

Appendixes

APPENDIX A: PROJECT PERFORMANCE RESULTS

This appendix presents long-term trends in project performance, based on IEG project evaluations using the year 1990 as a starting point and with data up until June 16, 2008. The analysis of the Bank's lending effectiveness focuses on IEG's key performance criteria: the development outcome of projects.

Performance Trends

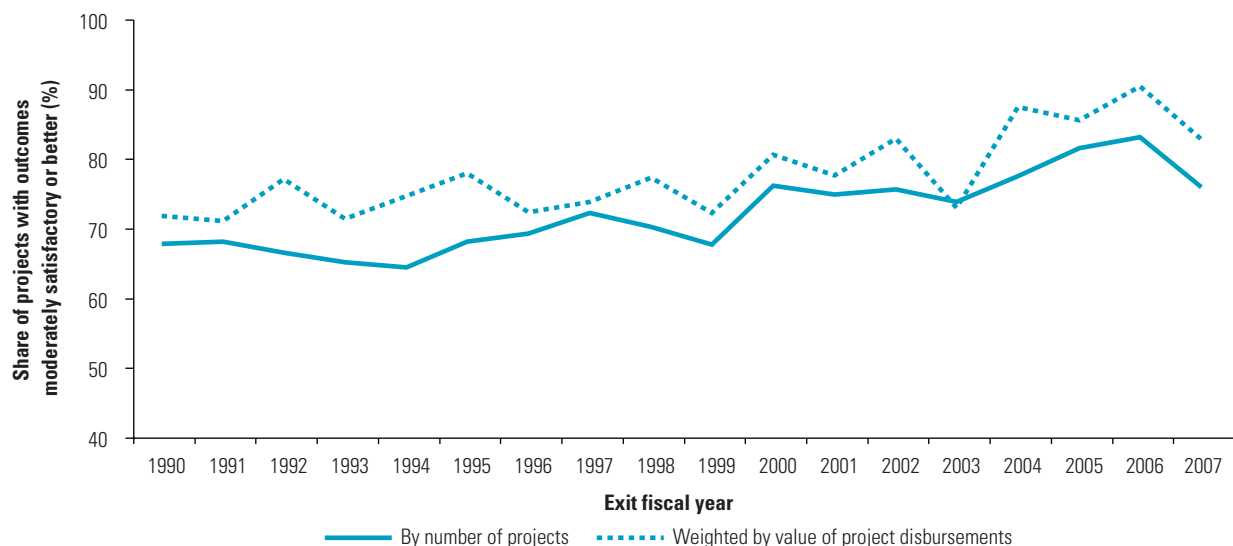
Outcome

Seventy-six percent of projects (by number) in exit fiscal 2007 were rated moderately satisfactory or better, as shown in figure A.1, just about meeting the Strategic Compact target of 75 percent. But this was a sharp decline of 7 percentage points in performance from 83

