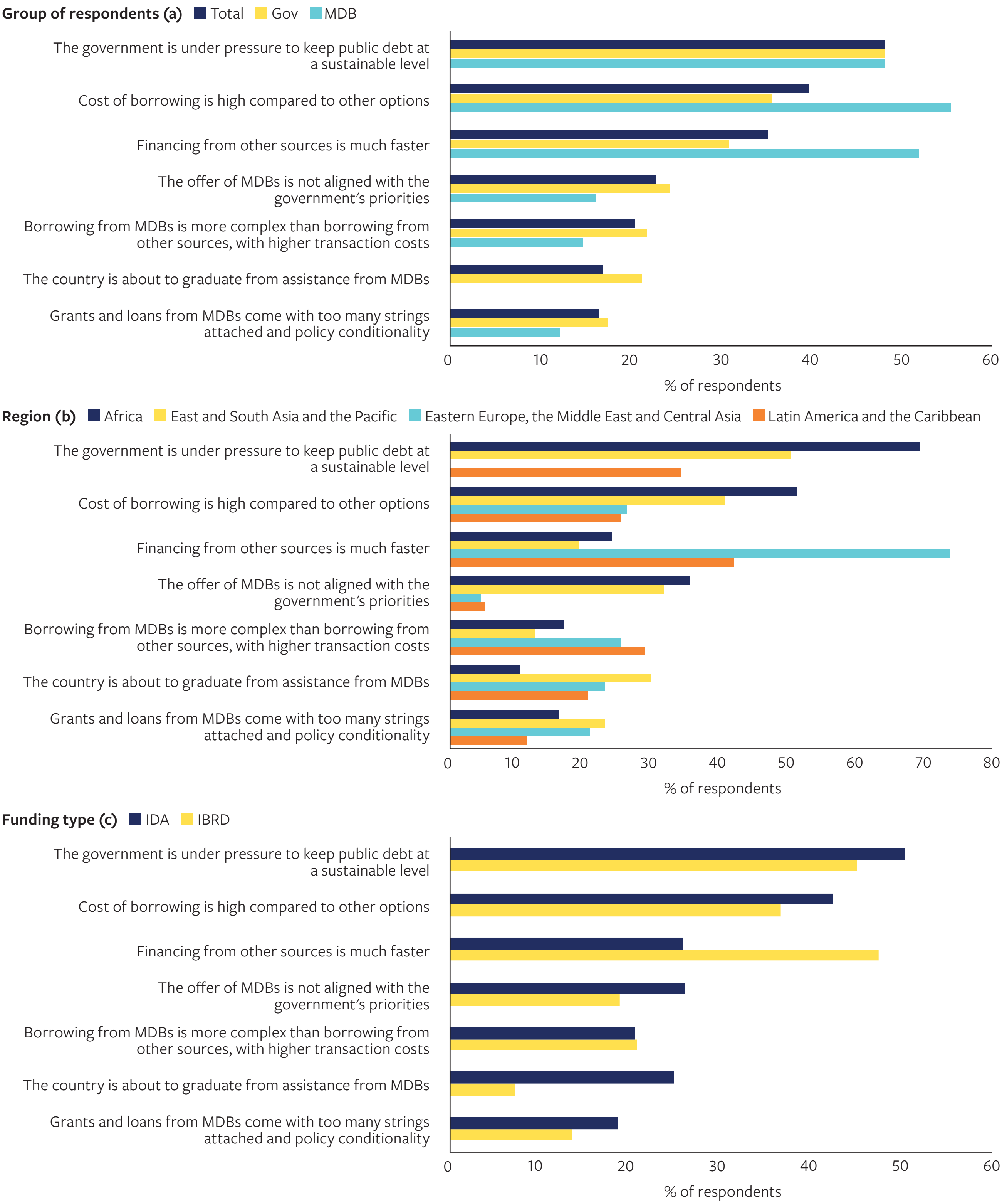
Reasons for a projected decline in demand for MDB grants and loans in the medium term primarily relate to the financial implications and terms of MDB assistance, including the impact of MDB loans on future debt sustainability, the high cost of borrowing from MDBs compared to other options and the availability of faster financing options. Among respondents who anticipate a decrease in the demand for grants and loans from MDBs, the primary factors cited are concerns about the impact of new loans on future debt sustainability (48% of respondents who indicated demand for MDB grants and loans will fall in the medium term), the high cost of borrowing compared to other options (40%) and financing from other, faster sources (35%) (Figure 5.1.4). Other reasons mentioned by close to or fewer than 20% of respondents include the perception that grants and loans from MDBs come with too many strings and policy conditions; the complexity and higher transaction costs associated with borrowing from MDBs compared with other sources; and the misalignment of MDB offerings with government priorities. While government officials find the MDB process long and cumbersome, they do not seem to consider this a reason not to borrow from MDBs.

Given the small sample size (77 respondents), we cannot draw statistically significant comparisons between groups, but a couple of points are worth highlighting. First, **respondents from Africa are more likely to emphasise issues related to the impact of MDB loans on future debt sustainability and the perceived higher cost of capital compared to other options as reasons for a projected decline in demand for MDB financing**. Sixty-nine per cent cited debt sustainability as one of their top three reasons for decreasing demand for MDB grants and loans, and 52% think that borrowing costs are high relative to other options.[72] We could not find an explanation for this latter result in interviews, or similar points did not emerge; as most countries in the region borrow at concessional terms this finding might be considered counterintuitive, especially as the lower cost of borrowing from MDBs than other options is given as a key reason for rising demand.

Second, because of greater access to capital markets and alternative financing options, **respondents from IBRD countries are more likely to believe that faster financing from other sources could prompt a potential fall in demand for MDB grants and loans**. Specifically, 47% of IBRD respondents reported this, compared with 26% of IDA respondents.[73]

72 Given the small size of the sample, these differences are not statistically significant.
73 Given the small size of the sample, these differences are not statistically significant.

Figure 5.1.4 Why might demand for grants and loans from MDBs fall?



Source: Authors' survey: 77 respondents who said that the demand for grants and loans offered by MDBs from their country will decrease. Question: *You mentioned that, in your opinion, the demand for grants and loans from #country# will decrease. Which of the following factors, in your opinion, will play a role in decreasing demand? Please select up to three. Note: No respondent selected "None of these" or "No option".*

Third, **MDB staff tend to overestimate the extent to which government officials consider cost of capital and speed relative to other sources of finance as factors behind a potential decline in demand for MDB grants and loans**. Over half of MDB officials cited these as reasons, against around a third of government officials.[74]

Government officials in central agencies prioritise maintaining sustainable debt levels and low borrowing costs. Officials in line agencies are more concerned about the lack of alignment between MDB programmes and national priorities.[75] Specifically, 67% of respondents from central agencies cited the pressure to keep debt sustainable as a reason for potentially declining demand in the medium term, compared with 27% of respondents from line agencies. Additionally, 45% of central agency staff cited the higher cost of capital compared to other options as a factor in declining demand, against 28% of line agency respondents. Misalignment with national priorities is a significant driver of falling demand for 40% of staff from line agencies. This share goes down to 11% in central agencies.

5.1.3 Country-level analyses

The country studies largely corroborate the findings from the online questionnaire, showing a likely increase in the demand for MDB assistance, but also providing additional context and constraints shaping decisions to expand operations with MDBs. In most cases, as in the online survey, government respondents would like to scale up operations with MDBs in the medium term, usually to contribute to ambitious national plans. In several countries (Côte d'Ivoire, Ghana, India, Mexico and Sri Lanka), MDBs are also expected to boost their private sector operations. Responses reflect the specific context and levels of access to domestic and international capital markets; here we cluster the country studies in two groups (rising and stable demand) based on answers across government and MDB interviewees. In no country among the 12 we analysed did government or MDB officials suggest a significant decline in demand for MDB operations in the medium term.

The country studies were conducted as their governments were assessing the impact of budget cuts by the United States and other bilateral donors. We did not find any evidence in the discussions that governments have been considering tapping more resources from MDBs to compensate for reductions in bilateral aid. On the contrary, many of the countries affected were looking into ways to boost domestic revenues (Ghana, Liberia), refocus existing programmes, including merging facilities (Uganda), and take advantage of the fungibility of budget support (Botswana).

Rising demand for MDB grants and loans

In **Brazil**, demand for MDB financing at the subnational level – the primary borrower from MDBs – is expected to increase due to high infrastructure and development financing needs, domestic regulations that incentivise MDB borrowing by subnational governments, the high cost of finance through commercial or international capital markets, and the increased visibility of MDBs at that level. While subnational entities may wish to borrow more from MDBs, prudential measures and strict budget rules by the federal government to ensure debt sustainability limit the aggregate

74 Given the small size of the sample, these differences are not statistically significant.
75 This graph is not shown here. Given the small size of the sample, these differences are not statistically significant.

amount that subnational entities can borrow. As a result, the demand for MDB financing is likely to remain stable in the medium term.

For government officials and respondents in the **Dominican Republic**, expectations are that demand for grants and loans from MDBs will rise in the medium term due to ambitious investment plans (the 2030 National Development Strategy) and large project pipelines to be financed. In general, borrowing from MDBs is considered cost-effective and delivers high-quality projects. MDBs also bring accountability and transparency to projects. Some government officials pointed to challenges with absorptive capacity and to the question of whether the government should prioritise borrowing external resources.

In **Botswana**, an IBRD country, government officials expect demand for MDB financing to increase. The recent drop in revenues from diamond extraction and export has left a significant fiscal deficit, which partly explains the rise in MDB borrowing in recent years. At the same time, prudent debt management is likely to constrain future borrowing.

In **Liberia**, the total cost of implementing the national development plan up to 2030 – the ARREST Agenda for Inclusive Development (AAID) – is estimated at $8.4 billion, nearly double the country's 2024 GDP (IMF, 2025). Roughly one-third of this is expected to be supported by multilateral institutions. This would vastly exceed what MDBs and the IMF could lend to the country.

Respondents from **Uganda** emphasised that demand for MDB grants and loans is expected to increase over the next 5 to 10 years. First, needs remain significant, particularly to support the National Development Plan IV and its target of increasing GDP 10-fold by 2040. Second, MDBs are considered a cheaper financing option, even at semi-concessional terms, and can support large-scale projects. Some government officials were concerned about the potential impact of additional lending on debt sustainability, including the risk of breaching the fiscal parameters of the Eastern Africa Community.

Respondents in **Bhutan** believe that demand for MDB financing will increase. The country has an ambitious Five-Year Plan (its 13th, for 2024–2029), and financial assistance from MDBs, which has been going up in recent years, will continue to play a role, primarily thanks to the competitiveness of MDB financing and its combination with technical assistance. Future demand is expected to be limited by the supply of funding MDBs can provide – while the country is tapping into various IDA windows, the allocation is relatively small – as well as concerns about the impact on debt sustainability.

In **Ghana**, which is under an IMF programme, government officials generally believe that demand for MDB financing will increase, though the extent of MDB operations will depend on the volume of concessional financing they can provide and the government's borrowing capacity within limited fiscal space. Due to the ongoing IMF programme, at the time of the interviews the government could only obtain concessional loans from MDBs. Some government officials, especially within line agencies, believe the government will move towards mobilising domestic revenues to finance development priorities and reduce reliance on MDB financing, while calling on MDBs for knowledge and capacity development.

Stable demand for MDB grants and loans

In **Sri Lanka**, government officials indicated that they would have been keen to borrow more from MDBs if given the option. However, the amount the country can borrow is constrained by its fiscal space, the conditions of its IMF programme, the availability of concessional finance from MDBs, and restrictions on external borrowing. The government prioritises concessional financing from MDBs in limited amounts, and expects MDBs' private sector arms or divisions to expand operations in the country.

In **India**, demand for financial assistance from MDBs is likely to remain stable. While financing needs are there – in the infrastructure sector in particular, according to government officials – these can be addressed by tapping domestic markets rather than MDBs, whose borrowing volumes are relatively low.[76] The decision to borrow from MDBs will depend on whether financing brings innovation and technology transfer – Finance+ and Budget+, as we often heard in the discussion – as well as the capacity of MDB finance to leverage other sources (see Section 3.1). Expectations are for the private sector arms of MDBs to expand their operations in the country. As one government interviewee put it: '*if we have good projects that would bring solutions to our problems and be innovative, yes, we will borrow more*'. The type of demand for financial assistance is also likely to evolve: '*In 5–10 years, the demand [for MDB operations] will be more targeted, and not necessarily in traditional sectors, moving from high-volume to high-impact projects*'.

In our discussions in **Côte d'Ivoire**, interviewees from central agencies did not expect sovereign operations by MDBs to increase, as they can already tap international capital markets. Instead, they expect the portfolio to shift towards private sector operations, public–private partnerships and institutional strengthening. Interviewees from line agencies, by contrast, highly value the concessional finance offered by MDBs, especially where their sectors can mobilise alternative sources, particularly from the private sector.

5.2 Demand for policy advice and technical assistance

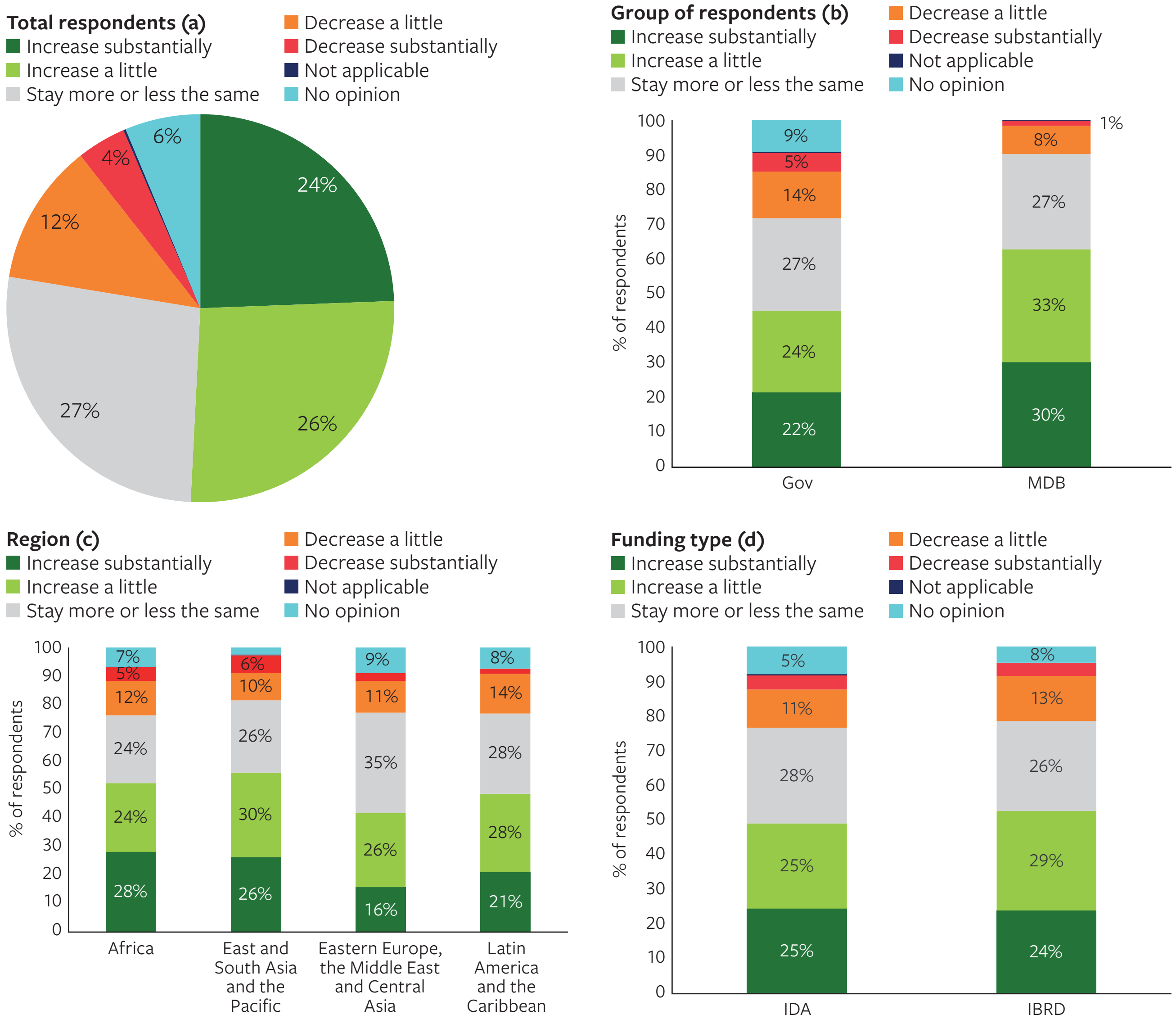
5.2.1 Results of the online survey

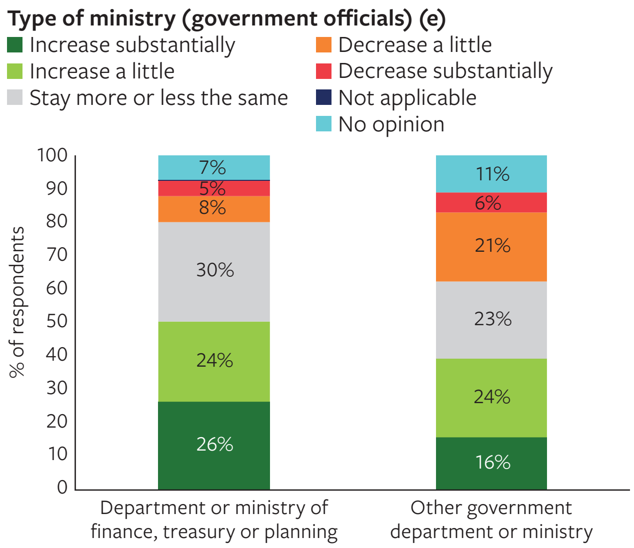
In the online survey, one in two respondents (51%) anticipate that the demand for policy advice and technical assistance from MDBs will increase over the next 5 to 10 years (see Figure 5.2.1).[77] MDB officials are more likely than government counterparts to suggest that the government might demand more technical assistance (63% and 45%). This mirrors the patterns observed for demand for grants and loans. One in five government officials expect a decrease in demand for policy advice and technical assistance, compared to 9% of MDB officials. Government officials from line agencies are more likely to report a decline in demand for policy advice and technical assistance (27%) than respondents from central agencies (12%). Line agencies are typically the implementing bodies for projects funded by MDBs.

No significant differences were observed across regions or lending terms.[78]

76 Several government interviewees, however, stressed that while the differential between MDB and commercial borrowing is low, MDB loans are valued for their much longer maturity compared to domestic borrowing.
77 In 2021, this was 53% (Prizzon et al., 2022).
78 Differences are not statistically significant.

Figure 5.2.1 Expectations for demand for technical assistance and policy advice from MDBs





Source: Authors' survey: 531 respondents. Question for government officials: *In the next 5–10 years, do you think demand for policy advice and technical assistance offered by multilateral development banks in #country# will increase or decrease?* Question for MDB officials: *In the next 5–10 years, do you think demand from the government of #country# for technical assistance and policy advice offered by multilateral development banks will increase or decrease?*

5.2.2 Country-level analysis

The findings from the country studies suggest strong demand for policy advice and technical assistance going forward, across IDA and IBRD countries alike. In **Brazil**, respondents pointed to government reforms requiring MDB expertise and support for implementation, drawing on MDBs' knowledge to develop innovative programmes engaging the private sector. Government respondents in the **Dominican Republic** believe that requests for technical assistance for project preparation will increase to support the implementation of large-scale projects, where capacity may be more limited. In **Botswana**, policy advice and technical assistance from MDBs are seen as complementary to government efforts to implement significant reforms and advance economic diversification, alongside the need to increase institutional capacity in areas such as financial management. One government interviewee noted that '*There will not be a time when we say no to MDB technical assistance*'. The relationship between the **Indian** government and MDBs is expected to be based increasingly on knowledge sharing and technical cooperation, particularly in cutting-edge technologies, with MDBs adding value beyond finance. Respondents from **Mexico** also suggest that demand for policy advice and technical assistance will expand in the medium term.

Demand for policy advice and technical assistance across most of the IDA countries we considered remains strong. One respondent in **Bhutan** emphasised that '*there are so many innovations that are upcoming, and we expect technical assistance from MDBs to support us to utilise them and adapt to them*'. In **Liberia**, respondents said they valued technical assistance that helps expand domestic revenues, particularly since the abrupt cuts in development assistance, as well as to improve the business environment, attract the private sector and develop the mining industry.

Views were more mixed in **Uganda** and **Côte d'Ivoire**, both IDA countries. While the need for capacity-building and institutional strengthening consistently emerged during discussions with government respondents in Uganda, expectations are that policy advice and technical assistance will be highly targeted and aligned with national systems. Several government respondents in Côte d'Ivoire do not foresee a rise in demand for technical support, but rather a longer-term approach to reduce dependency on it and encourage a shift from diagnostics to solutions.

5.3 Which sectors should MDBs operate in?

5.3.1 Results of the online survey

We asked respondents which sectors they think each MDB should operate in in the medium term.[79] We analysed preferences for each MDB,[80] as their sectors of intervention largely, but not perfectly, overlap. In the questionnaire we included all possible sectors, even though an MDB might

79 As indicated in Appendix 2, and like the first edition, we used a standardised classification of sectors based on the OECD Creditor Reporting System at the three digit level and limited to those allocated by sector (i.e. cross-sectors have not been included). This means that some areas where some MDBs are active might not have been captured in this classification.

80 As explained in Appendix 1 and Chapter 3, the client countries selected for the online survey and country studies are actively borrowing from the World Bank, and we excluded EU member countries. Several member states or borrowing countries of the CEB, EBRD and EIB were not included in the online questionnaire and the results presented here reflect the views of a segment of their borrowing countries.

operate in only some.[81] Government officials responded to the same question for all MDBs active in their countries (as shareholders and/or borrowers)[82]; MDB staff responded only regarding the MDB for which they worked, noting that they were asked about the government's views, not their own. This is why the number of respondents differs across MDBs. For regional development banks, the sample size was too small to detect statistically significant differences between groups, notably in relation to lending terms. For the World Bank, the number of replies was sufficiently large to compare them between lending groups (IDA and IBRD). In Section 5.3.2, we reflect on some of these findings in the context of the country studies.

Agriculture and water and sanitation were nearly always in the top five sectors, followed by education, energy generation and distribution, health and transportation. **These are closely related to the justification for rising demand for MDB operations to support economic and productive infrastructure**. Sectors that do not feature prominently across MDBs include financial sector development, governance/public administration (except for IDB), industry and trade and social protection (Table 5.3.1).

Table 5.3.1 Share of respondents identifying sectors of operations for individual MDBs

	AfDB	AIIB	AsDB	CAF	CEB	EBRD
Agriculture	73.1% (1st)	46.4% (5th)	64.0% (1st)	42.6% (5th)	27.9% (4th)	33.2% (5th)
Education	47.5% (5th)	41.3%	62.7% (3rd)	48.0% (3rd)	39.5% (1st)	31.4%
Energy generation and distribution	69.8% (2nd)	52.9% (1st)	58.3% (5th)	41.9%	13.7%	41.6% (2nd)
Financial sector	33.3%	22.0%	40.4%	18.0%	18.9%	31.6%
Governance/public administration	45.2%	26.8%	49.6%	34.3%	9.2%	27.2%
Health	44.9%	50.2% (3rd)	58.4% (4th)	44.2% (4th)	35.4% (2nd)	37.4% (5th)
Industry and trade	35.7%	28.1%	37.5%	31.0%	10.2%	31.6%
Social protection	29.2%	23.3%	33.6%	31.1%	21.3% (5th)	28.8%
Transportation	65.5% (3rd)	49.0% (4th)	53.3%	49.5% (2nd)	11.9%	44.9% (1st)
Water and sanitation	58.8% (4th)	52.1% (2nd)	63.0% (2nd)	57.9% (1st)	18.8%	36.1% (4th)
None of the above	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
No opinion	0.9%	9.2%	0.0%	8.2%	31.0% (3rd)	15.7%
Not applicable	0.0%	2.2%	2.5%	0.0%	0.0%	0.0%

81 To avoid influencing respondents by the existing specialisation of each MDB or division of labour between MDBs.
82 With regard to the EIB, we cover only borrowers, not shareholders.