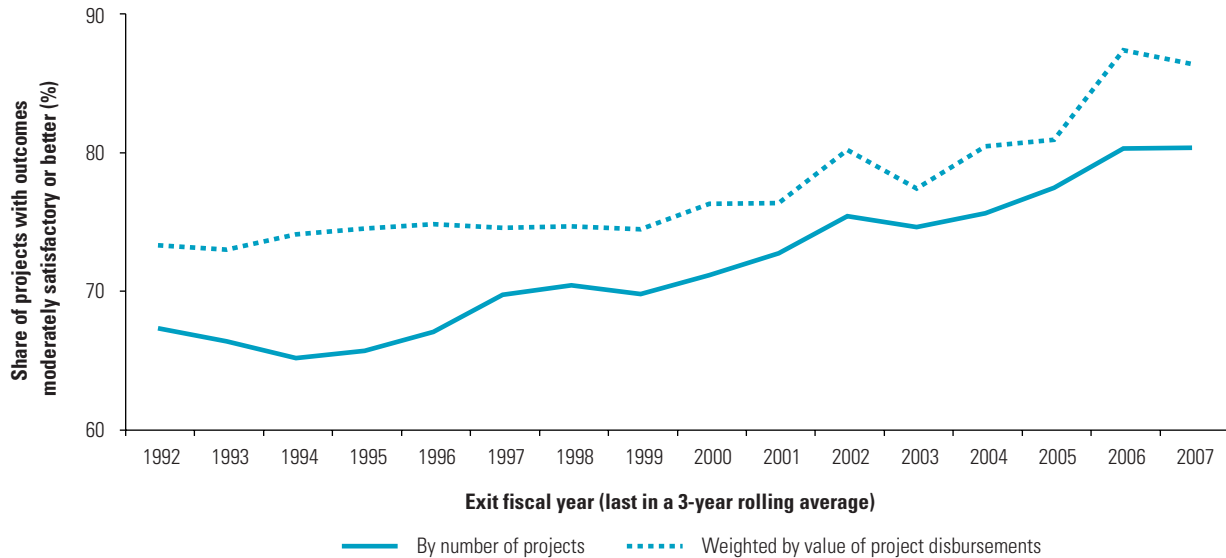
percent in fiscal 2006. Project performance also declined when weighted by the value of disbursements, from 90 percent in fiscal 2006, to 83 percent in fiscal 2007.

How much do the results of fiscal 2007 affect the three-year rolling average of the Bank's project performance? In the medium term, lending outcomes were satisfactory—in the three years up to end-fiscal 2007, 80 percent of projects satisfactorily delivered their targeted results, up from around 70 percent at the start of the decade, as shown in figure A.2. But the three-year average, which had increased every year since 1999, except for a small dip in fiscal 2003, was flat in 2007 because of the weak fiscal 2007 cohort.

Figure A.1: Project Performance Improves in FY06, But FY07's Cohort Declines



Source: World Bank database.

Figure A.2: Project Performance Has Improved over the Medium Term

Source: World Bank database.

What drove the fiscal 2007 decline? Sometimes, a difference in the performance of the Bank's portfolio from one year to the next can be influenced by a change in the composition of projects being evaluated—for example, if there is a larger share of projects in challenging sectors or countries. But the change in portfolio composition in fiscal 2007 from the previous three years—related to Region, sector, instrument, lending arm, proportion of loans to conflict-affected countries, and other factors—does not explain the fall in ratings. Indeed, the fiscal 2007 composition of projects was actually favorable along several dimensions.

For instance, even if the fiscal 2007 cohort had maintained the same composition of adjustment and investment loans as in fiscal 2004–06, one would expect the cohort to have been 75.3 percent satisfactory, practically the same result that occurred in the event. The Regional composition in fiscal 2007 actually favored the outcome—had the Regional composition remained unchanged, the overall fiscal 2007 outcome would have actually declined to 73.3 percent. The change in proportion of lending to conflict-affected and postconflict countries, or to

IDA versus IBRD lending, did not materially affect the outcomes. And the change in the sectoral composition and the share of projects utilizing special lending instruments was only marginally unfavorable (affecting the total by less than 2 percent).

Another possible explanation is that the drop in measured project performance is due to methodological changes in the way in which projects were evaluated in fiscal 2007. Some changes in methods were introduced by IEG and the Bank, together in fiscal 2007, to strengthen the robustness of project ratings and to cover new elements of project design. In the near term they may have introduced some element of discontinuity in the data series between fiscal 2007 and earlier years. It is estimated that the influence of methodology changes has been small—accounting for about 1 percentage point of the fall.

Besides these small changes in composition, what explains the weak performance of the fiscal 2007 cohort? It was driven by projects in health, financial and private sector development, and public sector governance, which performed very

Table A.1: Project Performance in FY07 Was Not Dependent on the Composition of the Cohort

Percentage of Satisfactory Projects		
Adjusting FY07 composition to reflect that of FY04–06 along the following dimensions:	Would yield the following hypothetical outcomes:	
Region	73.3	FY07 composition of projects was slightly favorable
Adjustment or investment	75.3	
Proportion of conflict- or postconflict-affected countries	75.7	
Actual FY07 Outcomes	75.8 percent	FY07 composition of projects had no effect
IDA, IBRD, GEF, or SPF	76.0	FY07 composition of projects was slightly unfavorable
Sector	76.7	
Lending instrument	77.5	

Source: World Bank database.

Note: Conflict- or postconflict-affected countries are those defined as such by the World Bank for any of the years fiscal 2003–06.

poorly relative to the Bank average, as well as projects in South Asia and Africa. In fiscal 2007, health, financial and private sector development, education and urban development showed major declines, when measured by the number of moderately satisfactory or better projects, as in South Asia, Africa, and Latin America, when compared with the prior 3-year period (see figure A.3). The portfolio of loans to conflict and postconflict countries also showed signs of worsening, with 76 percent moderately satisfactory or better in fiscal 2007, as compared with 82 percent in the previous three years. However, they still perform better than loans to nonconflict countries, of which only 69 percent were moderately satisfactory or better.

In fiscal 2007, there was a greater occurrence of five key factors influencing weak outcomes. First, poor or overly complex project design was a problem in more than half of underperforming loans, a finding also made by the World Bank's QAG (World Bank 2008a). For instance, two projects failed to recognize the importance of an appropriate legal and regulatory framework as a precondition to a privatization process. Several health projects failed to ensure a heightened focus on those interventions that would yield the greatest impact, leading for instance, to inadequate targeting of the poor, absence of a cost-effective package of health services, or inadequate funding for behavior change interventions to prevent HIV/AIDS transmission among high-risk groups.

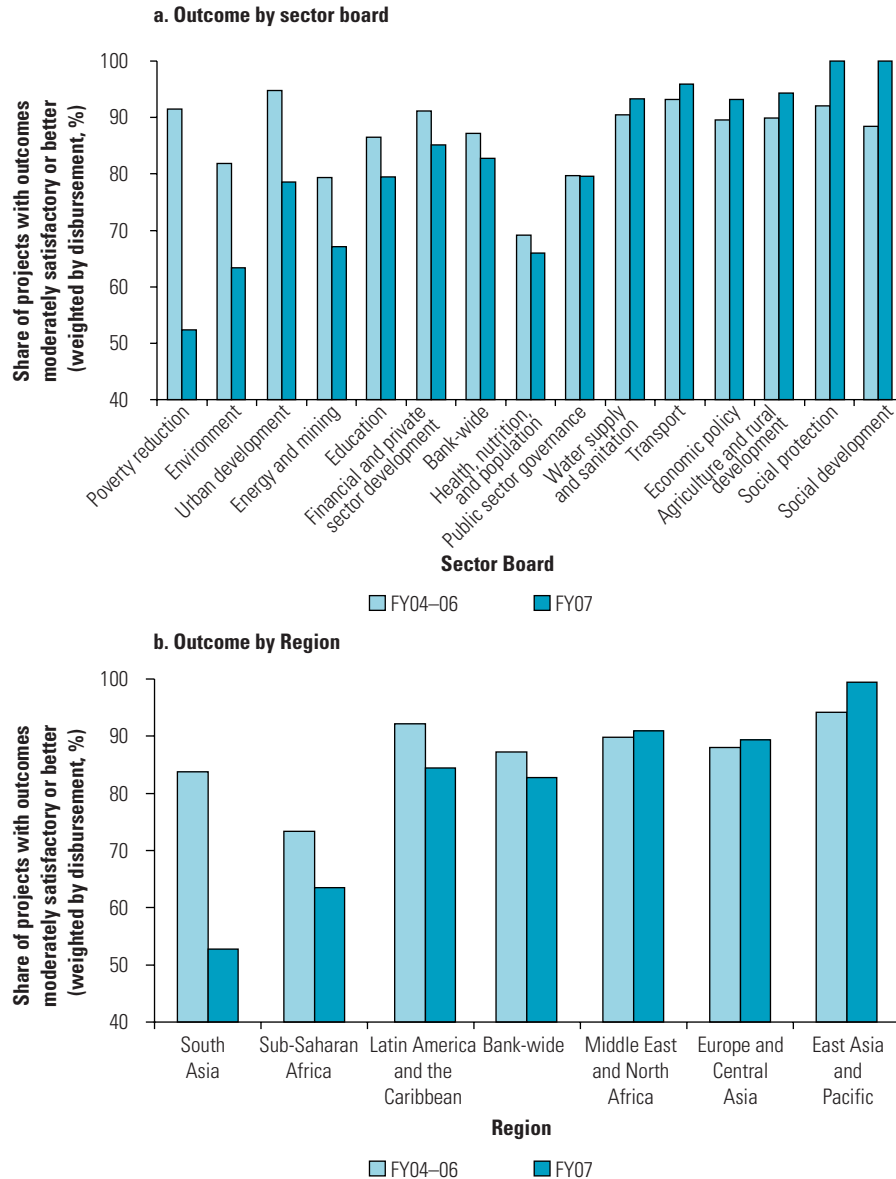
Second, overambition was a weakness. While project objectives were almost always relevant, a majority was too far-reaching. Sometimes this was in terms of assessing political commitment and the feasibility of certain reforms. Other times it was in assessing government effectiveness and capacity, or in requiring coordination across several ministries or cumbersome financial management procedures that were not manageable by the parties involved. IEG's 2008 evaluation of public sector reform shows several examples where these factors led to unsatisfactory outcomes.