Table 5.3.1 Share of respondents identifying sectors of operations for individual MDBs (continued)

	EIB	IDB	IsDB	NDB*	World Bank
Agriculture	37.7% (5th)	46.9% (5th)	56.7% (4th)	15.6%*	57.1% (3rd)
Education	36.7%	59.8% (1st)	55.1%	37.6%* (5th)	54.9% (5th)
Energy generation and distribution	51.6% (1st)	41.0%	63.3% (2nd)	45.5%* (2nd)	57.0% (4th)
Financial sector	28.9%	25.4%	31.4%	31.8%*	32.2%
Governance/public administration	30.8%	52.3% (3rd)	32.2%	11.9%*	46.6%
Health	43.1% (4th)	46.0%	56.7% (4th)	42.4%* (4th)	54.4%
Industry and trade	30.9%	36.8%	26.9%	22.2%*	36.3%
Social protection	24.7%	36.6%	32.6%	11.9%*	38.1%
Transportation	49.1% (3rd)	50.9% (4th)	64.0% (1st)	45.5%* (2nd)	57.3% (2nd)
Water and sanitation	50.2% (2nd)	52.9% (2nd)	59.8% (3rd)	61.1%* (1st)	58.2% (1st)
None of the above	0.3%	0.0%	0.0%	0.0%*	0.0%
No opinion	8.0%	1.7%	1.1%	3.8%*	2.7%
Not applicable	1.4%	0.0%	2.2%	11.9%*	0.7%

Source: Authors' survey; based on 181 replies for AfDB, 135 for AIIB, 117 for AsDB, 103 for CAF, 33 for CEB, 53 for EBRD, 336 for EIB, 118 for IDB, 118 for IsDB, 13 for NDB and 463 for the World Bank. Question for government officials: *If you were to choose, which sectors do you think [the relevant MDB] should prioritise in #country# in the future? Please select as many as applicable.* Question for MDB officials: *Which areas do you think the government of #country# would like [your MDB] to prioritise in the future? Please select as many as applicable.*
*Please treat these figures as purely indicative due to the very small number of respondents answering the question in relation to NDB and the smaller number of member countries than other MDBs.

The distinction between MDBs focusing on social sectors and those concentrating on economic and productive sectors is less prominent and less clear than in the first edition of this survey. For AfDB, the top five sectors indicated by respondents are primarily related to financial and productive infrastructure. Responses for IDB mainly focus on social sectors (the same is true for CEB, which by its mandate focuses on social investment). For the other MDBs, the top sectors often comprise a mix of economic/productive and social sectors. **As in the previous survey, in most cases government views and MDB officials' interpretations overlap on only one of the top three priorities. On average respondents from MDBs selected far more sectors of operation than government officials.** In this analysis, we excluded MDBs without country offices, as their officials did not complete the survey, and those MDBs whose officials provided fewer than 10 responses (see Table 5.3.2).

Table 5.3.2 Share of respondents identifying sectors of operations for individual MDBs, government vs. MDB (top three sectors only)

AfDB			
Government		**MDB**	
Agriculture	79%	Transportation	95%
Energy generation and distribution	70%	Energy generation and distribution	70%
Transportation	58%	Water and sanitation	66%
AsDB			
Government		**MDB**	
Health	59%	Energy generation and distribution	92%
Agriculture	59%	Education	89%
Water and sanitation	59%	Agriculture	89%
IDB			
Government		**MDB**	
Education	59%	Water and sanitation	92%
Governance/public administration	51%	Energy generation and distribution	84%
Transportation, and Agriculture	50%	Governance/public administration	71%
IsDB			
Government		**MDB**	
Transportation	58%	Energy generation and distribution	94%
Energy generation and distribution	57%	Transportation	93%
Water and sanitation	56%	Water and sanitation	78%

Source: Authors' survey; based on 181 replies for AfDB, 117 for AsDB; 118 for IDB, 118 for IsDB. Question for government officials: *If you were to choose, which sectors do you think [the relevant MDB] should prioritise in #country# in the future? Please select as many as applicable.* Question for MDB officials: *Which areas do you think the government of #country# would like [your MDB] to prioritise in the future? Please select as many as applicable.*

- For **AfDB**: government officials in the African region are more likely than AfDB staff to select agriculture (79% of government respondents and 51% of AfDB staff); nearly all AfDB officials see transport (95%) as a government priority, compared to 58% of government officials. Views on energy generation and distribution are aligned.
- For **AsDB**, government officials in client countries consider health as the top priority, but this is only the eighth most important sector for AsDB officials.[83] AsDB officials overwhelmingly identified energy generation and distribution as the top government priority (92%), much higher than government officials (52%; sixth priority).[84] For education the figures are 89% for AsDB staff and 58% for government officials, and for water and sanitation 86% for AsDB staff and 59% for government officials.
- For **IDB** education is a clear priority for government officials, followed by governance, and by transport and agriculture jointly. This compares to 92% of IDB officials who think

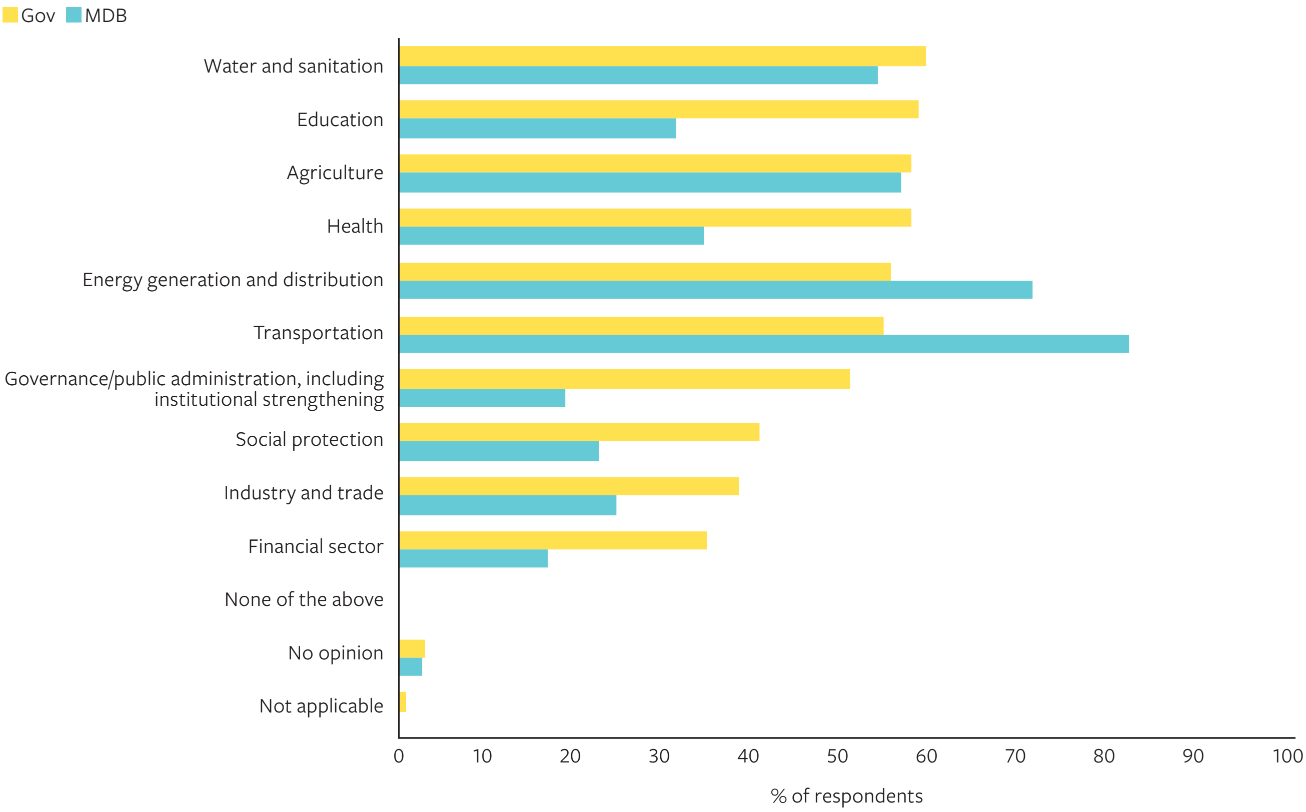
83 The latter is not shown in Table 5.3.2.
84 The latter is not shown in Table 5.3.2.

water and sanitation is a priority for the government, against 49% of government officials.[85] While 84% of IDB officials would see governments prioritise energy generation and distribution, only 37% of government officials share this view.[86]

- For **IsDB**, the top three sectors identified by government and IsDB officials (transportation, energy generation and distribution, water and sanitation) are broadly similar, albeit IsDB staff put more emphasis on these sectors.

For the **World Bank,** differences can be stark between what government officials see as priority sectors and those identified by World Bank staff (Figure 5.3.1). Over half (58%) of government officials would like to see the World Bank prioritise education, while only 31% of World Bank officials consider this a government priority. The same applies to governance/public administration (50% of government officials; 19% of World Bank officials); health (57% and 34%); and social protection (40% and 22%). Transportation was cited by 81% of World Bank respondents and 54% of government officials.

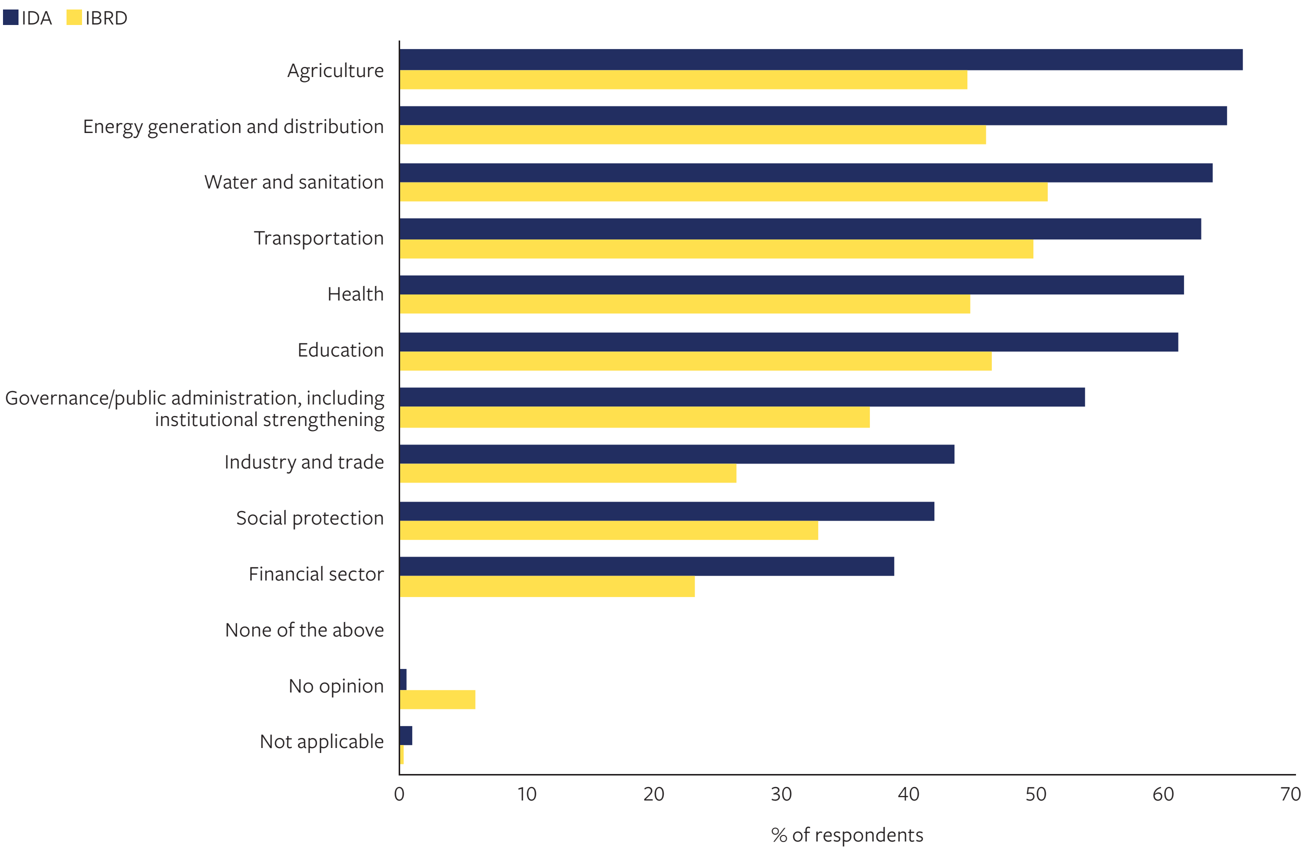
Figure 5.3.1 Sectors the World Bank should prioritise, government vs. MDB officials



Source: Authors' survey: based on 417 government replies and 46 from World Bank officials. Question: *If you were to choose, which sectors do you think the World Bank should prioritise in #country# in the future? Please select as many as applicable.* Question for MDB officials: *Which areas do you think the government of #country# would like [your MDB] to prioritise in the future? Please select as many as applicable.*

85 The latter is not shown in Table 5.3.2.
86 The latter is not shown in Table 5.3.2.

Figure 5.3.2 Sectors the World Bank should prioritise, IDA vs. IBRD



Source: Authors' survey: based on 286 replies for IDA countries and 177 replies for IBRD countries. Question: *If you were to choose, which sectors do you think the World Bank should prioritise in #country# in the future? Please select as many as applicable.* Question for MDB officials: *Which areas do you think the government of #country# would like [your MDB] to prioritise in the future? Please select as many as applicable.*

Comparing answers between the two lending arms of the World Bank, respondents in IDA countries tend to prioritise a broader range of sectors. This suggests that they see the World Bank as playing a wide-ranging role in their country's development. Respondents from IBRD countries appear to view the Bank's role as more focused and concentrated on fewer, more specific areas (Figure 5.3.2).

5.3.2 Reflections from the country case studies

Country-specific considerations make it difficult to directly analyse and integrate the results of the online questionnaire with the case studies. Government respondents also did not generally have a view on whether MDBs should focus on specific sectors. We therefore summarise the key points emerging from the discussions in those countries where we had some clearer findings. We have not identified common patterns across countries.

- In **Brazil**, respondents expect MDB operations to focus on a wide range of sectors, with energy, transport infrastructure/urban mobility, sanitation and deforestation/land recovery (particularly in the Amazon) the most frequently mentioned. While no clear sectoral preferences are attributed to specific MDBs, respondents generally acknowledged that project size and instrument type often influence which MDB is approached first for financing.
- Respondents in the **Dominican Republic** and **Botswana** stressed engagement of MDBs in the energy and transport sectors. In Botswana, other sectors indicated by interviewees include agriculture (to strengthen food security), tourism (to promote economic diversification), education and health.
- In **India**, respondents felt that MDBs should avoid working on projects the government can lead itself. They were keen for MDBs to increase their operations in social sectors (education/ skills development and health).
- In **Bhutan**, energy is expected to be the priority sector of MDB engagement – particularly hydropower, solar and transmission lines – followed by water and urban development, climate resilience, including environmental conservation, and transport.
- In the discussions in **Sri Lanka**, interviewees outlined a stronger division of labour between MDBs, particularly AsDB (infrastructure development) and the World Bank (macroeconomic support, social sectors).
- In **Uganda**, government officials stressed that MDBs should support the National Development Plan and its main priorities: agriculture, tourism, minerals, science and technology and infrastructure (railway, energy, transport).

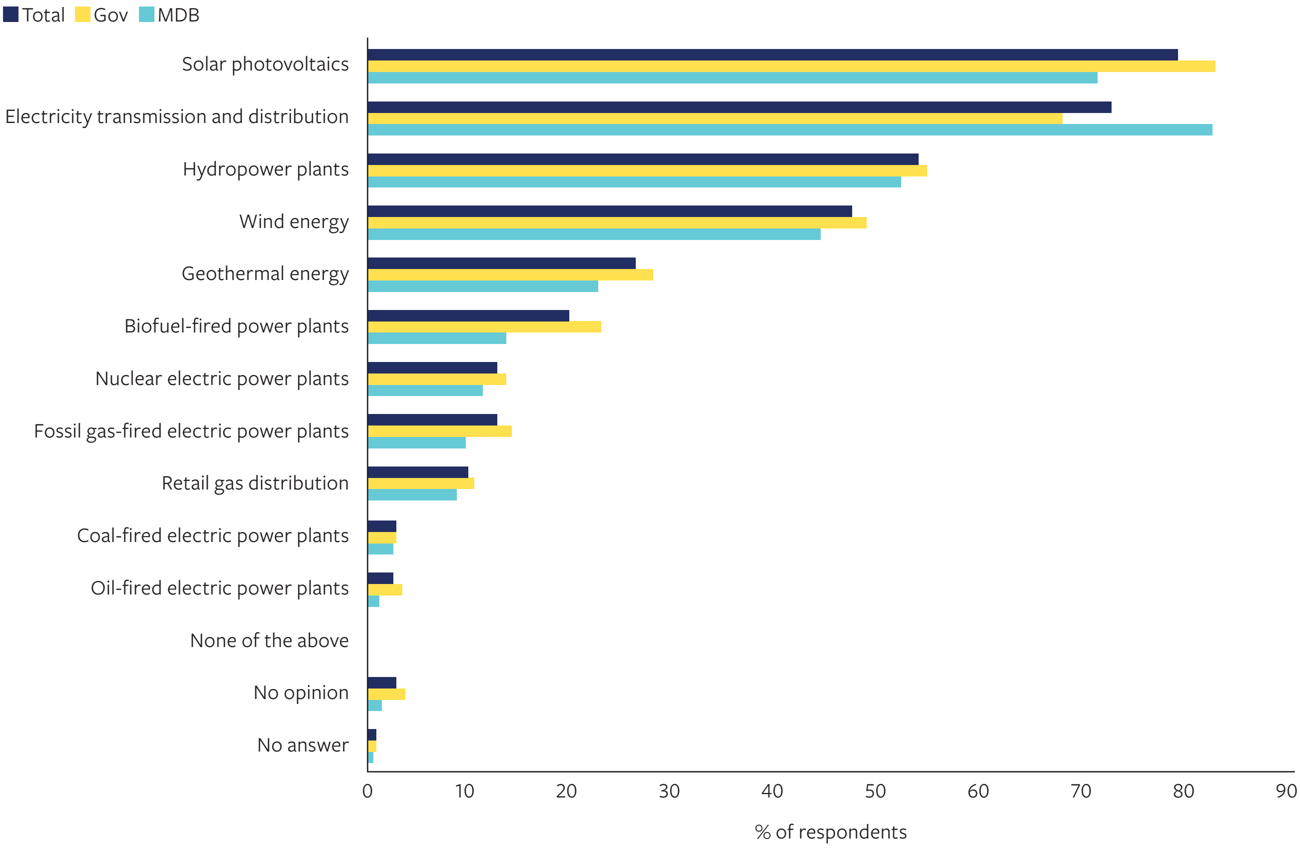
5.3.3 Implications for the low-carbon agenda

When asked about the **type of energy projects** they would prefer to invest in, most respondents cited renewable sources: 79% for solar photovoltaics, 54% for hydropower plants and 47% for wind energy. Only 3% indicated a preference for coal-fired electric power plants, 3% oil-fired electric power plants and 13% fossil-gas electric power plants (this rises to 18% among African respondents). Results are similar across groups, except that a greater proportion of respondents in Africa (62%) and IDA countries (63%) selected hydropower, and a greater proportion of government respondents (83%) than MDB respondents (71%) selected solar photovoltaics (Figure 5.3.3). Differences between government and MDB officials are related to energy transition and distribution (82% of MDB officials vs. 68% of government officials).

The energy generation and distribution sector was often cited as a priority for government engagement with MDBs. This preference among government officials for investment in renewable energy sources generally aligns with the discussions and evidence from the country case studies.

In **Brazil**, respondents agree that energy generation is a key priority, and expect demand for MDB support in this area to grow. All respondents emphasised renewable energy projects, though views differed on the type. Some interviewees noted that solar energy has already proven profitable for the private sector and suggested that MDBs should focus on areas where the private sector remains reluctant to invest, including offshore wind energy, hydropower or others where the alignment between private sector investments and government priorities is not well established.

Figure 5.3.3 Priorities in energy and distribution



Source: Authors' survey. Total respondents 422, 313 government and 109 MDB officials. Question: *You mentioned [energy generation and distribution]. Which of the following measures, if any, would the government of #country# prefer in this sector? Please select as many as applicable.*

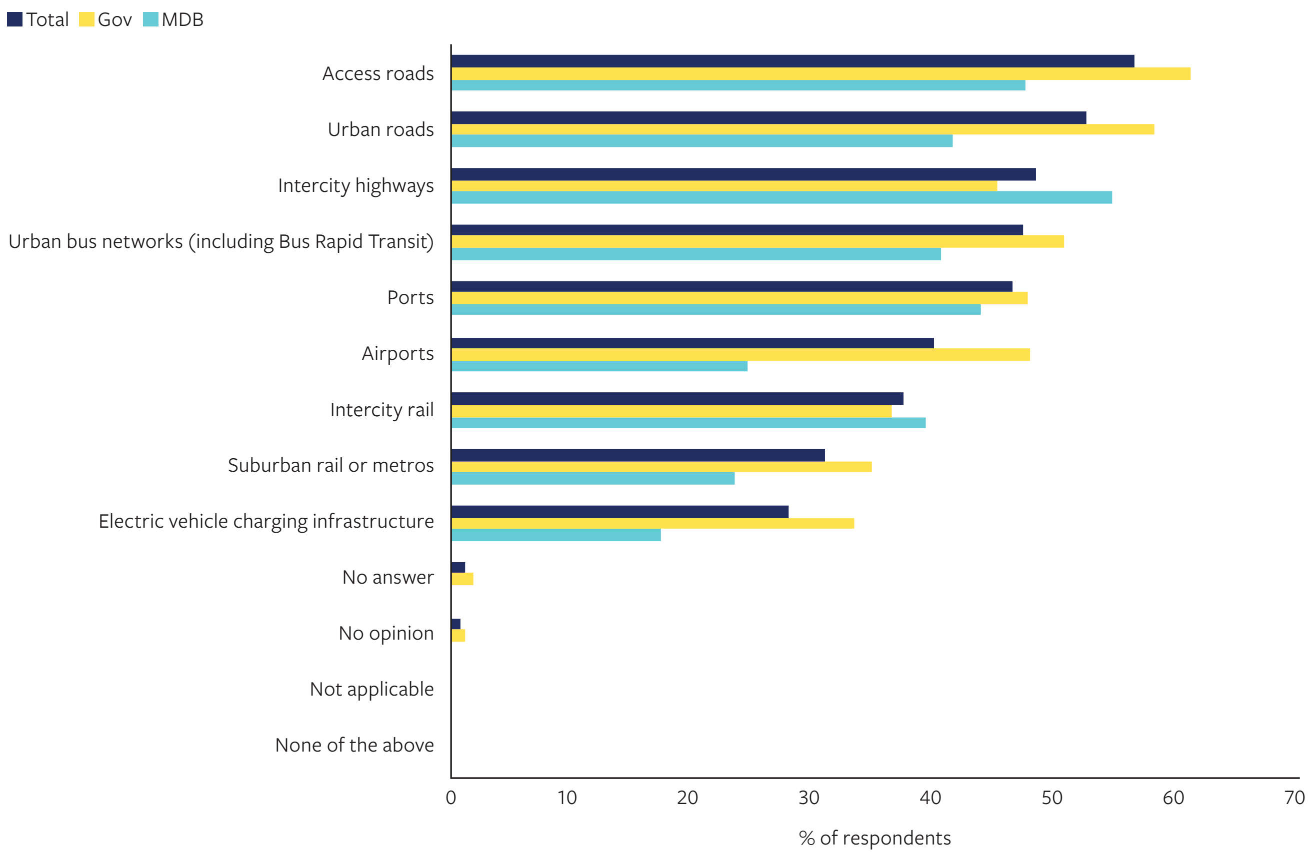
Respondents noted significant financing needs in transmission and distribution, including maintaining and upgrading existing infrastructure to support renewable energy and connecting underserved areas. Several government officials from the **Dominican Republic** stressed that MDBs have been instrumental in bringing climate resilience onto the government's agenda.

In **Botswana,** priorities for MDBs in the energy sector are increasing renewable energy capacity and expanding the distribution network. In **India**, MDBs are seen as supporting a low-carbon transition through renewable energy, electric vehicles and green hydrogen. In **Côte d'Ivoire**, government officials emphasised that MDBs play a significant role in the country's green transition. In **Ghana**, officials would like to see MDBs use their experience and expertise to support climate resilience and the low-carbon transition and facilitate access to climate financing.

In **Sri Lanka**, views were mixed on the need to invest in a low-carbon transition. In some cases this was not a priority, either because the country contributed little or nothing to carbon emissions or because other areas were deemed more urgent, despite energy costs being the highest in South Asia. In other discussions, high priority was placed on affordable energy (including renewables) and clean transport. In **Uganda**, officials said the focus was transmission and distribution, including renewable energy sources. MDBs are supporting renewable energy and the country is seeking financing to mitigate carbon emissions and build resilience. But as one interviewee pointed out, *'fossil fuels are the preferred energy route right now'*.

When asked about the **type of transportation** they would consider investing in, most respondents said road development: urban roads (53%), access roads (57%) and intercity highways (48%). Public transport systems feature less prominently, except for urban bus networks (47%). Government officials put more emphasis on road development than MDB officials (urban roads: 58% for government officials vs. 42% for MDB officials; access roads: 61% vs. 48%). Just under half of government officials would consider boosting airport development (among MDB staff, the share drops to 25%), and 33%, about twice as many as MDB officials (17%), prioritise electric vehicle charging infrastructure.

Figure 5.3.4 Priorities for transportation



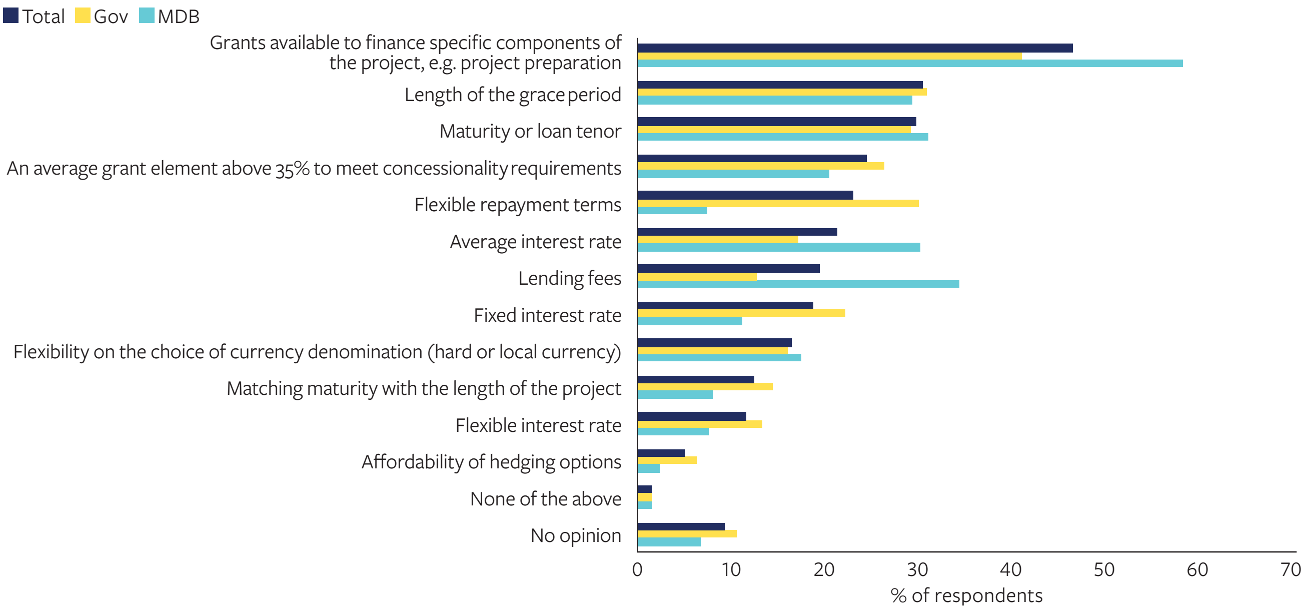
Source: Authors' survey. Total respondents 409, 300 government and 109 MDB officials. Question: *You mentioned [transportation]. Which of the following measures, if any, would the government of #country# prefer in this sector? Please select as many as applicable.*

5.4 Terms and conditions of MDB finance

When asked about the most important criteria used to assess the financial viability of a new project/programme by an MDB,[87] the top three factors for respondents were the availability of grants to finance specific components (cited by 46%), the length of the grace period (30%) and the maturity or loan tenor (30%) (see Figure 5.4.1a).[88]

Replies from government and MDB officials are broadly similar in both proportions and rankings, but there are some notable exceptions. Government officials place much greater value on flexible repayment terms and access to fixed interest rates than MDB officials think they do: 30% of government officials highlight flexible repayment terms, against 7% of MDB officials, and value fixed interest rates at twice the rate of MDB officials (22% against 11%). MDB respondents are more likely than government officials to emphasise the availability of grants for financing certain components of projects (58% vs. 41%), lending fees (34% vs. 13%) and the average interest rate (30% vs. 17%).

Figure 5.4.1a Preference for financial terms and conditions, government vs. MDB officials

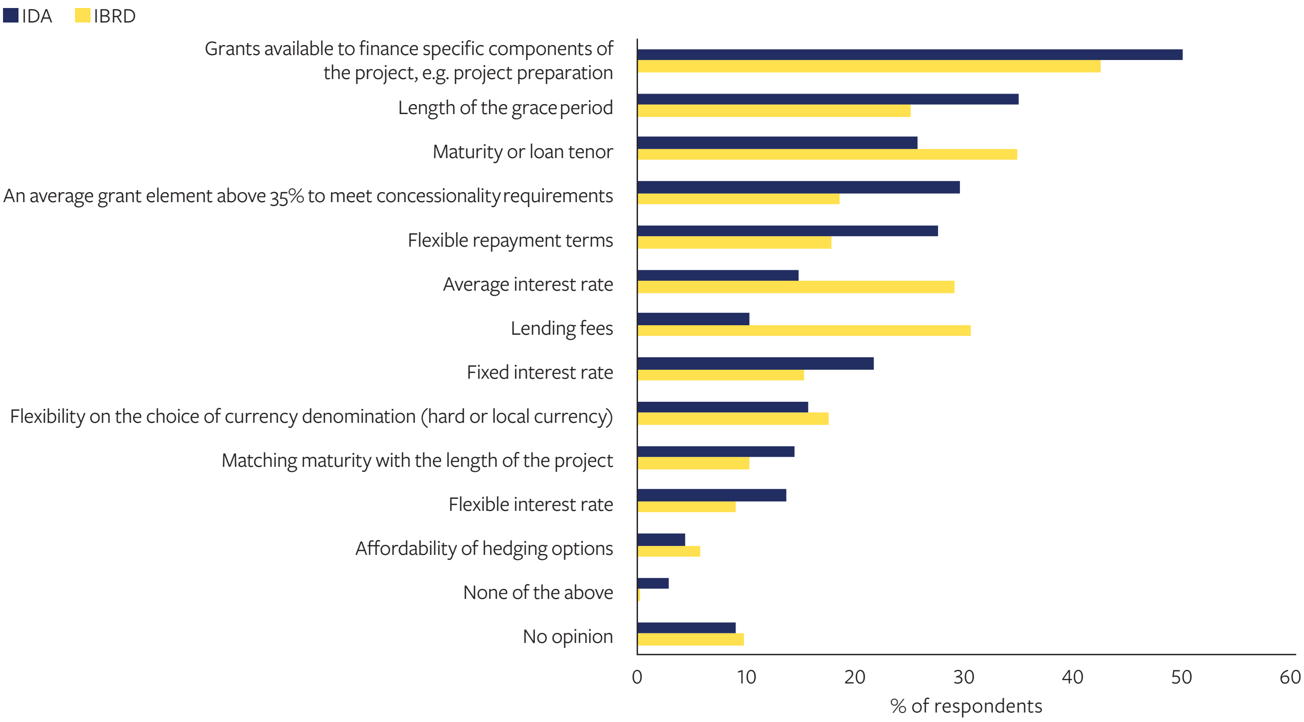


Source: Authors' survey. 559 total respondents, 422 for government officials and 137 for MDB officials. Question for government officials: *When you assess the financial viability of a new loan with an MDB and compare it with other financing options, which of the following aspects are the most important when making your decision? Please select up to three aspects.* Question for MDB officials: *When the government in #country# assesses the financial viability of a new loan with an MDB and compares it with other financing options, which of the following aspects are considered the most important ones in the decision? Please select up to three aspects.*

87 Many government officials also cited non-financial considerations when assessing a loan from MDBs, including the provision of technical assistance alongside financing (Bhutan and Botswana); expected economic returns of the project (Bhutan and Sri Lanka); speed of fund disbursement (Bhutan); fiduciary and technical requirements associated with MDB projects (Brazil); and the extent to which proposed operations bring relevant technical expertise (Mexico).

88 This question was included in the 2021 survey, but results are not directly comparable.

Figure 5.4.1b Preference for financial terms and conditions, IDA vs. IBRD countries



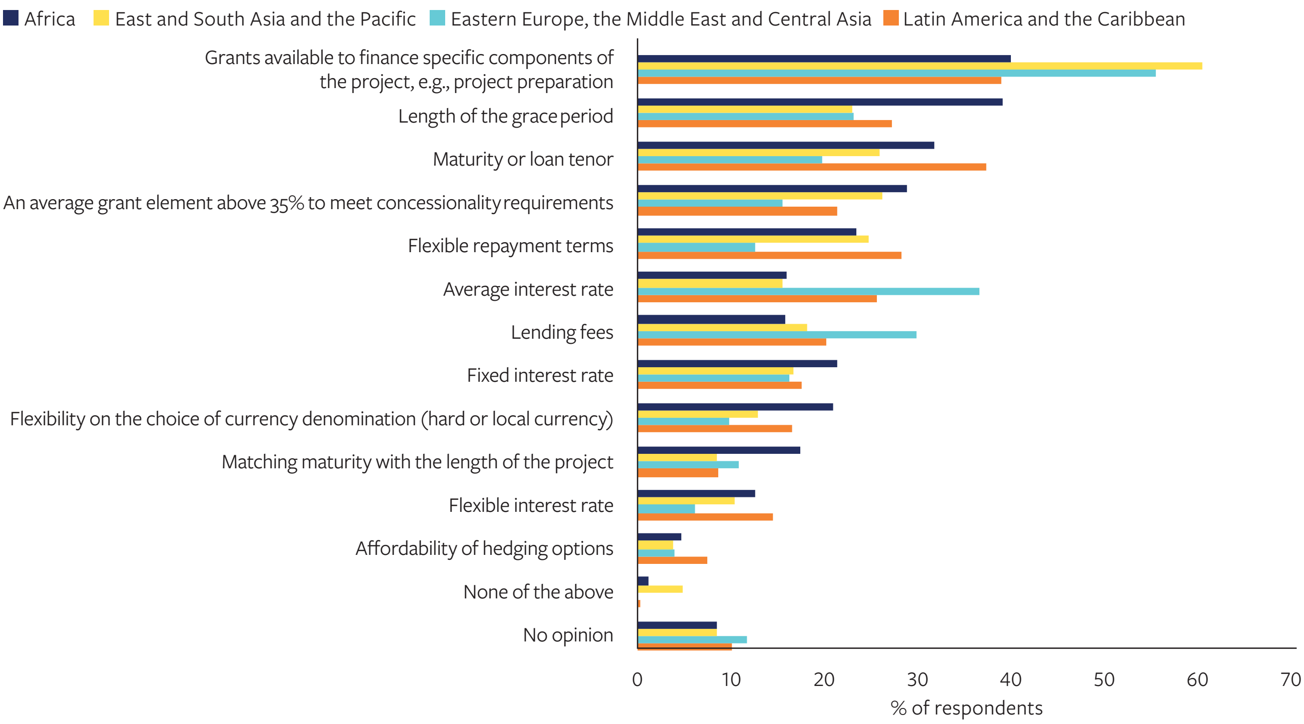
Source: Authors' survey. 331 respondents from IDA countries and 228 from IBRD countries. Question for government officials: *When you assess the financial viability of a new loan with an MDB and compare it with other financing options, which of the following aspects are the most important when making your decision? Please select up to three aspects*. Question for MDB officials: *When the government in #country# assesses the financial viability of a new loan with an MDB and compare it with other financing options, which of the following aspects are considered the most important ones in the decision? Please select up to three aspects.*

Respondents from IDA countries prioritise concessionality and respondents in IBRD countries focus more on the cost of capital. Respondents from IDA countries are more likely than those from IBRD countries to suggest that the average grant element should exceed 35% (29% compared with 18%). Respondents from IBRD countries place greater value on average interest rates (29% vs. 15%) and lending fees (30% vs. 10%) (Figure 5.4.1b).[89]

This resonates with discussions in the IBRD countries we considered in the country study phase. In **Brazil, Mexico** and **South Africa**, the cost of financing and pricing considerations are central to the assessment of a new loan from an MDB. For interviewees in the **Dominican Republic**, average interest rate and maturity are the top priority, followed by local currency denomination to mitigate foreign exchange risk. The terms and conditions of loans offered by

89 Looking at the responses by region, respondents from East and South Asia and the Pacific focus on ensuring the availability of grants for financing specific project components, with 60% selecting this as a priority. It is by far the most important factor for the region and significantly above the average of 46%. Respondents from Eastern Europe, the Middle East and Central Asia identified the average interest rate as the second most relevant factor in their decision-making, with 36% highlighting it, compared with an average of 21% across respondents (Figure 5.4.1c).

Figure 5.4.1c Preference for financial terms and conditions, by region



Source: Authors' survey. 209 respondents for Africa; 66 for Eastern Europe, the Middle East and Central Asia; 123 for East and South Asia and the Pacific; and 137 for Latin America and the Caribbean. Question for government officials: *When you assess the financial viability of a new loan with an MDB and compare it with other financing options, which of the following aspects are the most important when making your decision? Please select up to three aspects*. Question for MDB officials: *When the government in #country# assesses the financial viability of a new loan with an MDB and compares it with other financing options, which of the following aspects are considered the most important ones in the decision? Please select up to three aspects.*

MDBs are directly compared with the cost of accessing capital markets. In **Botswana**, government officials primarily consider financing costs when deciding whether to approve new MDB loans, focusing on the average interest rate and tenor. In **India**, all the components contributing to the cost of capital are assessed (maturity, average interest rate and grace period), commitment fees and other fees, and the ability to make accelerated repayments. The charging of commitment fees on undisbursed funds was raised by interviewees across both IDA and IBRD countries.

Interviewees generally confirmed the value IDA countries attribute to concessionality, particularly for those under an IMF programme. In **Ghana** and **Liberia**, government officials assessing the viability of an MDB loan must ensure its concessionality/grant element complies with the requirements of the IMF programme (a minimum grant element of 35% or within the limits for non-concessional loans, individually assessed). In **Bhutan**, government officials mainly consider the maturity, grace period, interest rate and degree of concessionality when evaluating the financial viability of a new loan. In **Sri Lanka**, government officials value the concessionality/grant element of the loan, together with the economic return of the project/programme. In **Uganda**, the government borrows at semi-concessional terms (grant element between 25% and 35%) for projects with high medium-term returns, as is the case with programmes in the infrastructure sector.

In the online survey, **flexibility of currency denominations and the affordability of hedging options do not feature prominently**. Only 16% and 6% of government respondents, respectively, ranked these factors among their top three considerations when evaluating a new loan from an MDB. This may be because these characteristics are less relevant than others, or government officials might not know that local currency lending and hedging options are available. This point emerged strongly in the discussion in **Uganda**, for example.

The provision of loans in local currency and the hedging options offered by MDBs are seen as critical factors in assessing the financial viability of a loan for officials in **Brazil, the Dominican Republic, South Africa** and **India**. In **India**, the offer of local currency was cited as a clear advantage of NDB. In **Sri Lanka**, some respondents believe that mitigating foreign exchange risk is highly valuable, while others are concerned about a shortage of foreign currency and believe that MDB loans should be denominated in foreign currency to address this. Officials in **Bhutan** and **Ghana** are open to evaluating options for local currency denominations, particularly for non-sovereign operations.

5.5 What instruments do respondents prefer and why?

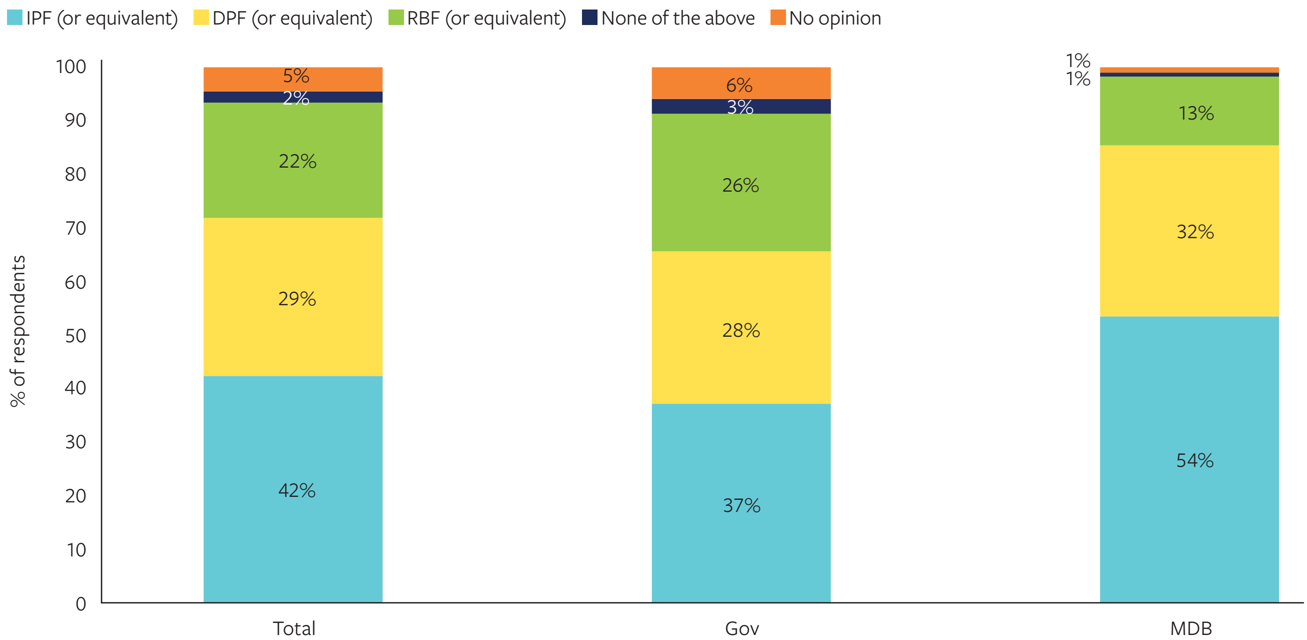
We asked respondents to identify which type of instrument offered by MDBs they would prioritise among investment project financing (IPF), development policy financing (DPF) or results-based financing (RBF),[90] and the factors influencing their decisions. We are aware that instruments are negotiated and identified based on the nature of the project or larger programme support. Still, replies can help clarify the type of engagement governments might seek from MDBs, and which instruments might require additional explanation or support.

IPF is the preferred modality among government respondents, with 37% selecting it as their first choice, followed by DPF at 28% and RBF at 26% (Figure 5.5.1). IPF was the top preference for government officials in the 2021 survey as well, but with a much higher proportion (49%). The proportion of respondents prioritising RBF has increased from the earlier survey (19%) (Prizzon et al., 2022). Proportions for DPF have remained stable, with 28% of government respondents selecting it in both surveys.[91]

MDB officials are more likely than government officials to think the government prioritises IPF, with 54% selecting this option compared with 37% of government officials. Government officials are twice as likely as MDB officials to prioritise results-based lending (26% vs. 13%), particularly among respondents from African countries.

90 Terminology might differ across MDBs. Box 2 describes the main characteristics of each instrument.
91 In this edition of the survey, a greater proportion of respondents did not have an opinion.

Figure 5.5.1 Choice of instrument: IPF, DPF and RBF



Source: Authors' survey. 557 total respondents, 420 government officials and 137 MDB officials. Question for government officials: *Which type of instrument offered by MDBs would be your top choice and preference? Please select one response only.* Question for MDB officials: *Which type of instrument offered by MDBs do you think would be the top choice and preference for the government of #country#?*

Among respondents from central agencies, DPF is the top choice (38%). This falls to 19% among respondents from line agencies, highlighting a preference for budget support instruments within treasury and planning ministries[92]

We also wanted to understand the rationale behind respondents' answers. The list of options was drawn from a review of the literature on each instrument (see Box 2).[93]

Easier financial management (22%), technology and knowledge transfer (22%) and private investment mobilisation (21%) are the top three factors driving government respondents' preference for IPF. For MDB officials, a government's preference for IPF is primarily driven by ring-fenced resources for line agencies/sectoral priorities (36%), whereas among government officials, this figure drops to 15%. The second key factor raised by MDB officials is the limited or non-existent policy conditionality in the agreements (26%); only 4% of government officials selected this option.

92 Not shown here. DPF is also the least favoured option among respondents from line agencies. There are no significant differences between regions or lending terms.

93 As per Appendix 2, the follow-up question reflected only the choice expressed by the respondent.

Box 2 The advantages and disadvantages of IPF, DPF and RBF

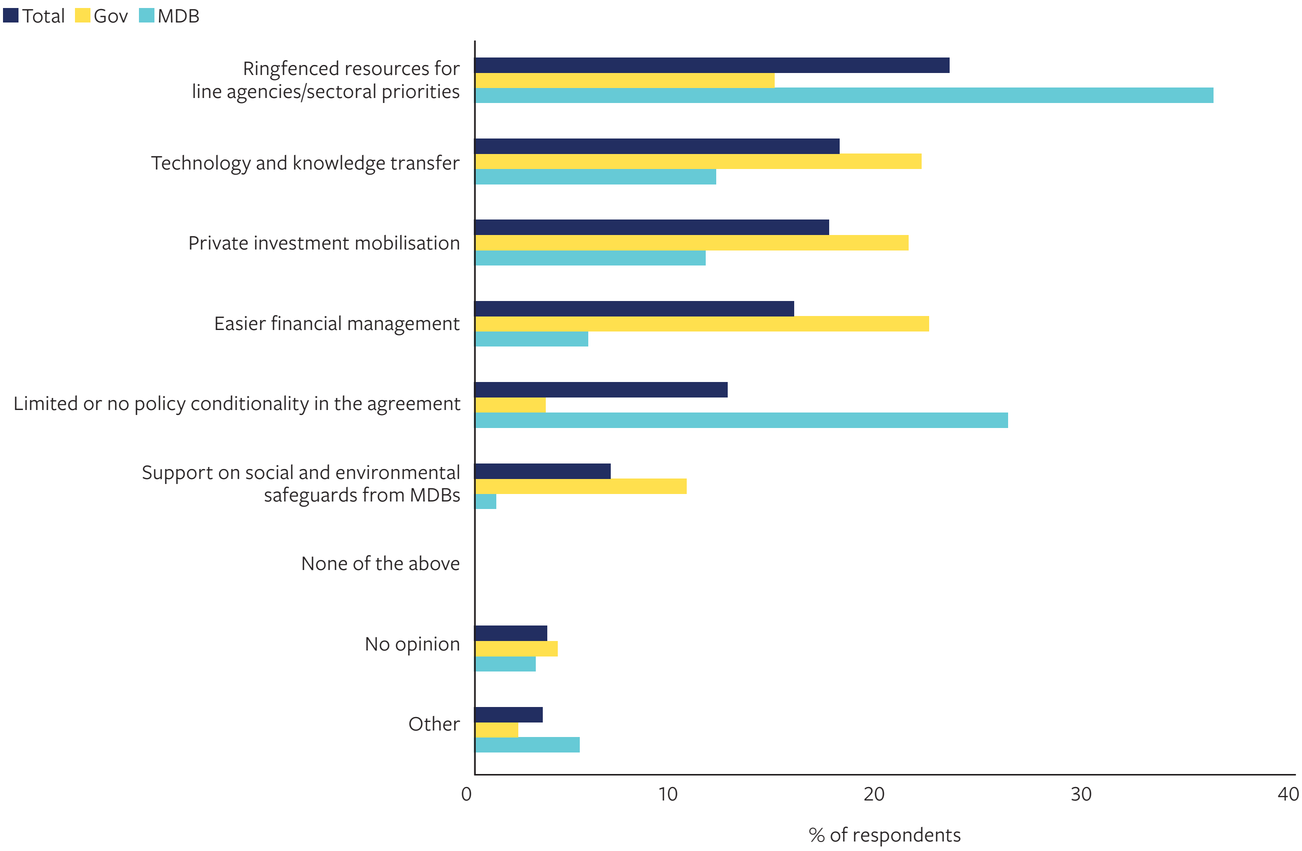
In broad terms, MDBs offer three types of lending instruments: investment project financing (IPF), development policy financing (DPF) and results-based financing (RBF). Each has advantages and disadvantages depending on development objective. These instruments are designed to be complementary, enabling MDBs to respond flexibly to various development needs (World Bank, 2011).

IPF supports specific, fully designed project interventions subject to technical, economic, fiduciary and environmental and social due diligence (Puerta et al., 2023). It allows easier estimation of costs and benefits and more accurate tracking of monetary flows compared to other instruments, which can lower perceived political risk of investments, while also having fewer policy conditionalities in financing agreements (World Bank, 2025g). IPF helps ensure that projects meet international standards, facilitate technology and knowledge transfer and strengthen institutional capacity, and can mobilise private investment (Benoit, 1996; Gurara et al., 2018; Puerta et al., 2023). But higher transaction costs, rigid fiduciary requirements and policy conditions can add complexity and make funding rigid and implementation burdensome (Benoit, 1996; Gardner and Wright, 2010; Puerta et al., 2023).

DPF operations provide budgetary resources linked to policy reforms. Once agreed policy actions are completed, funds are disbursed into the borrower's budget and can be used at the borrower's discretion (World Bank, 2015). DPF allows faster disbursement and greater flexibility compared to other instruments (World Bank, 2022b), the ability to support broad reform agendas aligned with national strategies (Kenny, 2023; World Bank, 2017) and a lower administrative burden for borrowers and lenders relative to IPF (Kenny, 2023). DPF can foster consensus on reforms while aligning policies with international best practices (IDB, 2024). However, DPF also carries risks arising from insufficient M&E systems and limited fiduciary controls, which can undermine effectiveness and accountability (Independent Evaluation Group, 2018).

RBF operations disburse funds upon verified achievement of predefined results, rather than tying funding to inputs (Puerta et al., 2023). RBF incentivises performance by shifting focus from inputs to outcomes, making it more cost-effective than IPF for achieving similar results (Puerta et al., 2023; Independent Evaluation Group, 2016). As long as MDB quality standards are met, RBF gives the government more flexibility to achieve results, strengthening institutional capacity, promoting stronger country ownership and imposing fewer conditions before disbursement (Independent Evaluation Group, 2016; Lee and Pedreira, 2019). The effectiveness of RBF depends on robust systems and sustained political will, which can be difficult to secure in challenging political contexts (Klingebiel, 2011). RBF may also misalign incentives, if governments prioritise areas where disbursement is linked to measured indicators, while neglecting other sectoral priorities (Klingebiel, 2011).

Figure 5.5.2 Why do respondents prefer IPF?

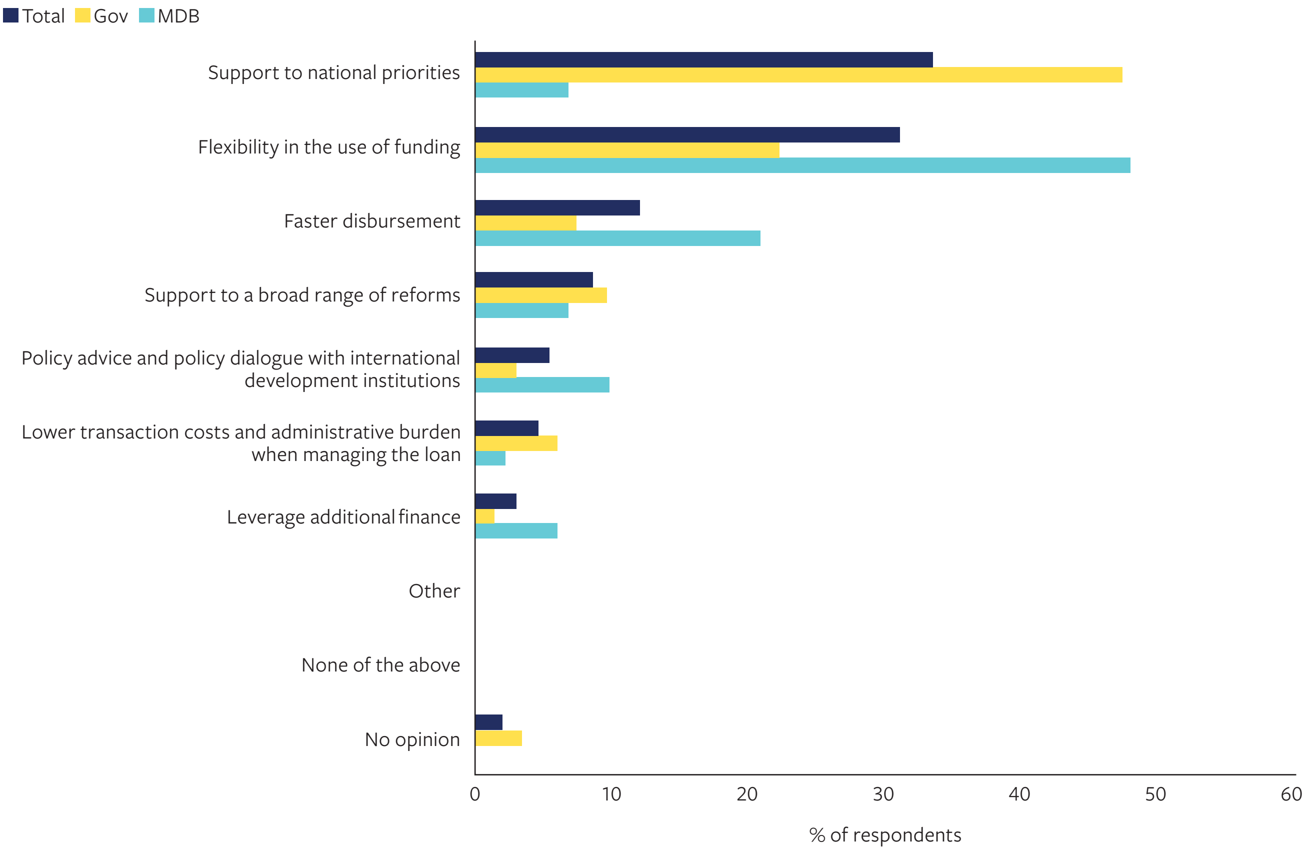


Source: Authors' survey. Based on 166 government respondents and 69 MDB respondents. Question for government officials: *You said that 'Investment project financing (or equivalent)' would be your top choice. Which of the following factors most influenced your decision? Please select one response only*. Question for MDB officials: *You said that 'Investment project financing (or equivalent) would be the top choice for the government of #country#'. Which of the following factors, in your opinion, have most influenced the government's view?*

For nearly half (47%) of government officials who prefer DPF, the primary reason is its support for national priorities – a view shared by only 7% of MDB respondents. This is followed by flexibility in funding use, which is important to 22% of government respondents (Figure 5.5.3).

MDB staff identify flexibility as the main factor (48%) in government officials' preference for DPFs, followed by faster disbursement (21% among MDB representatives, against only 7% of government officials).

Figure 5.5.3 Why do respondents prefer DPF?

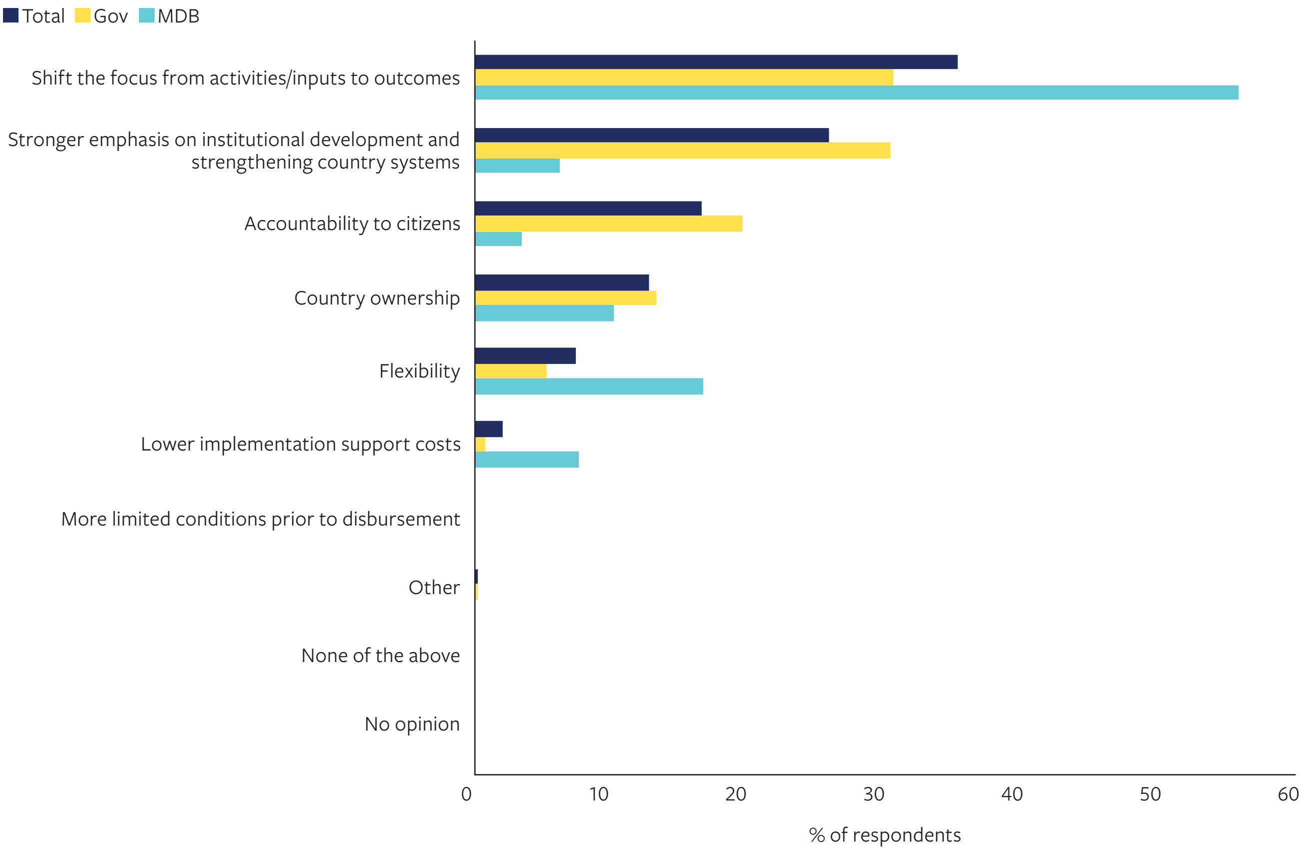


Source: Authors' survey. Based on 112 government respondents and 51 MDB respondents. Question: *You said that 'Development policy financing (or equivalent)' would be your top choice. Which of the following factors most influenced your decision? Please select one response only.* Question for MDB officials: *You said that 'Development policy financing (or equivalent)' would be the top choice for the government of #country#. Which of the following factors, in your opinion, have most influenced the government's view?*

With regard to RBF, one-third of government officials (31%) indicated that its main advantage is shifting the focus from activities to outcomes, along with a stronger emphasis on institutional development and strengthening (30%). In addition, 20% of government respondents cite accountability to citizens as a key factor (Figure 5.5.4).[94]

94 The number of respondents from MDBs is too small to make meaningful comparisons.

Figure 5.5.4 Why do respondents prefer RBF?



Source: Authors' survey. Based on 112 government respondents and 13 MDB respondents. Question for government officials: *You said that 'Results-based financing (or equivalent)' would be your top choice. Which of the following factors most influenced your decision? Please select one response only*. Question for MDB officials: *You said that 'Results-based financing (or equivalent)' would be the top choice for the government of #country#. Which of the following factors, in your opinion, have most influenced the government's view?*

5.6 Summary

This chapter asks how and why demand for MDB assistance and services is expected to evolve in the medium term (5–10 years), e.g. grants, loans, policy advice and technical assistance, and the sectors where this demand is expected to change most in the medium term. We summarise the findings into 10 main points.

1. As in the first survey, **most respondents feel that the demand for MDB grants, loans, policy advice and technical assistance will increase in the next 5 to 10 years** if there are no constraints to supply. Some 57% of respondents believe that demand for MDB grants and loans from their own country will increase over the next 5–10 years. Only 15% expect it to decrease. These overall proportions have not changed since the first round of the survey in 2021, despite greater financing needs and higher costs of alternative sources of capital.
2. **Significant financing needs** – particularly for expanding economic and productive infrastructure – and **the availability of grants and concessional financing** are the primary reasons respondents cited for stable or rising

demand for MDB grants and loans. Reasons for the decline in demand for MDB grants and loans primarily **relate to the financial terms of MDB assistance**: the impact of MDB borrowing on future debt sustainability, the high cost of borrowing compared to other options, and the availability of faster financing options, particularly for countries borrowing at non-concessional terms.

3. **Trajectories for future demand for grants and loans from MDBs vary across lending groups and regions.** Respondents from IDA countries are more inclined than those from IBRD countries to believe that demand for MDB grants and loans will increase (64% vs. 48%). The percentage of respondents anticipating a decrease in demand is similar across the two groups, and there are no significant differences between the two survey editions (note that respondents also had the option to indicate a stable path). A higher proportion of respondents from Africa and from East and South Asia and the Pacific expect demand for MDB grants and loans to increase, at 61% and 66% respectively.
4. **The results of the online survey are corroborated in the country studies**, with some nuances reflecting country context and constraints on access to finance. Government respondents across both IDA and IBRD countries generally indicated they would like to scale up operations with MDBs, usually to support national development plans, leveraging the more affordable financing and technical expertise that MDBs provide.
5. **More than half of respondents anticipate that demand for policy advice and technical assistance from MDBs will increase over the next 5 to 10 years.** No significant differences were observed across regions or lending terms. The findings from the country studies suggest that demand for policy advice and technical assistance from MDBs is likely to remain strong in the medium term. This reflects the need to develop institutional capacity at the national and subnational levels, and the comparative strengths of MDBs in providing policy advice and technical assistance, including highly specialised technical assistance, support for project preparation, innovation and the ability to mobilise private capital.
6. As in the first survey, the sectoral priorities identified by government and MDB officials often do not overlap. Respondents at IsDB and AfDB appear to better capture the priorities of their client countries than the other MDBs reviewed.
7. With regard to investment in the energy sector, **respondents prioritise projects with renewable sources or low carbon options**. Only 3% indicated investment in coal-fired electric power plants, 3% oil-fired electric power plants and 13% fossil-gas electric power plants.
8. When asked about the most important criteria to assess the financial viability of a new project/programme by an MDB, both in the online questionnaire and the semi-structured interviews, **respondents from IDA countries prioritised concessionality, while respondents from IBRD countries placed greater emphasis on reducing the cost of capital**.
9. In the online questionnaire, **flexibility of currency denominations and the affordability of hedging options did not feature prominently**. Responses to the online questionnaire may indicate that these characteristics are less relevant than others, or that government officials may not consider them because they are unaware that they are available. The provision of local currency loans and the hedging options offered by MDBs were identified as critical in interviews with officials

in Brazil, the Dominican Republic, India and South Africa. In other countries, views were more mixed regarding the demand for local currency-denominated MDB loans, particularly when foreign currency was in high demand.

10. **Government officials prefer IPF (37% of respondents) over DPF (28%) and RBF (26%)**, because of easier financial management, the potential for technology and knowledge transfer and the ability to mobilise private investment. For nearly half of the government officials surveyed, the primary reason for their choice of DPF is its support for national priorities, followed by flexibility of funding use. One-third of government officials indicated that the main advantage of RBF is that it shifts the focus from activities to outcomes, and has a stronger emphasis on institutional strengthening.

6 Improving the operational effectiveness of MDBs

This chapter analyses the results of the online survey and the semi-structured interviews in three specific areas: the quality and nature of coordination among MDBs at the country level (Section 6.1); the challenges for clients in creating robust project pipelines and how MDBs can support them (Section 6.2); and countries' perceptions of the length of the project cycle and how governments and MDBs can help streamline the process (Section 6.3).

6.1 Coordination among MDBs at the country level

As discussed in Sections 2.2 and 2.3, coordination at the institutional level and cooperation at the country level between MDBs are central to discussions on how to improve the operational effectiveness of MDBs, enabling them to become more than the sum of their parts and lowering transaction costs for their clients. In this section, we discuss perceptions of MDB coordination at the country level, and whether this has improved since the last edition of the survey.

6.1.1 How well do MDBs coordinate at the country level?

Fewer than half of government respondents believe that MDBs are coordinating well in their countries (Figure 6.1.1). Overall, 48% of government respondents feel that MDBs coordinate *well* or *very well* at the country level; 15% rate MDB coordination in their countries as either *poor* or *very poor*.[95] Government officials working in central agencies hold a more favourable view of the quality of MDBs' country-level coordination[96] (57% suggesting MDBs coordinate either *well* or *very well*) than those from line agencies (37%), who are typically involved in project negotiation and implementation.[97] This could partly be explained by the fact that fewer officials in line agencies work concurrently with more than one MDB.

MDB staff are more likely than government officials to believe that coordination is effective: 57% of MDB staff report that it works *well* or *very well*, compared with 48% of government officials. This disparity can be explained by a high percentage of MDB officials in East and South Asia and the Pacific (75%) who feel their coordination efforts are effective, while only 58% of government officials in the same region share that view (in other regions differences are not significant). Across all regions, 20% of MDB staff say coordination is either *poor* or *very poor*, compared with 15% of government officials. This result is driven by the 43% of MDB officials in Eastern Europe, the Middle East and Central Asia who report that their coordination is either *poor* or *very poor* (Figure 6.1.2).

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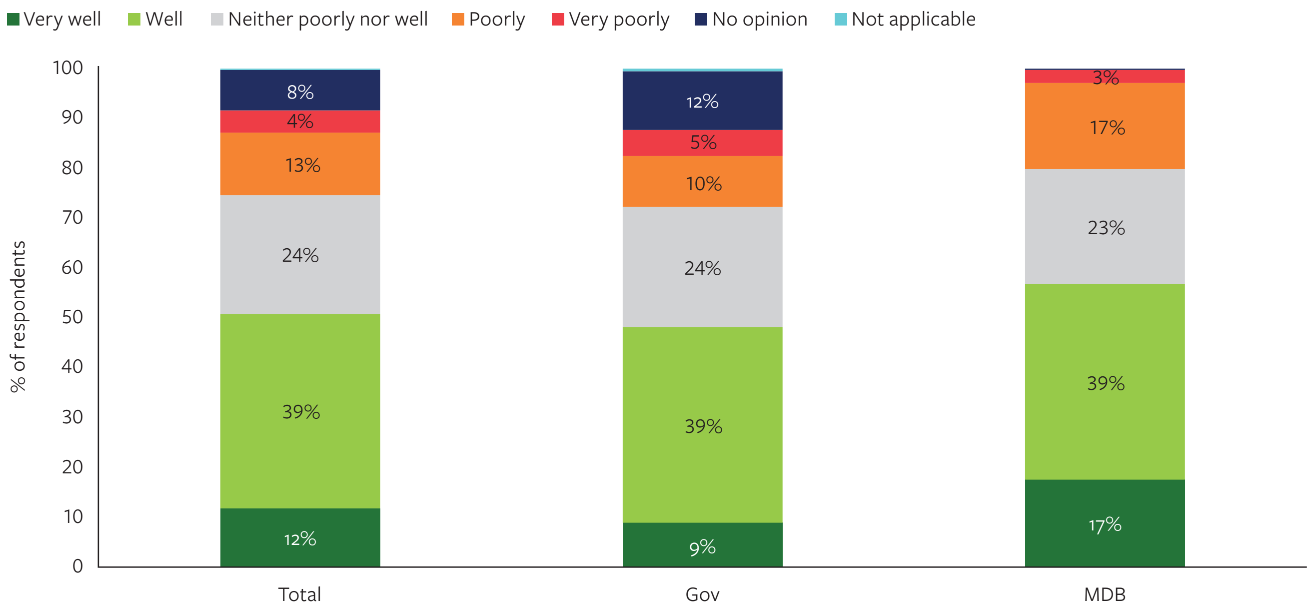
95 There are no statistically significant differences in perceptions between government respondents in IDA and IBRD countries, hence the omission in Figure 6.1.1.

96 Not shown here.

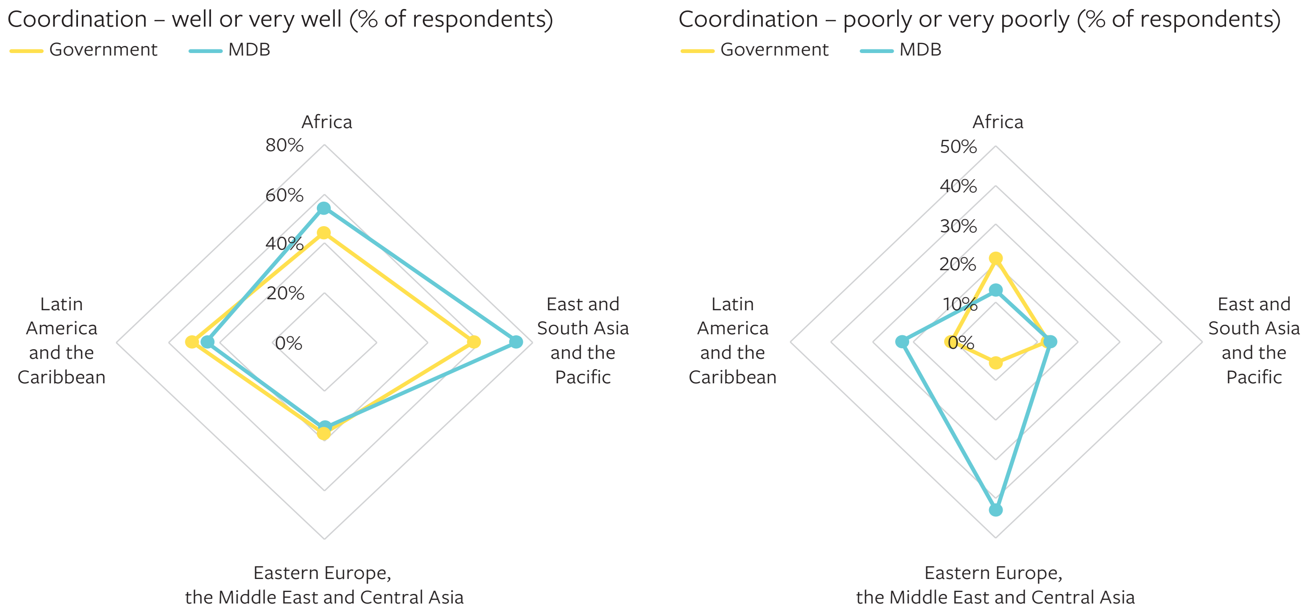
97 22% of officials in line agencies think MDBs are coordinating either *poorly* or *very poorly* in their countries.

Figure 6.1.1 Perceptions of MDB coordination at the country level



Source: Authors' survey. 527 total respondents, 397 government officials and 130 MDB officials. Question: *In your opinion, are MDBs coordinating between themselves poorly or well at the country level?*

Figure 6.1.2 Perceptions of MDB coordination at the country level – regional comparison



Source: Authors' survey. 397 government officials (144 in Africa; 44 in Eastern Europe, the Middle East and Central Asia; 88 in East and South Asia and the Pacific and 121 in Latin America and the Caribbean) and 130 MDB officials (53 in Africa; 20 in Eastern Europe, the Middle East and Central Asia; 27 in East and South Asia and the Pacific; and 30 in Latin America and the Caribbean). Question: *In your opinion, are MDBs coordinating between themselves poorly or well at the country level?*

With regard to regional differences, government officials from Africa (21%) are more likely than those in other regions to report that coordination among MDBs in their countries is *poor* or *very poor*. Only 5% of respondents in Eastern Europe, the Middle East and Central Asia; 12% in East and South Asia and the Pacific; and 11% in Latin America and the Caribbean share similar concerns. Africa is also the only region where government officials are more critical than MDB representatives.[98] Government officials from East and South Asia and the Pacific (58%) are the most likely to report that coordination works *well* or *very well*, compared with Latin America and the Caribbean (51%), Africa (44%) and Eastern Europe, the Middle East and Central Asia (37%) (Figure 6.1.2).

Despite efforts to improve coordination, country-level assessments of how well MDBs work together have not improved since the first edition of the questionnaire. In both the 2021 and 2025 surveys, the same percentage of government respondents – 48% – indicated that MDBs coordinate *well* or *very well* at the country level; 15% rated coordination as *poor* or *very poor* in both surveys. In Latin America and the Caribbean, the share of respondents who perceived MDBs as coordinating *well* or *very well* at the country level increased (from 38% in 2021 to 51% in 2025). Perceptions of the quality of coordination worsened in Eastern Europe, the Middle East and Central Asia (from 48% in 2021 to 37% in 2025) and in East and South Asia and the Pacific (from 68% in 2021 to 58% in 2025). Results in Africa remained stable.

6.1.2 Where should MDBs coordinate at the country level?

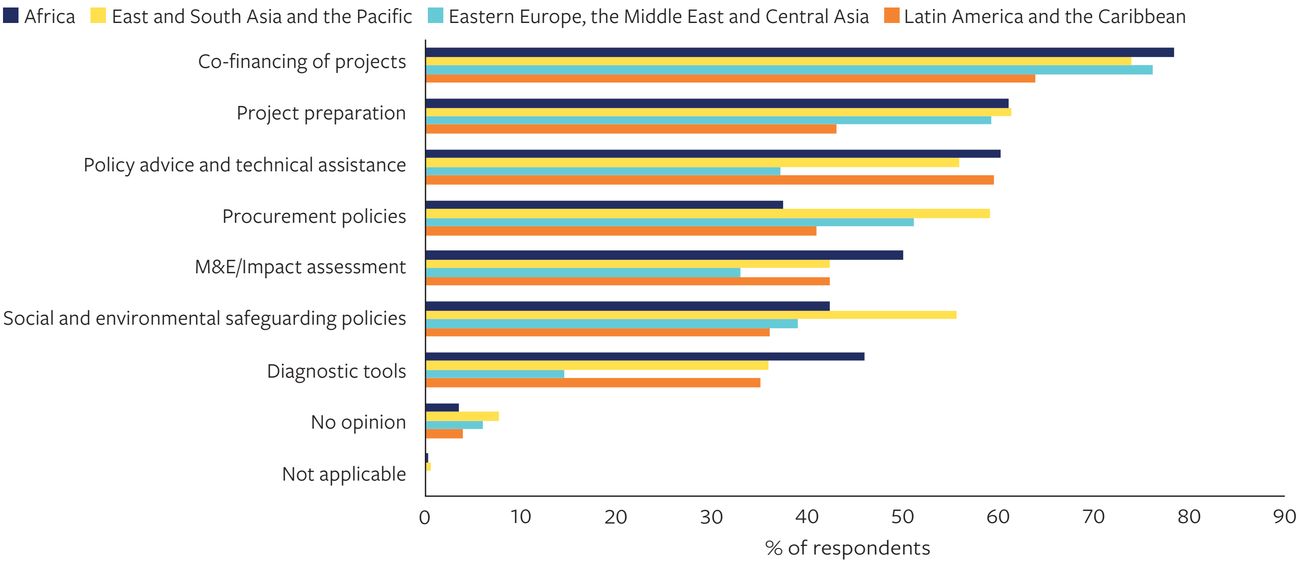
At the country level, MDBs could in principle coordinate across the different phases of the project cycle: diagnostic tools, project preparation, co-financing, policy advice and technical assistance, environmental and social safeguards, procurement and M&E (Prizzon et al., 2024). We asked government and MDB officials at which of those stages of the project cycle they would value coordination among MDBs. **Both government officials and MDB representatives emphasised that co-financing of projects** (74% in total) **is the top priority** (see Figure 6.1.3). This is followed by coordination on project preparation (57%) and the provision of policy advice and technical assistance (56%).[99] Coordination of social and environmental safeguarding policies did not rank among the top three, despite frequent mention by government officials in interviews (see Section 6.1.4).

Just over one-third of respondents (37%) – the lowest value among the options offered – believe that MDBs should coordinate their efforts on diagnostic tools, despite this being a recommendation of the G20 Roadmap. This aggregate figure masks substantial differences across regions. Nearly half of respondents from the African region (46%) emphasised the importance of such collaboration. The average is significantly lower among respondents from Eastern Europe, the Middle East and Central Asia: only 15% indicated support for coordinating diagnostic tools among MDBs (compared with around 35% in the other two regions) (see Figure 6.1.3). In East and South Asia and the Pacific, the proportion of respondents

98 Only 13% of MDB respondents indicating that coordination was either *poor* or *very poor*.
99 Both figures apply across both groups of respondents.

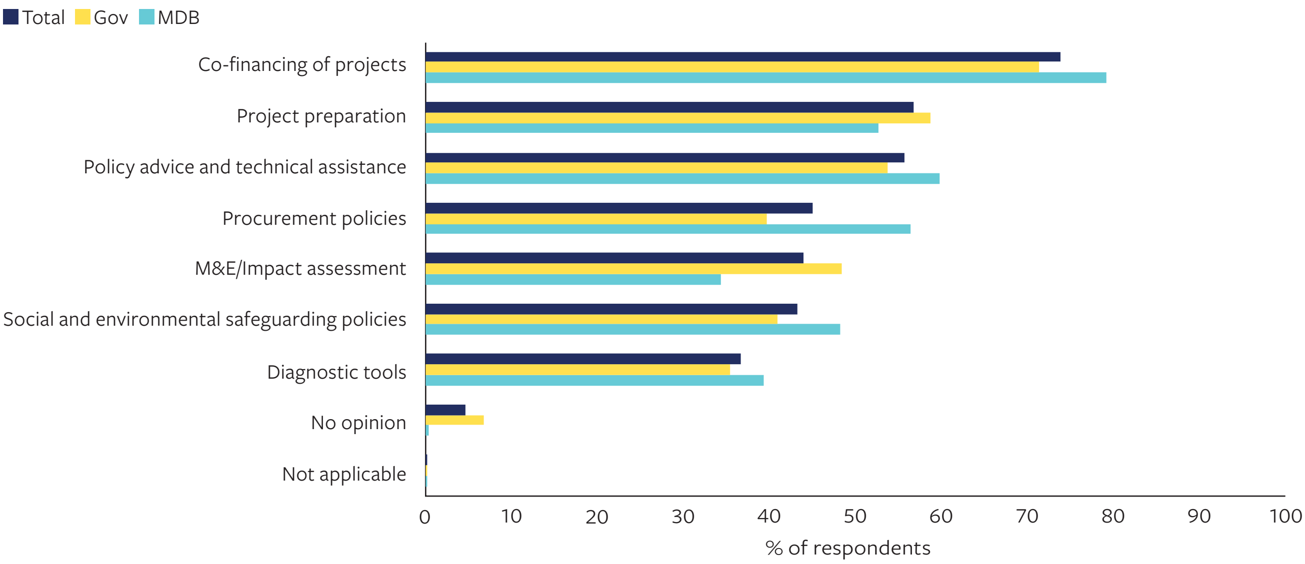
indicating that MDBs should coordinate on ESF and procurement is higher than in the other regions (59% and 56% respectively) (Figure 6.1.4). Coordination on policy advice and technical assistance is indicated by 60% of respondents in both the African and Latin America and the Caribbean regions. Over 60% of respondents in Africa and in East and South Asia and the Pacific identified coordination during project preparation as crucial.

Figure 6.1.3 Areas for MDB coordination at the country level – regional comparison



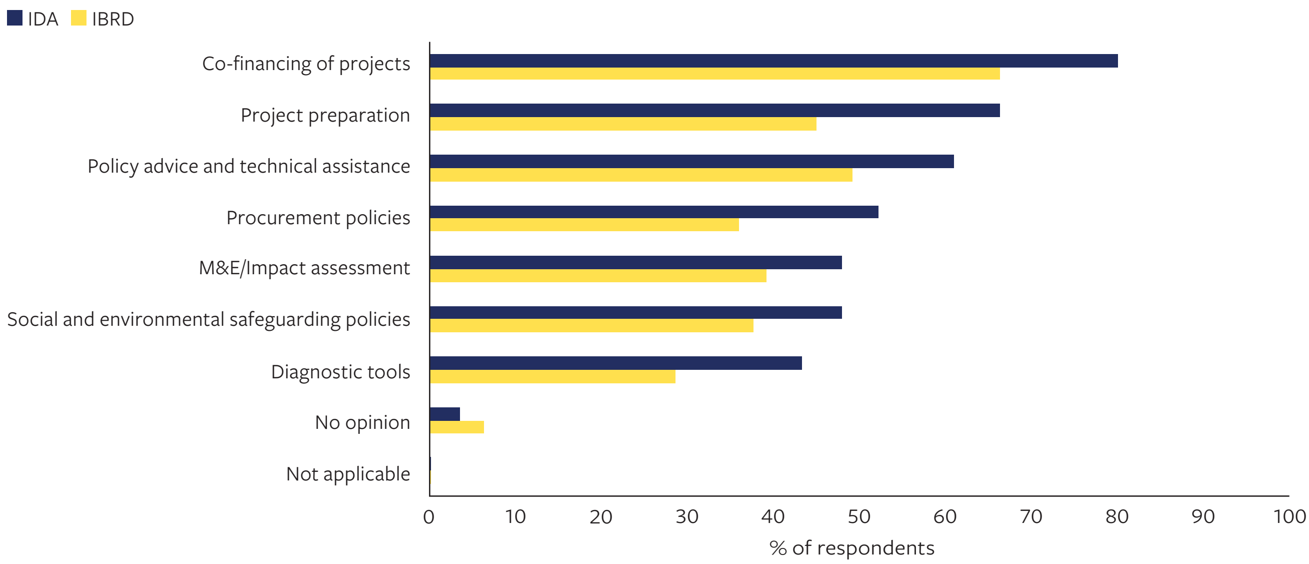
Source: Authors' survey. 197 respondents for Africa; 63 for Eastern Europe, the Middle East and Central Asia; 115 for East and South Asia and the Pacific; 150 for Latin America and the Caribbean. Question: *In your opinion, in which areas should MDBs coordinate among themselves in #country#?*

Figure 6.1.4 Areas for MDB coordination at the country level



Source: Authors' survey. 525 total respondents, 396 government officials and 129 MDB officials. Question: *In your opinion, in which areas should MDBs coordinate among themselves in #country#?*

Figure 6.1.5 Areas for MDB coordination at the country level – comparison by lending groups



Source: Authors' survey. 312 respondents for IDA countries, 213 for IBRD countries. Question: *In your opinion, in which areas should MDBs coordinate among themselves in #country#?*

Government and MDB officials are broadly aligned in their answers, but two notable differences are statistically significant (Figure 6.1.4). First, nearly half of government officials (49%) emphasised the importance of coordination among MDBs for M&E and impact assessments, while just over a third of MDB officials (34%) shared this view. Second, more than half of MDB officials (56%) indicated the need for coordination on procurement policies, compared with 40% of government officials.[100]

Except for M&E and ESF policies, **respondents from IDA countries placed significantly greater emphasis on the need for coordination among MDBs at the country level than their counterparts from IBRD countries** (see Figure 6.1.5).

6.1.3 Where are MDBs effective at coordinating at the country level?

When government officials were asked about MDB performance in coordinating specific areas they deemed important, the overall picture was less favourable. No dimension received a rating of either *well* or *very well* from at least half of respondents (Figure 6.1.6). Respondents were asked to evaluate only the areas they had identified as requiring MDB coordination.

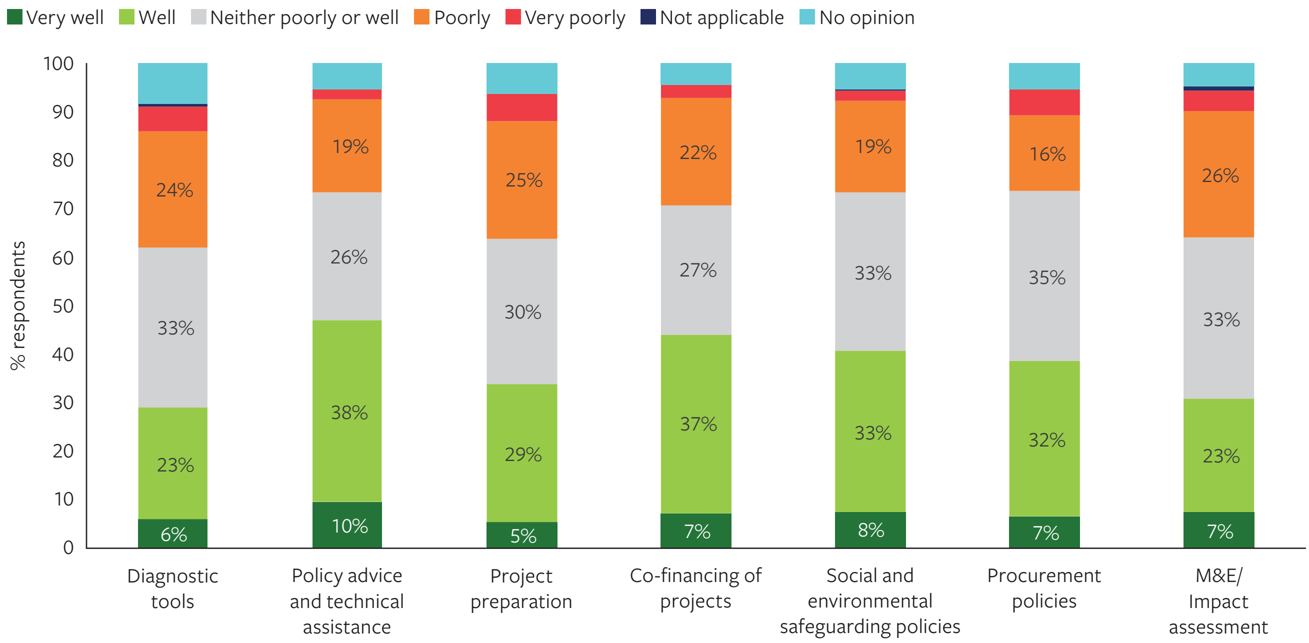
MDBs are perceived to coordinate more effectively on policy advice and technical assistance (rated positively by 47% of respondents, either *well* or *very well*), project co-financing (44%) and social and environmental safeguards (41%). Only one-third of respondents report that MDBs coordinate

100 While both groups emphasise the importance of co-financing projects, for government officials the next priorities for coordination are project preparation, policy advice and technical assistance, M&E, ESF, procurement and lastly diagnostic tools. MDB officials consider coordination on policy advice and technical assistance first, followed by procurement policies, project preparation, ESF, diagnostic tools and M&E tools (M&E tools are the fourth priority for government officials).

effectively across all other areas, with the lowest ratings for diagnostic tools and M&E, both around 30%. At least 20% of respondents rate coordination among MDBs as *poor* or *very poor* across all fronts. The most significant concerns are coordination on M&E, and project preparation (30% rate these either *poor* or *very poor*).[101]

There are significant differences in how line and central agencies assess the quality of coordination among MDBs, given that ministries are involved at different stages of the project cycle.[102] Over a third of government officials from line agencies (35%) rate the coordination of MDBs during project preparation as *poor* or *very poor*, compared with 19% of staff from central agencies. More than a third of officials in line agencies (38%) assess MDBs' coordination in co-financing projects as *poor* or *very poor*, compared to 16% of central agency staff.

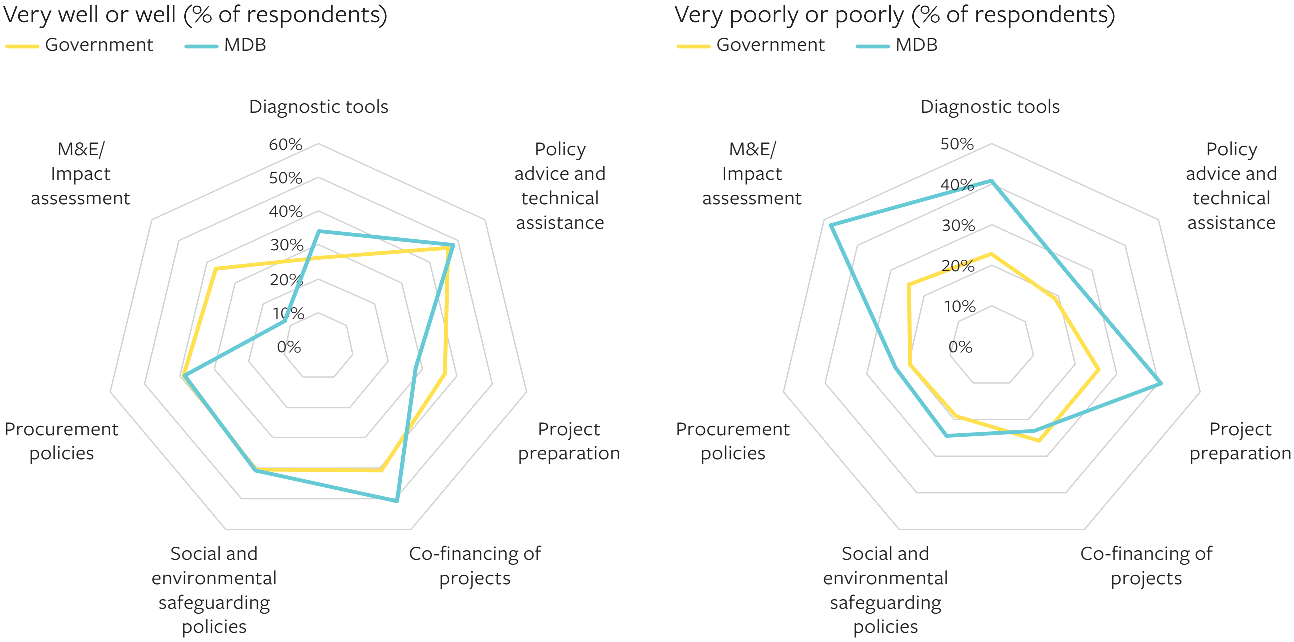
Figure 6.1.6 Areas for MDB coordination at the country level – effectiveness



Source: Authors' survey. 202 respondents on diagnostic tools, 308 on policy advice and technical assistance, 305 on project preparation, 388 on co-financing on projects, 227 on social and environmental safeguarding policies, 232 on procurement policies and 249 on M&E. Question: *Additionally, how poorly or how well would you say MDBs coordinate in each area in #country#?* Numbers differ across functions because respondents were shown only the options selected in the previous question.

101 Although the need for improved coordination is emphasised more in IDA countries than in IBRD countries, overall performance ratings do not differ statistically between the two groups.
102 Not shown here in a graph.

Figure 6.1.7 Areas for MDB coordination at the country level – effectiveness – comparison by group of respondents



Source: Authors' survey: 202 respondents on diagnostic tools, 308 on policy advice and technical assistance, 305 on project preparation, 388 on co-financing on projects, 227 on social and environmental safeguarding policies, 232 on procurement policies and 249 on M&E. Question: *Additionally, how poorly or how well would you say MDBs coordinate in each area in #country#?* Numbers across functions differ because respondents were shown only the options that were selected in the previous question.

MDB staff have a more negative assessment of the quality of their coordination efforts than government officials (Figure 6.1.7). The most notable areas where MDBs believe that governments view the quality of coordination more negatively than government officials themselves perceive it are M&E functions, diagnostic tools and project preparation.

6.1.4 How do the findings from the online survey resonate in the country studies?

Across all country studies, **government respondents consistently valued coordination among MDBs**. Perceptions of coordination quality and the areas governments prioritise vary across countries, reflecting differences in government capacity and levels of engagement with MDBs. While some countries signalled improvements in coordination on co-financing, policy advice or technical assistance, others emphasised the need for less competition, greater harmonisation of procedures, clearer division of labour and closer alignment with national priorities.

In **Brazil**, government respondents noted progress in country-level coordination among MDBs. The Eco Invest initiative,[103] which aims to create the conditions to attract external private investment for ecological purposes (Brazil National Treasury, 2024b), was often cited as helping coordinate MDB funding within a specific sector, with government leadership. The World Bank and IDB signed a memorandum of understanding (MoU) in August 2023 to formalise their partnership on sustainable development in the Amazon and on digital transformation and connectivity, with a focus on education. Respondents acknowledged that the initiative was relatively new, making it difficult to assess its impact. MDB coordination on policy advice emerged as a priority in several discussions. MDB representatives noted some progress in this area, citing, for example, a joint Development Policy Operation in which multiple MDBs supported a single policy matrix.

Two main concerns emerged among Brazilian government officials regarding coordination among MDBs in the country. First, the lack of mutual recognition and harmonisation of rules and procedures creates an administrative burden. Respondents cited several instances where MDBs financed different components of the same project in parallel. Each MDB applied its own internal rules, resulting in multiple financial agreements and fragmented reporting mechanisms. Second, MDBs are still perceived to compete with one another at the country level. Respondents noted that MDBs sometimes target the same projects – particularly those involving implementing (subnational) entities with greater capacity or projects considered lower risk.

Interviewees from the **Dominican Republic** acknowledged that MDBs coordinate well in the country. Coordination has improved over time, but interviewees stressed that this was due to a combination of incentives for coordination with MDB management and clearer strategies and direction from the government itself. Government officials identified the need to align co-financing arrangements with internal processes; to submit loan agreements for co-financed projects at the same time, with a clear technical lead identified; and to coordinate diagnostic tools and technical assistance.

In **Mexico**, MDB coordination has improved, but further progress is needed in harmonising disbursements to reduce delays and transaction costs, and in improving alignment to ensure consistency in strategic areas such as energy transition.

In discussions in **India**, government officials were critical about the lack of incentives to coordinate; others were looking forward to seeing the full implementation of the AsDB–World Bank Full Mutual Reliance Framework. Other respondents noted that coordination has improved, particularly in co-financing projects and programmes. Contrary to the results of the online survey, Indian respondents said that coordination on diagnostic tools is a priority.

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103 Eco Invest Brasil (officially, the Brazilian Foreign Private Capital Mobilisation and Currency Hedging Programme) is a federal government initiative led by the Ministry of Finance, with technical support from MDBs, notably IDB. Its main objective is to mobilise foreign private capital for Brazil's ecological transformation agenda. The programme aims to address significant barriers to foreign investment – particularly long-term foreign exchange risk, project bankability and hedging capacity – through blended finance instruments, dedicated credit sub-lines and contingent liquidity facilities to cover major currency depreciation risk while providing funding for project preparation, governance and reporting (Brazil National Treasury, 2024a).

In **Botswana**, MDBs are perceived to coordinate very little on research and knowledge generation. Government officials asked for greater coordination on timelines among financing entities, and on co-financing. As with the Eco Invest initiative in Brazil, the Mission 300 initiative to expand electricity access in sub-Saharan Africa was widely acknowledged as a key entry point for coordination among MDBs in the country.

Interviewees in **Sri Lanka** valued coordination among MDBs, especially to reduce duplication of effort. MDBs generally coordinate independently of the government. This is mainly due to the recent economic crisis and the government's limited capacity at the time the country study was conducted. As its priorities become clearer, there is an expectation that the government will take ownership soon. Most government officials stressed how the Public Investment Programme[104] will help prioritise and coordinate MDB interventions. Some interviewees were more critical, stating that MDBs compete for projects and that there is no differentiation in their technical assistance offerings. Other interviewees valued the full Mutual Reliance Framework between AsDB and the World Bank as a good initiative, though at the time of the interviews it had not been applied to any project. In terms of areas for coordination, government officials prioritised co-financing, ESF and procurement and technical assistance. Diagnostic tools came out even less strongly than in the online survey.

In **Bhutan**, government respondents acknowledged that coordination among MDBs has improved, but in specific areas of the project cycle *'it will take time to materialise'*, including the impact of the full implementation of the Mutual Reliance Framework between the World Bank and AsDB, the two largest MDBs in the country. Coordinating on co-financing and policy advice, primarily through DPF, was considered a priority.

Government respondents in **Côte d'Ivoire** were generally positive about the quality of coordination among MDBs, with significant improvements in recent years on ESF and procurement policies. Government officials would welcome further steps to harmonise and standardise procedures among MDBs. They also suggested a common matrix framework for MDBs, even under parallel financing.

Interviewees in **Ghana** valued coordination among MDBs, especially to reduce duplication of effort and for joint financing. Some interviewees were critical, stating that MDBs compete with one another, while others stressed that coordination has significantly improved over the past couple of years. As in **Botswana**, the Mission 300 initiative is a clear anchor for coordination between the World Bank and AfDB. Harmonisation of procedures came up strongly to reduce the administrative burden of working with MDBs and to clarify MDB procedures. There is a clear preference for more coordination on co-financing through the procedures of a single MDB, rather than parallel financing, which is perceived as administratively complex and more demanding of government capacity.

In **Uganda**, government interviewees were concerned about the limited coordination among MDBs. Some interviewees noted improvements, particularly between AfDB and the World Bank, including mutual recognition of documents and enhanced procurement. Government

104 The Public Investment Programme is a five-year strategic framework outlining priority investments and coordinated policy measures across key sectors (Department of National Planning, 2025).

officials encouraged MDBs to avoid duplication, use the same templates for ESF/procurement policies, promote greater coordination of project pipelines, and increase the use of co-financing arrangements.

6.2 How can MDBs help countries build high-quality project pipelines?

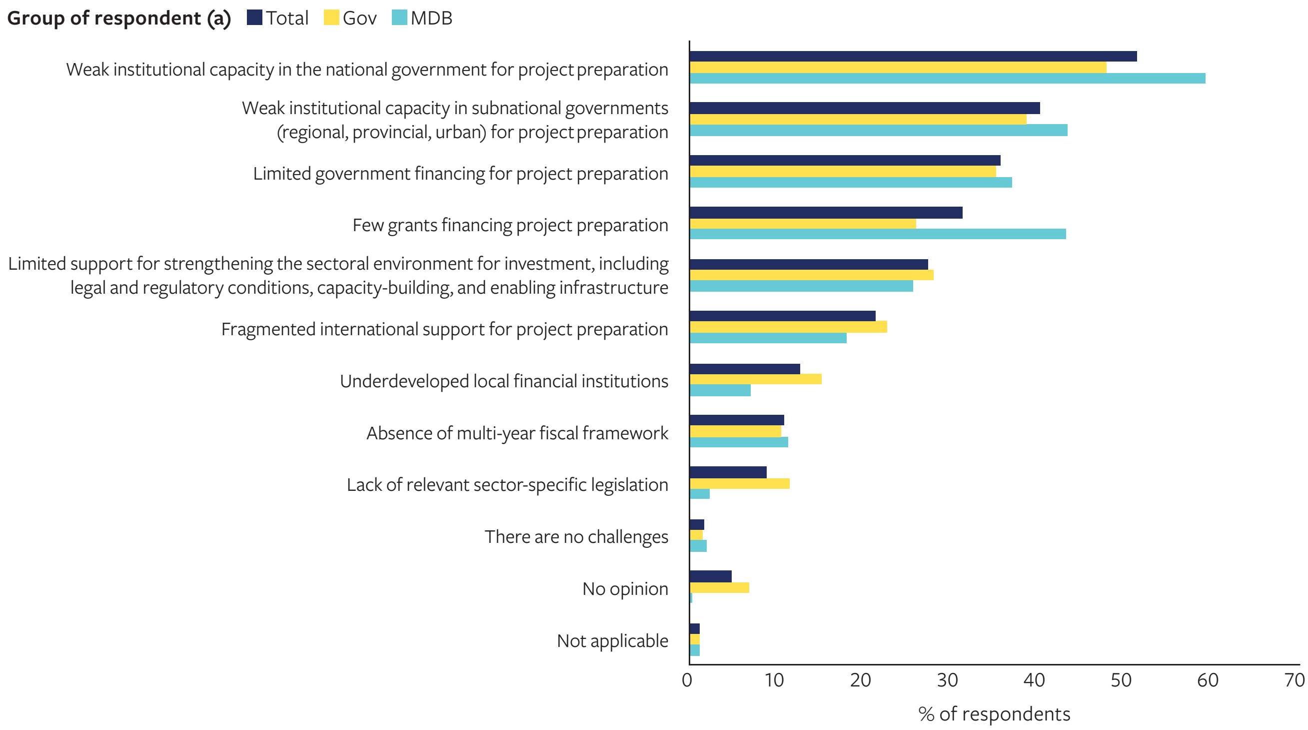
In 2023, the Independent Expert Group on Strengthening MDBs recommended *'tripling the pipeline of bankable projects and working to ensure its conversion to strong deal flow through stepped up support'* (G20 IEG, 2023b: 64). In this edition of the online survey, we asked respondents about the key challenges they face in building strong project and programme pipelines in their countries, and the support they think MDBs should prioritise in their country engagement.

6.2.1 What challenges do countries face when building strong project pipelines?

Respondents identified one main challenge to building strong project pipelines: weak institutional capacity at the national government level (51%). This is followed by weak capacity at the subnational government level (40%), limited government financing for project preparation (36%) and the paucity of grants for project preparation (31%). In IDA countries 43% of respondents were of the opinion that limited government financing for project preparation is the second most important challenge after weak national-level institutional capacity. Government officials from central agencies (32%) are significantly more likely than those in line agencies (19%) to suggest that limited grant financing for project preparation is a concern for building strong project pipelines (see Figure 6.2.1).

Key enablers for long-term pipeline development – sector-specific legislation, multi-year financing frameworks and well-developed local financial institutions – are at the bottom of respondents' choices, with about 10% or fewer selecting each. Only one-fifth of respondents (21%) think that fragmentation of international support for project preparation is a challenge. Limited support for strengthening the sectoral environment for investment, including legal and regulatory conditions, capacity-building and enabling infrastructure, is one of the top three challenges identified by 35% of respondents from line agencies, and 21% in central government agencies.

Figure 6.2.1 What are the main challenges to building a strong pipeline of projects in your country?



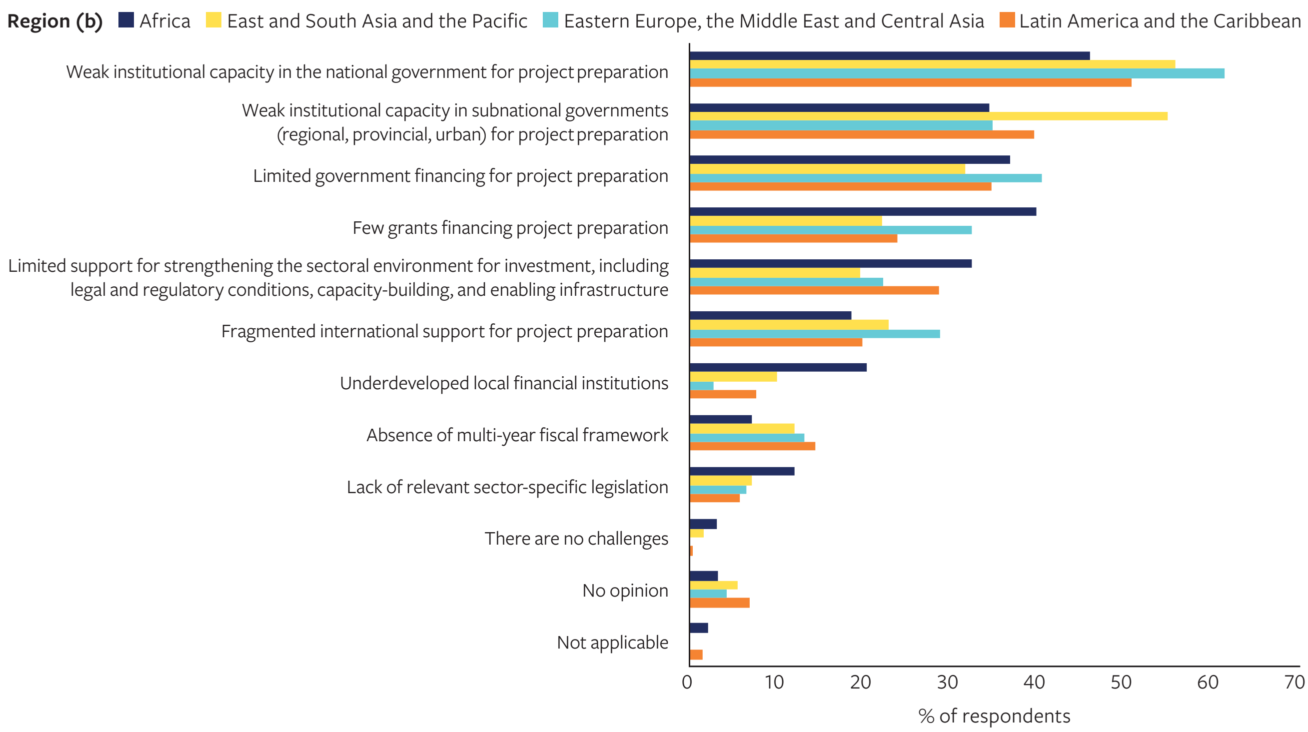
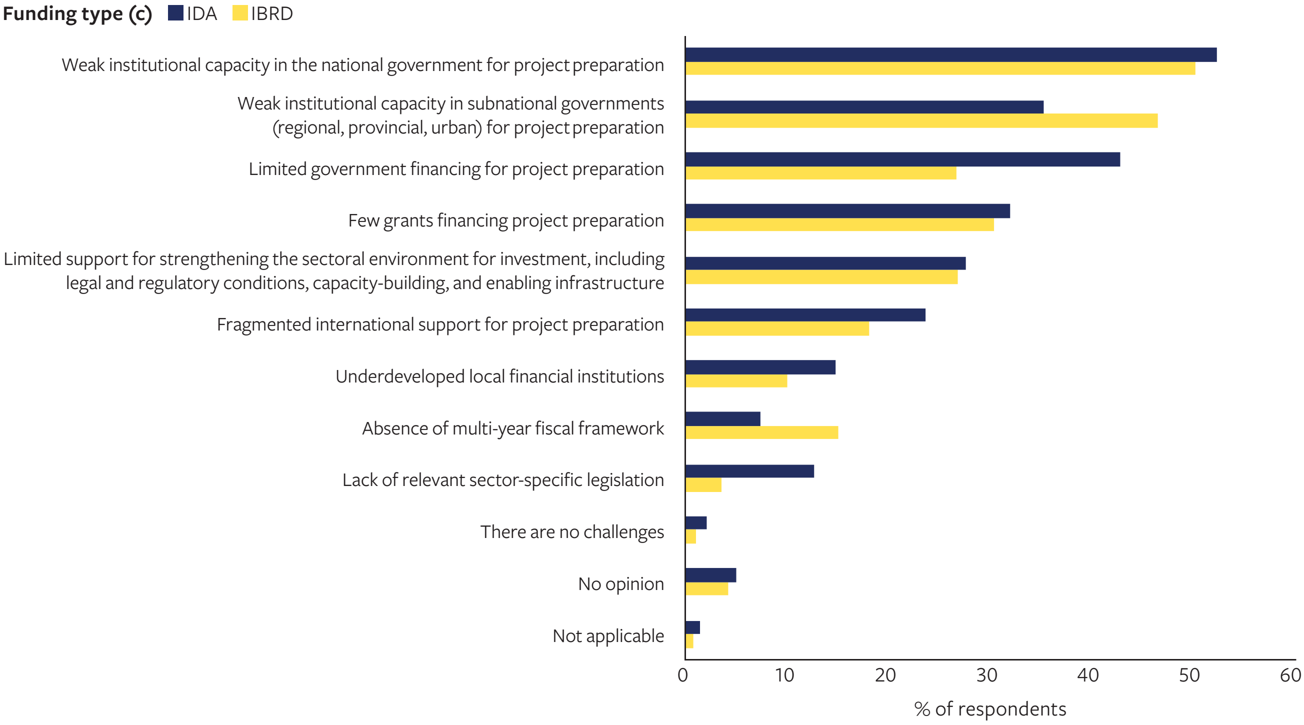
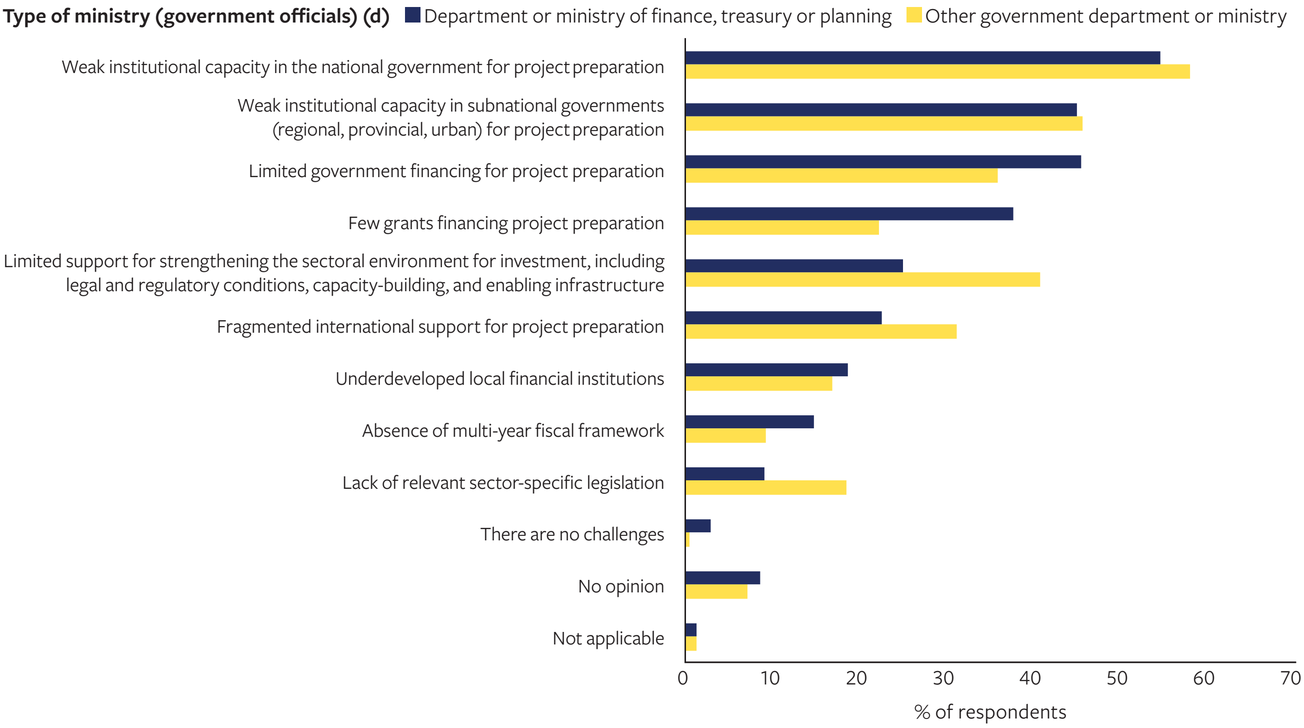


Figure 6.2.1 What are the main challenges to building a strong pipeline of projects in your country? (continued)





Source: Authors' survey. 517 respondents: 392 government officials and 125 MDB officials; 194 respondents from Africa; 61 from Eastern Europe, the Middle East and Central Asia; 112 from East and South Asia and the Pacific; 150 from Latin America and the Caribbean; 309 from IDA countries and 208 from IBRD countries; 201 from central government agencies and 190 from line agencies (one government official did not indicate their affiliation). Question: *In your view, what are the main challenges, if any, to building a strong pipeline of projects in your country? Please select up to three.*

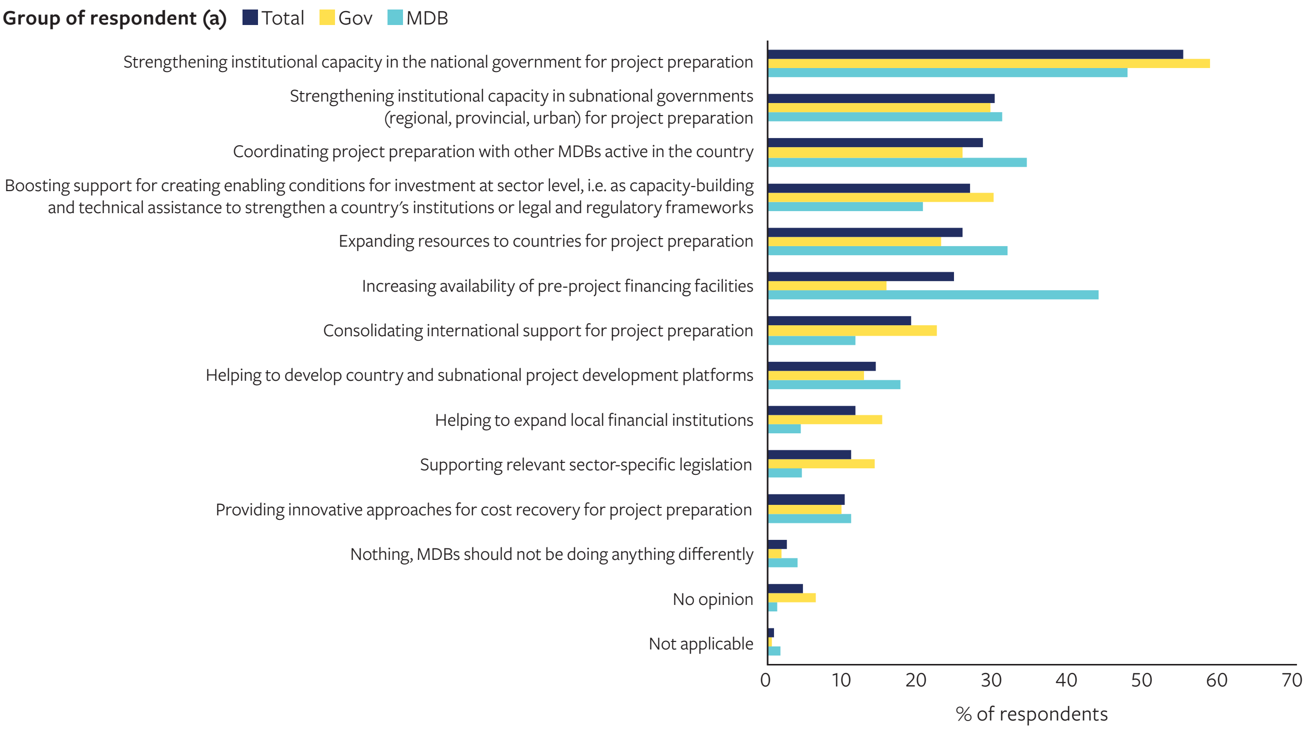
There is broad alignment between government and MDB officials, with two notable exceptions. First, MDB officials placed greater emphasis on limited grant financing for project preparation as a barrier (43%, the second most important challenge). Only 26% of government officials viewed it this way, ranking it fifth (this share goes up to 32% among government respondents in central agencies and 40% among African government respondents). In the semi-structured interviews, while some respondents reported that MDBs have started to invest more in project preparation (e.g. in Bhutan, the Dominican Republic and Ghana), most government officials stressed that insufficient financing for project preparation – especially grant financing – significantly extends the length of the project cycle and lowers the quality of projects at entry (see Section 6.3). Second, government officials – albeit a small share – are four times more likely to cite the lack of relevant sector-specific legislation as a key factor contributing to a weak project pipeline. Specifically, 12% of government officials pointed to this, compared with just 2% of MDB staff.

A higher percentage of respondents from East and South Asia and the Pacific (55%) identified weak institutional capacity at the subnational level as a significant challenge compared with other regions. Respondents from Africa are more likely than respondents from other regions to identify underdeveloped local financial institutions (20%) and the limited availability of project preparation grants (40%) as significant challenges.

6.2.2 What support should MDBs provide to help countries build high-quality project pipelines?

What role can MDBs play in helping countries expand the pipeline of high-quality projects? In line with the main challenges outlined in the online survey, respondents indicated they would like to see **MDBs expand their programmes to help strengthen institutional capacity for project preparation at the national (55%) and subnational level (30%)** – the top issues both groups of respondents identified – followed by **coordinating project preparation with other MDBs active in the country (29%)**. Approximately one in four respondents (26%) indicated that MDBs should boost resources for project preparation, largely driven by MDB respondents (Figure 6.2.2). This contrasts with the semi-structured interviews in the country studies, where significant emphasis was placed on financing project preparation by government officials (as outlined in our initial hypothesis in Chapter 2). We elaborate on these results in Section 6.3.

Figure 6.2.2 How can MDBs support robust project pipelines?



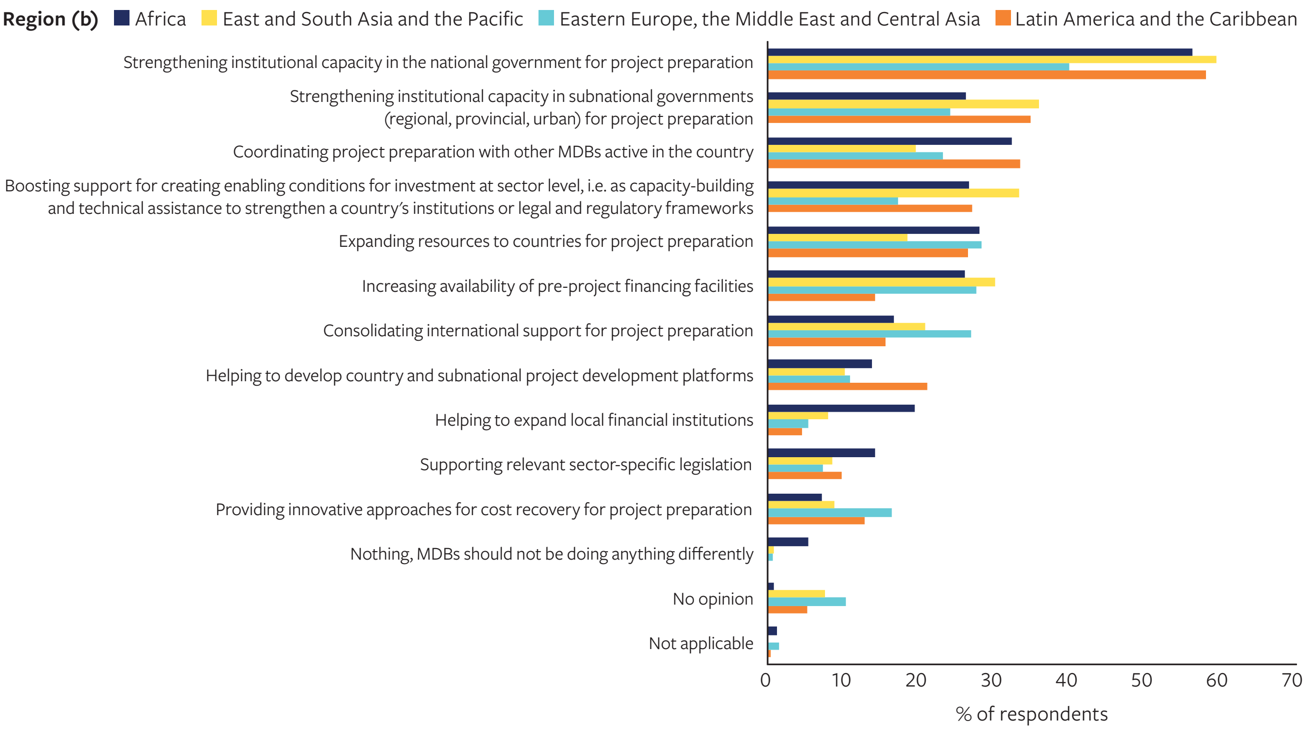
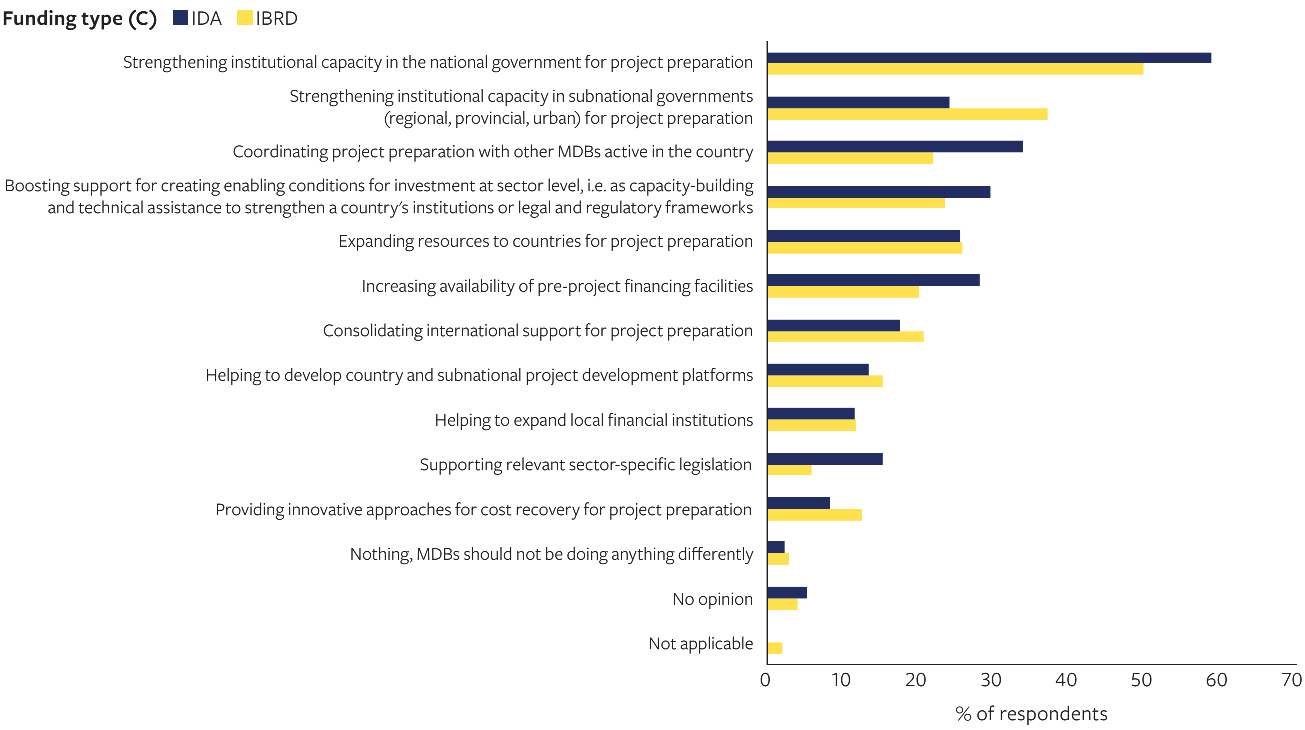
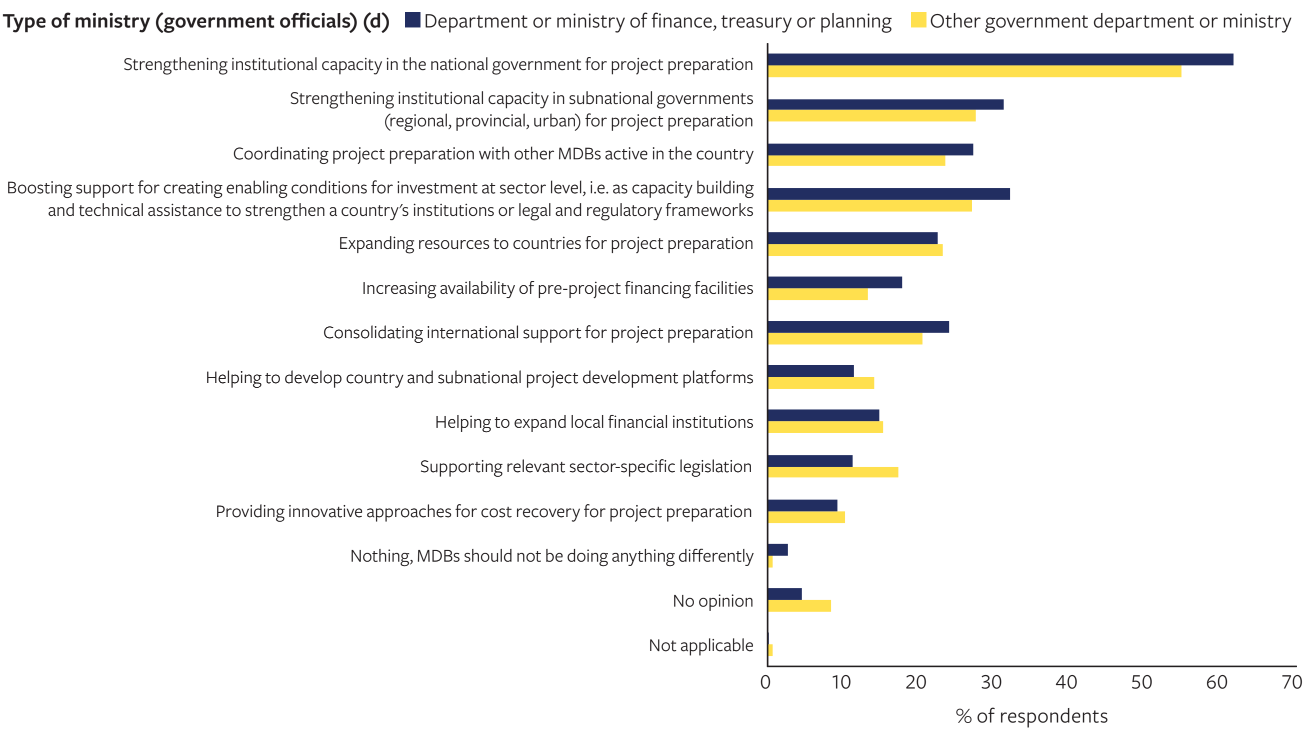


Figure 6.2.2 How can MDBs support robust project pipelines? (continued)





Source: Authors' survey. 522 total respondents: 393 government officials and 129 MDB officials; 197 respondents from Africa; 63 from Eastern Europe, the Middle East and Central Asia; 113 from East and South Asia and the Pacific; 149 from Latin America and the Caribbean; 310 from IDA countries and 212 from IBRD countries; 203 from central government agencies and 189 from line agencies (one government official did not indicate their affiliation). Question: *Additionally, what, if anything, do you think MDBs should be doing differently to ensure there is a strong pipeline of projects in #country#? Please select up to three.*

Respondents from IDA countries are more inclined to want MDBs to increase their support for sector-specific legislation, with 15% expressing this preference, compared with just 6% of respondents from IBRD countries. They are also more likely to recommend improved coordination between MDBs active in the country during project preparation: 34% of respondents in IDA countries support this recommendation, compared with 22% in IBRD countries.

Across regions, priority actions to boost project pipelines are similar except for one significant difference. Respondents from Latin America and the Caribbean are less likely to request that MDBs expand pre-project financing facilities (14%), compared with a much higher proportion in East and South Asia and the Pacific (30%); Eastern Europe, the Middle East and Central Asia (28%); and Africa (26%). Additionally, 20% of respondents in Africa would like MDBs to assist in developing local financial institutions, a figure significantly higher than in any other region.

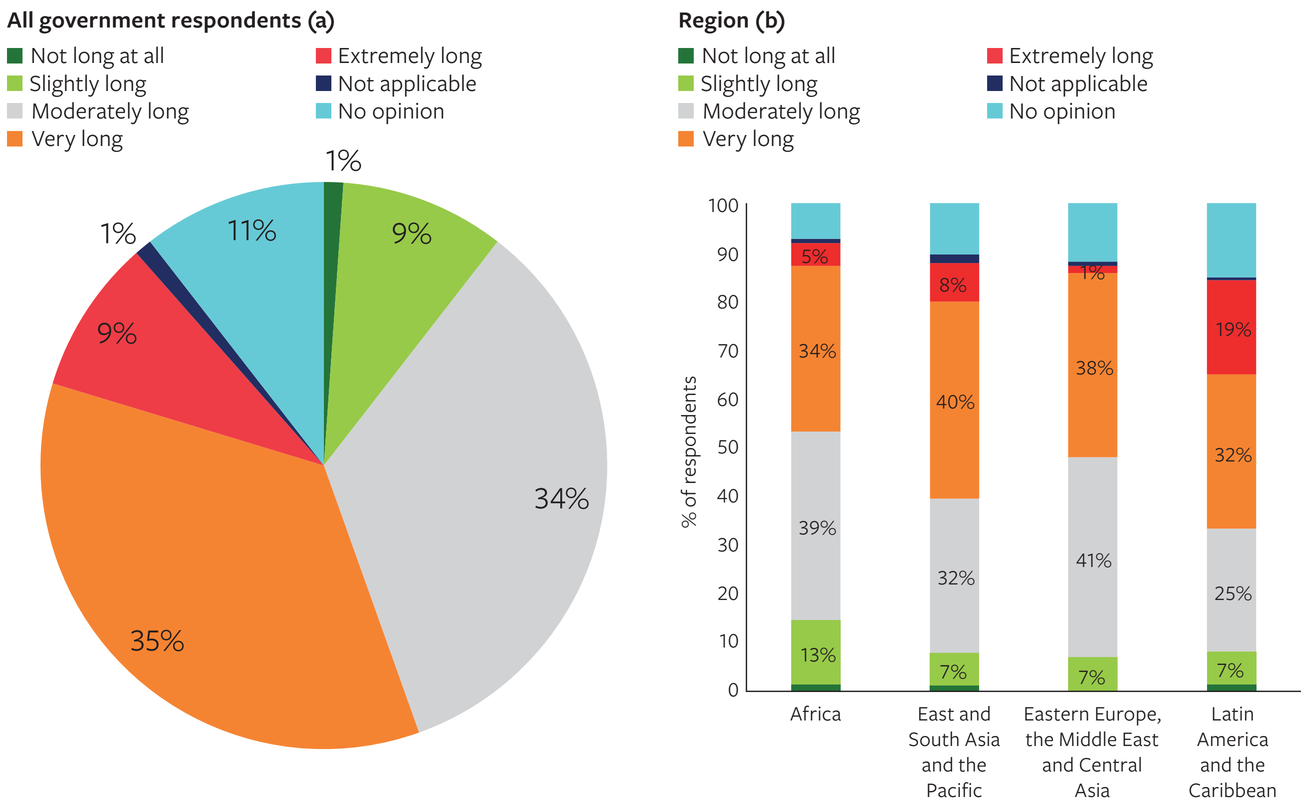
6.3 Streamlining the project cycle

This section summarises the results of the online survey and the semi-structured interviews, reflecting on respondents' perception of the length of the project cycle. We identify the key factors that can extend it, distinguishing between two phases: concept to board approval, and board approval to first disbursements. The section then reviews key solutions for MDBs and government to streamline operations.

6.3.1 Is the project cycle too long?

For 44% of government officials, the time from concept to first disbursement of a typical project with an MDB is either *very* or *extremely long* (Figure 6.3.1). Only about 11% of government officials think that it is *not long at all* or *slightly long*. This finding reflects the top challenge and concern respondents identified in operations involving MDBs: the need to shorten processing times (Section 4.3). Processing times are also among the most important aspects of MDB operations: 78% of government officials consider short processing times *very* or *extremely important*, yet only 47% rate MDB performance in this area as *good* or *very good*. In the previous survey, 86% of government officials rated it as *very* or *extremely important*, and 45% rated MDBs as *good* or *very good* at delivering it, with a marginal improvement on perceived performance over time.

Figure 6.3.1 Perceived length of the project cycle (government officials only)



Source: Authors' survey based on 395 government respondents (143 for Africa; 43 for Eastern Europe, the Middle East and Central Asia; 88 for East and South Asia and the Pacific; 121 for Latin America and the Caribbean). Question: *Thinking about a typical MDB project, how long would you say it takes from conception to first disbursement in #country#?*

Respondents' perceptions of project length are not affected by their position in government or the country's lending terms.[105] Across regions, differences are again not statistically significant, except that a much higher proportion (19%) of government respondents in Latin America and the Caribbean report that **the length of the project cycle from concept to first disbursement is *extremely long*, compared with 9% across respondents.**

6.3.2 What challenges affect project duration from concept to approval by MDBs?

In the online survey, the top two challenges respondents cited between project concept and board approval are (see Figure 6.3.2):

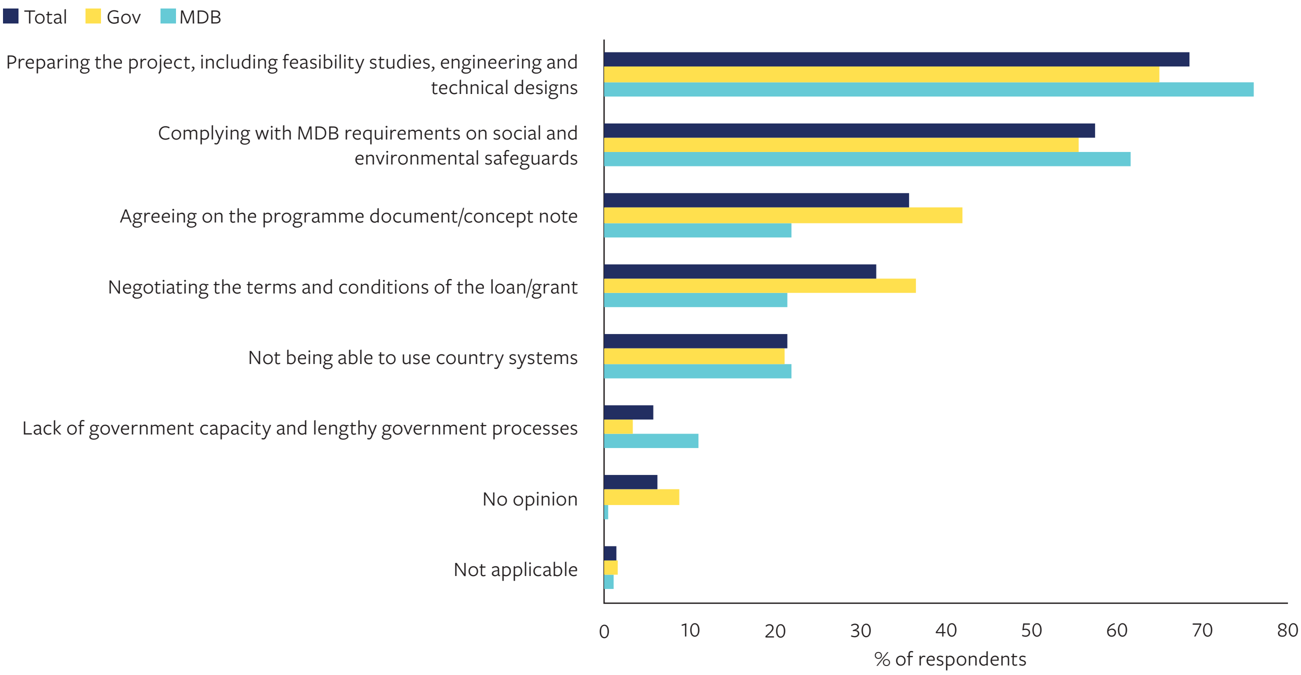
- **Preparing the project (including feasibility studies, engineering and technical design)** (69% in total: 65% of government officials; 76% of MDB staff).

105 We do not show either here.

- **Compliance with MDB requirements and environmental safeguards** (57% in total: 56% government officials and 62% MDB officials). This reaches 67% among respondents from African countries.

Government officials (42%) are more likely than MDB officials (22%) to think that the time it takes to reach agreement on the programme document extends the length of the project cycle unnecessarily; this is also the case for the negotiation of the terms and conditions of the grant/loan (36% vs. 22% among MDB respondents). Only 21% of government officials think that not being able to use country systems extends the project cycle. For the African region, this figure is 26%.[106]

Figure 6.3.2 Challenges extending the project cycle: from concept to board approval



Source: Authors' survey: based on a total of 517 respondents, 390 government officials and 127 MDB officials. Question: *In your view, and considering a typical project, what are the main challenges that unnecessarily extend the project's length, specifically from conception to approval? Please select up to three.* The option 'lack of government capacity and lengthy government processes' was not included in the survey text but coded based on similar replies under the 'others' option.

106 Differences between other groups (lending terms and regions) are not statistically significant (or beyond those already cited).

6.3.3 What challenges affect project duration from board approval to disbursement?

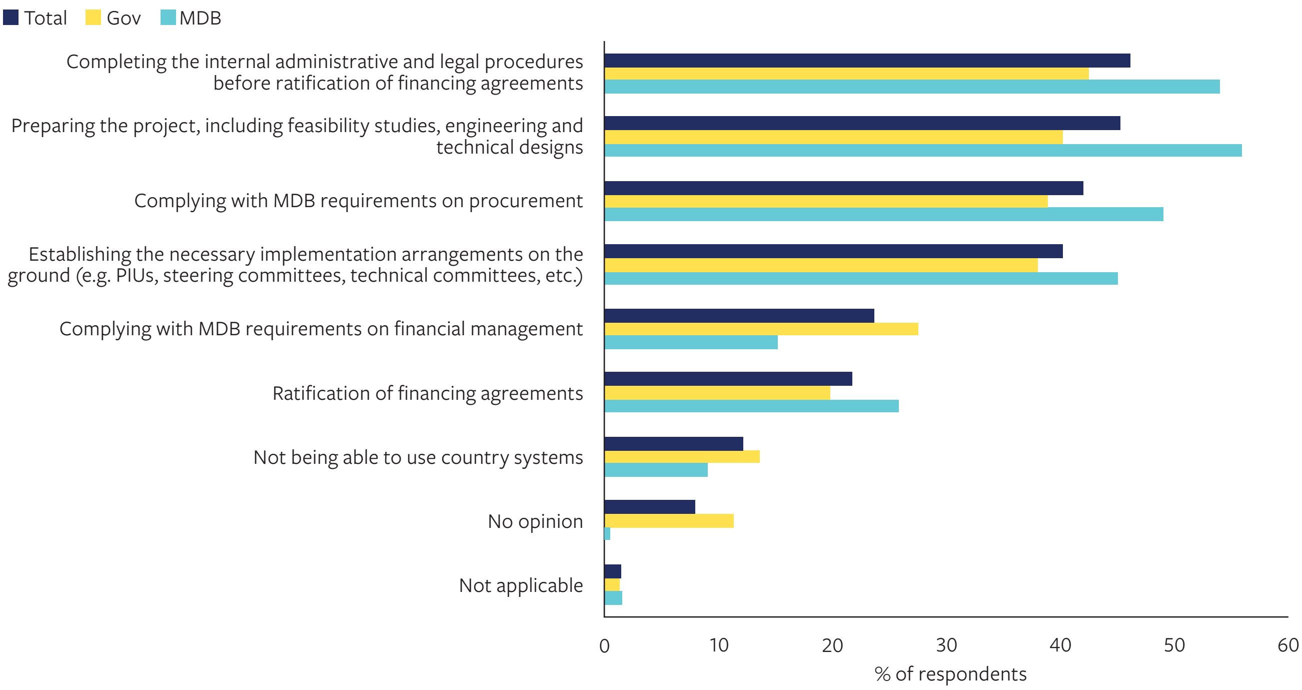
Across all respondents in the online survey, the top factors lengthening the process from board approval to disbursement are (Figure 6.3.3):

- **Completing internal administrative and legal procedures before ratification of financing agreements** (46%).
- **Preparing the project, including feasibility studies, engineering and technical designs** (45%).
- **Complying with MDB requirements on procurement** (42%).
- **Establishing the necessary implementation arrangements**, e.g. project implementation units (PIUs) (40%).

Not being able to use country systems is not considered a key challenge once the project becomes effective (14% of government officials and 9% of MDB staff).

Ranking of the most critical factors is similar between MDB and government officials. Government officials are more likely to emphasise compliance with financial management requirements as a key challenge (28% of government respondents highlighted this issue compared with 15% of MDB respondents). MDB respondents are more inclined to identify project preparation as a significant challenge, with 56% citing it compared with 40% of government officials.

Figure 6.3.3 Challenges extending the project cycle: from board approval to disbursement



Authors' survey: based on a total of 513 respondents, 386 government officials and 127 MDB officials. Question: *Again, considering a typical project but now thinking about the stages from the Board approval to first disbursement by MDBs, what are the main challenges that unnecessarily extend the project's length? Please select up to three.*

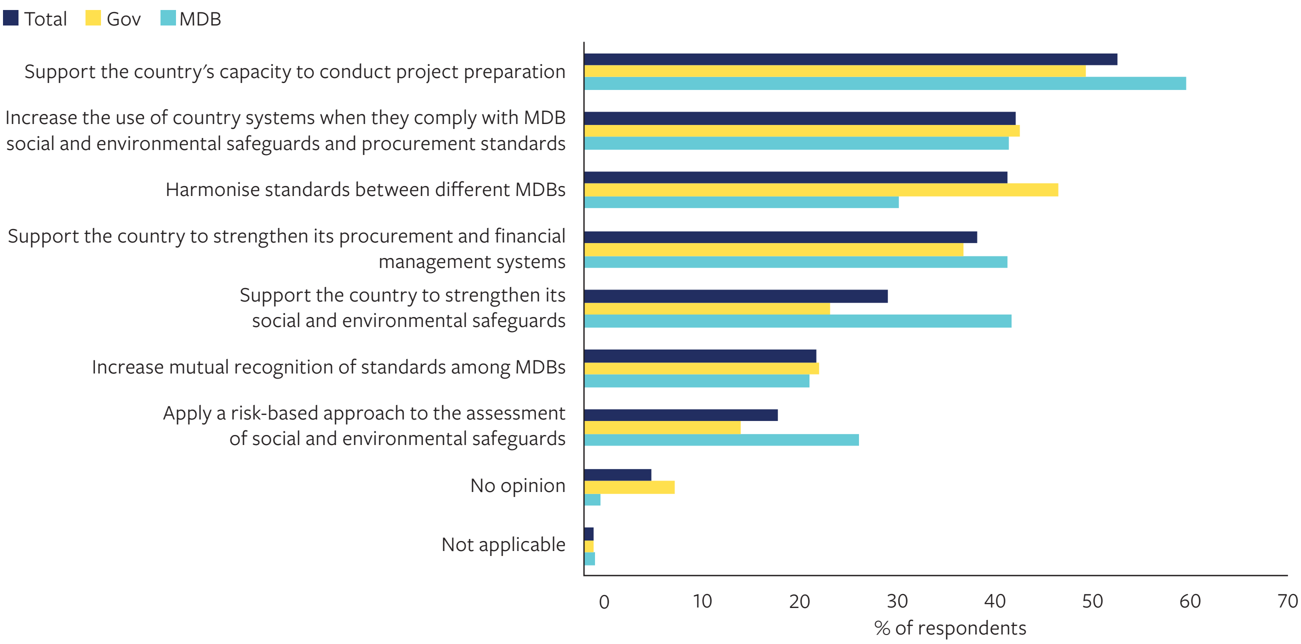
6.3.4 Recommendations for MDBs to reduce processing times

From the online questionnaire, the four key recommendations for MDBs to help countries reduce the time from concept to first disbursement of a project are (Figure 6.3.4):

1. Support country capacity to conduct project preparation (53% of respondents).
2. Increase the use of country systems to comply with MDB social and environmental safeguards and procurement policies (43%); this is particularly the case for respondents from African countries, 52% of whom selected this recommendation. This is in contrast to the results in earlier questions, which did not emphasise the use of country systems as a challenge.
3. Harmonise standards among MDBs (42%).
4. Support countries to strengthen their procurement and financial management systems (39%).

Comparing the responses of government officials and MDBs, three key points stand out.[107] First, more than 4 out of 10 MDB officials (43%) consider strengthening the country's social and environmental safeguards a priority, against only 25% of government officials. Second, 27% of MDB respondents consider utilising a risk-based approach as a solution, but only 16% of government officials do. Finally, a larger proportion of government respondents (47%) than MDB staff (31%) suggested that harmonising standards across MDBs would help reduce the time from project concept to first disbursement.

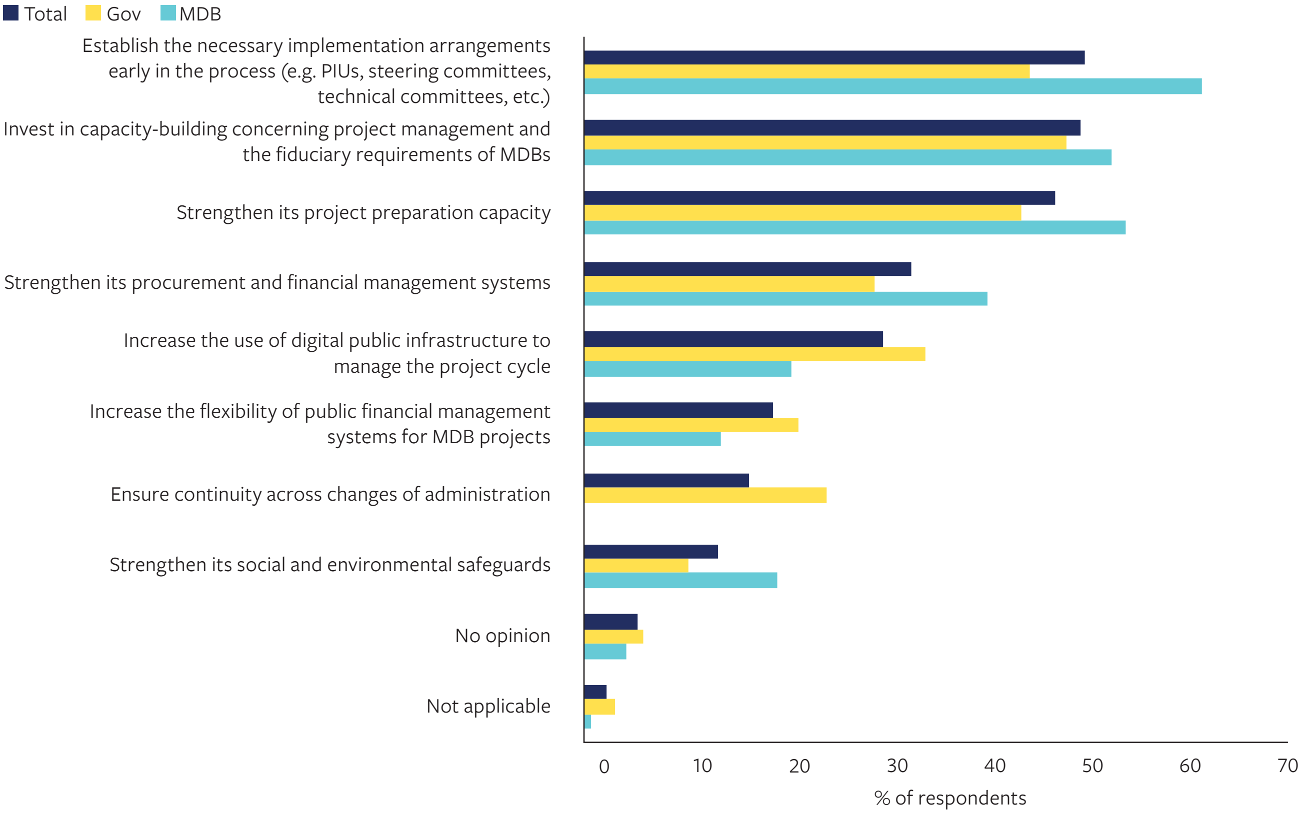
Figure 6.3.4 How MDBs can help reduce the length of the project cycle from concept to first disbursement



Authors' survey, based on a total of 511 respondents, 386 government officials and 125 MDB officials. Question: *In your view, and again considering a typical project, how can MDBs help to reduce the time from conception to first disbursement? Please select up to three.*

107 There were no statistically significant differences between the groups of government officials.

Figure 6.3.5 How governments can help reduce the length of the project cycle



Authors' survey: based on a total of 509 respondents, 382 government officials and 127 MDB officials. Question: *In your view, and again considering a typical project, how can the government of #country# help to reduce the time from conception to first disbursement?* The option 'ensure continuity across changes of administration' was not in the questionnaire, but it reflects common answers under the 'others' option.

A greater share of **government respondents in IDA countries (47%) see MDB support for strengthening procurement and financial management systems as a priority, compared with 30% in IBRD countries**.[108]

6.3.5 Recommendations for governments to reduce processing times

For about half of respondents, a key priority for governments is establishing the necessary implementation arrangements early in the process (50%), investing in capacity-building on project management and the fiduciary requirements of MDBs (49%), and strengthening project preparation capacity (47%). Only 13% of respondents think that the government should prioritise strengthening social and environmental safeguards (Figure 6.3.5).

When assessing the government's role in reducing the length of the project cycle:

- MDB officials (61%) placed greater emphasis than government officials (44%) on establishing the necessary implementation arrangements early in the process (e.g. PIUs, steering committees, technical committees). Similarly,

108 The graph is not shown here.

19% of MDB officials highlighted strengthening the country's social and environmental safeguards as a priority, compared with 10% of government officials.
- Government officials valued increasing the use of digital public infrastructure to manage the project more than MDB officials (34% vs. 21%).
- One in four government officials stressed continuity across administrations as key in reducing the length of the project cycle.

6.3.6 Findings from the country studies

The length of the project cycle emerged as a concern across our country studies and stakeholders. Responsibility for delays is attributed to both MDBs and government systems, as well as challenges arising from the nature of the project, particularly complex infrastructure projects. In general, in-country discussions reflected the findings of the online survey.

In **Brazil**, officials in both the government and MDBs considered the duration of projects with MDBs too long. Several respondents highlighted that MDB project cycles can take more than two years, and one respondent noted instances where the process from concept to first disbursement took so long that a change in leadership at the subnational government (implementing entity) rendered the project no longer a priority. Improvements are seen as marginal and often inconsistent across MDBs.

Respondents acknowledged that the government plays a significant role in lengthening the project cycle. Government officials estimated that roughly two-thirds of the time from project concept to first disbursement is spent on internal government procedures. To shorten the project cycle, respondents suggested strengthening technical capacity within local institutions, making greater use of country systems and streamlining safeguards and procurement processes. While harmonising procedures across MDBs is seen as a potential solution, respondents acknowledged that implementation can be challenging.

In the **Dominican Republic**, respondents agreed that the project cycle was long, but that this was necessary to ensure transparency and accountability. Many government interviewees emphasised that project durations vary widely across project types and that processing times have improved. Officials also acknowledged that government processes are among the main causes of delay. Country presence of MDB officials – especially at the technical level – was given as a key factor in expediting project preparation.

Civil servants interviewed made several constructive suggestions to strengthen capacity within the government and streamline the project cycle after board approval:

- Improve project formulation, particularly through grant financing.
- Ensure greater alignment of feasibility studies with those of MDBs.
- Integrate planning and strategy from the beginning of negotiations – all actors should be involved throughout the cycle – and boost intergovernmental coordination: the early involvement of the Ministry of Finance and greater coordination internally were considered 'gamechangers' by respondents across government.
- Identify implementing actors early, as it often takes time to set up the implementation unit.
- Adopt a multi-phase approach, planning new projects before previous ones end, and use the same team, to retain knowledge and streamline the process.

Government respondents in **Botswana** acknowledged that delays stem more often from the government side, particularly in procurement processes and project preparation. Government officials would welcome strengthening their capacity in these two areas.

For respondents in **Sri Lanka**, the length of the project cycle was a common concern, though some officials noted that reducing it could affect the government's ability to scrutinise project details, leading to delays after the project has started. Delays on the government side stemmed from a fragmented institutional structure and the need to ensure transparency and accountability. A new Public Financial Management Law and Public Investment Programme/Investment Committee should help reduce processing time. Several discussions emphasised funding availability and the quality of feasibility studies.

Increasing government capacity to work with MDBs and their procedures is seen as a key priority. Government respondents noted that MDB processes remain poorly understood within government structures. While innovative financing instruments are welcome, they require additional structured training.

In **Liberia**, ratification of the loan agreement was identified as the key constraint to streamlining the project cycle.

In **Ghana**, limited institutional capacity to implement MDB-financed projects was cited as the leading cause of delays. Several government officials expressed a preference for using MDB procurement rules over country-specific procedures. They noted that MDBs provide dedicated focal points and clearly defined timelines for each step of the process. Deadlines for government entities are often more challenging to enforce, and decisions rely on committee-based approval and the accommodation of competing priorities.

Respondents recommended a range of actions MDBs and the government could take to shorten the project cycle, including building capacity to effectively go through MDB procedures and scrutinise conditions before loans are agreed; streamlining communication between the government and MDBs for specific projects; building a stable pipeline of projects; and early communication of priorities. MDBs were encouraged to provide more resources for project preparation (particularly grant financing); streamline safeguards and combine country missions for project preparation; bring in local context and co-create solutions from early on in the cycle; develop clear guidelines harmonised across MDBs; delegate more authority to the MDB country office; and, for MDBs without a country office, establish a local presence.

In **Uganda**, most interviewees – including government officials – attributed much of the responsibility for the length of project cycles to government systems. Suggestions to streamline the process include:

- Strengthen institutional capacity for project preparation – centres of excellence were cited several times to help build capacity on project implementation.
- Prioritise government projects, which are usually implemented more quickly, and ensure closer alignment between MDB projects and national strategies.
- The establishment of an Integrated Bank of Projects hosted by the Policy Analysis and Public Investment Department at the Ministry of Finance, Planning and Economic Development – with a programmatic, rather

than project-based, approach to planning – was considered to have improved processing times.

- Bundle multiple projects for parliamentary approval, rather than submitting one at a time.
- For MDBs: increase delegation of authority to country offices – sometimes decisions (including minor administrative details on a no-objection basis) are made in Nairobi or Washington.
- For MDBs: provide greater clarity on MDB approval processes and standardise project documents among MDBs.

In **Côte d'Ivoire**, there was strong acknowledgement of the improvements made over the past couple of years. Solutions and recommendations put forward by government officials include expanding digitisation of the process, training government officials on procedures, increasing support for project preparation and strengthening capacity, shifting from a project to a programmatic approach (e.g. MPAs), improving the quality of feasibility studies, particularly to reflect the country context, and ensuring regular portfolio reviews.

In **Bhutan**, the length of MDB project cycles was considered appropriate, particularly compared with projects managed by vertical climate funds. Government respondents noted that requirements across MDBs are not yet aligned and that using country systems and harmonising procedures are two areas that could further shorten the project cycle.

Respondents in **India** reported no significant complaints about the length of the project cycle, and several interviewees emphasised that some MDBs have streamlined their operations in recent years. Recommendations include improving project quality and preparation by selecting priority projects aligned with country priorities and conducting joint feasibility studies rather than duplicating them, and better synchronising the timing of project preparation, including with the local MDB country office.

The **Indian** government has introduced policies to streamline the project cycle on its end. A project readiness checklist is prepared to assess project progress. After 18 months of inaction, a project is classified as 'dormant', with accountability required for this outcome. Tenders should be ready for 30% of the project's value before the government can negotiate the loan.

6.4 Summary

We set two main questions: first, how can MDBs coordinate and cooperate better; and second, what are the strengths and weaknesses of the MDB project cycle and what, from the client perspective, should MDBs do differently? We summarise findings in 10 key points.

1. **Fewer than half of government respondents believe that MDBs are coordinating well in their countries.** Government officials from Africa are more likely to indicate that coordination among MDBs in their countries is either *poor* or *very poor*, with 21% expressing this view. These concerns are shared by only 5% of respondents in Eastern Europe, the Middle East and Central Asia; 12% in East and South Asia and the Pacific; and 11% in Latin America and the Caribbean. With the notable exception of Latin America and the Caribbean, perceptions of how well MDBs work together at the country level have not improved on average between the two editions of this project.

2. **Both government officials and MDB representatives emphasised that co-financing of projects is the priority for coordination among MDBs**, followed by greater coordination on project preparation, policy advice and technical assistance. No dimension received a rating of *well* or *very well* from at least half of respondents.
3. **Many government officials stressed that coordination among MDBs has started to improve,** particularly around specific initiatives, co-financing operations and mutual recognition of standards, but that further harmonisation of standards, greater use of co-financing and joint support to project preparation and technical assistance are required.
4. Key constraints to building high-quality project pipelines were identified as **weak institutional capacity at the national and subnational government level**. Limited government financing for project preparation and the scarcity of grants for project preparation were identified as challenges by approximately one-third of respondents.
5. Respondents would like to see **MDBs expand their programmes to strengthen institutional capacity for project preparation at the national and subnational level, followed by greater coordination** on project preparation with other MDBs active in the country.
6. Some **44% of government respondents think that the time from concept to first disbursement of a typical project with an MDB is either *very* or *extremely long***. Government officials stressed that responsibility rests with both MDBs and the government, with delays more often attributable to government procedures.
7. **Project preparation (including feasibility studies, engineering and technical design)** and **complying with MDB requirements and environmental safeguards** are considered the top two factors extending the length of the project cycle from concept to approval by MDB boards.
8. Between board approval and first disbursement, key challenges are **completing internal administrative and legal procedures before ratification of financing agreements, preparing the project, including feasibility studies, engineering and technical designs**, **complying with MDB requirements on procurement** and **establishing the necessary implementation arrangements**.
9. **Key recommendations to help MDBs streamline their processes (ESF and procurement)** include harmonisation of standards among MDBs and greater support to countries to strengthen their procurement and financial management systems.
10. **For government, respondents prioritised establishment of the necessary implementation arrangements early on in the process**, followed by investment in capacity-building on project management and the fiduciary requirements of MDBs, and strengthening project preparation capacity.

7 How can MDBs increase their operational effectiveness in client countries? Main recommendations

Aid budgets among many donors are being cut; financing needs and debt in many borrowing countries are rising; geopolitical tensions have intensified; and the development finance landscape has become more fragmented. Amid these challenges, we have gathered evidence on the relevance of MDBs to their clients and mandates, their operational effectiveness and areas requiring greater attention.

Our analysis of responses from nearly 650 online questionnaires by government officials and MDB staff across 125 countries, and from semi-structured in-person and online interviews with almost 250 respondents in 12 countries, demonstrates that MDBs remain relevant to their clients, and that their offer is in demand across countries. Reforms to enhance the effectiveness and efficiency of MDBs, both individually and as a system, are beginning to have an impact on the ground.

However, the same evidence also highlights areas for management and shareholders of MDBs to consider and review, both individually and collectively. Addressing these areas and deepening understanding of clients' perspectives could increase MDBs' ability to help these countries meet their priorities and needs, ultimately boosting the overall effectiveness of these institutions.

Drawing on client perspectives, our analysis sets out a series of key recommendations:

1. **Leverage the distinctive and mutually reinforcing combination of functions across MDBs.** In the online survey and interviews, government officials generally valued MDBs' overall offer, considering it relevant to their countries' socioeconomic development. However, what stands out is the importance that government officials attached to the offer *in combination* – financing at better-than-market terms, policy advice, technical assistance, research and convening power. This is unique to MDBs. Financing at better-than-market terms, offered alongside policy advice and technical assistance, is particularly valued.
2. **Make use of MDB headroom.** If there were no constraints on supply, most government respondents expect demand for MDB grants and loans to increase in the medium term. While this is not an assessment of the overall size of future lending, it provides a clear indication – on average in countries borrowing at both concessional and non-concessional terms – that government officials expect to continue, or even increase, access to MDB financing. This is driven by significant financing needs, particularly to expand productive and economic infrastructure, and by the availability of MDB grants and concessional financing, which place less pressure on debt sustainability. For MDBs with shrinking lending headroom, this would require considering general capital increases and expanding concessional windows.

3. **Ensure country presence, including technical staff, and continue the decentralisation process.** The results of the online survey and the interviews clearly indicate that MDBs with a strong country presence, particularly some regional development banks, are perceived to be significantly more effective than those without a regular country presence, or whose staff fly in and out for project-level discussions. Having a country office – at least some stable country presence, of both senior managers and technical staff – significantly improves the visibility of the MDB, enriches dialogue with the government, increases country ownership of programmes and their alignment to national priorities, deepens understanding of government processes and procedures and improves the quality of projects at entry (in turn reducing the length of the project cycle). As in the first edition of the survey, efforts to expand country presence and decentralise decision-making are highly valued by government officials.
4. **Provide tailor-made technical assistance that reflects the local context and culture.** Both in the online survey and the interviews, respondents stressed two linked limitations of MDB technical assistance: limited long-term impact beyond the project's end and standardised advice and assistance that does not account for local context and culture. Interviewees from most countries stressed that technical assistance programmes do not take into account the complexity and specificity of government systems, institutions and legal frameworks, or the country's political economy. They are therefore not perceived as tailored to the local context, culture and language. Several government interviewees recommended that consultants recognise and understand civil servants' existing capacity. Addressing these challenges requires more tailored technical assistance programmes that work closely with government officials. Once again, country presence and a pool of local expertise would facilitate this. Partly as a corollary, several countries asked MDBs to expand their policy advice and technical assistance to include not only diagnostics and problem identification, but also the development of recommendations and practical solutions.
5. **Support countries in low-carbon energy solutions.** Most respondents would like to invest in energy projects powered by renewable sources or low-carbon options. MDBs are well placed to finance and support low-carbon solutions, and this role is highly prized by government respondents.
6. **Clarify the offer and availability of local currency lending and hedging options.** Scaling up local currency solutions and hedging options are priorities in the MDB reform agenda, but they did not feature prominently in the online survey. Local currency lending is perceived as less relevant to sovereign operations. Still, government officials stressed potential appetite if the option was offered, and if tools were available to assess its costs. In certain contexts, lending in local currency is prized by government officials.
7. **Continue reforms to boost the operational effectiveness of MDBs, particularly in countries borrowing at concessional terms.** Interviewees noted that measures to expand operations and make them more effective have begun to deliver at the country level. Even so, respondents in the online survey raised concerns around several aspects of MDB operational effectiveness: the processing of a new loan, the high management burden and reporting requirements for grants and

onerous environmental and procurement safeguards. Streamlining the project cycle is not a short-term task, given the complexity of actors, systems and operations across the project lifecycle, which often vary significantly by country. Effort and attention – particularly in IDA countries, where more significant concerns were raised – should continue to ensure that recommendations are implemented.

8. **Boost and invest more in coordination among MDBs at the country level, particularly in IDA countries.** Government officials value coordination among MDBs throughout the project cycle, with the strongest emphasis on co-financing, project preparation and policy advice and technical assistance. In the online questionnaire, fewer than half of government respondents believe MDBs are coordinating well in their countries, and nowhere except Latin America and the Caribbean has their assessment of the quality of MDB coordination improved despite efforts to enhance coordination as part of the MDB reform agenda. In interviews, government officials acknowledged that coordination among MDBs has strengthened in recent years, but often because of the government's stronger role in facilitating dialogue and establishing a division of labour. Respondents find coordination among MDBs to be least effective in M&E/impact assessment, project preparation and diagnostic tools. Coordination is considered more effective in procurement policies, policy advice and technical assistance, project co-financing and social and environmental safeguards. Joint outcome-oriented initiatives – such as Mission 300 – and budget support initiatives with a common matrix framework are key anchors for collaboration, and are valued by client countries.
9. **Invest more in project preparation.** Client countries see investment in project preparation as fundamental to improving project readiness and transferring skills. Government officials noted that, while access to resources for project preparation has improved in recent years, it remains insufficient to build a robust pipeline of high-quality projects. In IDA countries, 43% of respondents identified limited government financing for project preparation as a constraint. Government officials emphasised the need for greater coordination among MDBs in project preparation to align requirements and avoid duplication.
10. **Streamline the project cycle: priorities for MDBs.** Beyond boosting investment in project preparation and supporting capacity at this stage, government officials are asking MDBs to increase the use of country systems for social and environmental safeguards and procurement, particularly in African countries; help countries strengthen their procurement and financial management systems and harmonise standards and documentation, with clarity about processes from the outset; align feasibility studies with those of the government; ensure strong alignment with government priorities and planning processes, facilitated by greater delegation of authority to MDB country offices; conduct regular and adequate portfolio reviews; and consider expanding instruments such as DPF and multi-phased approaches to programmes.
11. **Strengthen government capacity to streamline the project cycle and scale up MDB support for capacity-building.** Government officials acknowledged that delays in the project cycle often arise from internal administrative constraints and limited capacity. Respondents called on MDBs to scale up sustainable capacity-building, particularly

in project management and fiduciary requirements. Other recommendations include developing project-readiness checklists; ensuring tendering requirements are ready early in the process, even before loan negotiations; strengthening planning capacity, particularly in project prioritisation; and involving all relevant actors as early as possible. MDBs should provide ongoing, structured training to help government staff understand the implications of new financing instruments.

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