Third, delays in implementation caused difficulties, as circumstances changed and project design or implementation could not respond. About one-fifth of underperforming projects suffered from this problem.

Fourth, a majority of the unsatisfactory projects had a weak results framework, with poor or no baseline data, making it difficult to assess the outcomes of the project; and outcomes were often not well linked to inputs and outputs.

Finally, various gaps in the Bank's own performance contributed to a lack of success. For example, in spite of being flagged by the Bank's QAG as having poor quality at the outset, three projects were not reassessed or redesigned. The quality of the Bank's supervision was rated as moderately unsatisfactory or worse in two-thirds of all underperforming projects (and many such

Figure A.3: Projects in Financial and Private Sector Development, Health, and Public Sector Governance Decline in FY07; South Asia and Africa Lag Behind



Source: World Bank database.

Note: Some changes in performance may be explained by a small sample size of projects that exited in fiscal 2007, including in the Environment (14 projects) and Poverty Reduction (4 projects) Sector Boards, and the South Asia Region (9 projects).

projects were not identified as problems in ongoing status reports). Bank overall performance—as distinct from borrower performance or the effects of uncontrollable events—was ranked moderately unsatisfactory or worse in two-thirds of these problem projects, compared with only about one-fifth of the full sample. All of this points

to a challenge in re-emphasizing a proactive quality control in management’s attention to ongoing project performance

Sustainability and Institutional Development Impact

Under the new harmonized evaluation criteria

for project evaluations, approved in October 2005, projects would no longer be rated for their sustainability and institutional development impact (World Bank 2005b). Thus, only 122 of the 249 exit fiscal 2006 projects that were evaluated received a rating for their sustainability, and 132 for institutional development.

For this partial fiscal 2006 cohort, 83 percent of projects are rated likely or highly likely to be resilient to future risks, maintaining the fiscal 2005 rating for sustainability. Fifty-five percent of the partial fiscal 2006 cohort is rated substantial or high on institutional development impact, a small decline from fiscal 2005.¹ However, sustainability ratings represented a 10 percentage point increase, and institutional development impact ratings a 3 percentage point increase, for the fiscal 2006 (partial) cohort over the depressed fiscal 2003 cohort ratings (figure A.4).

Regional Performance

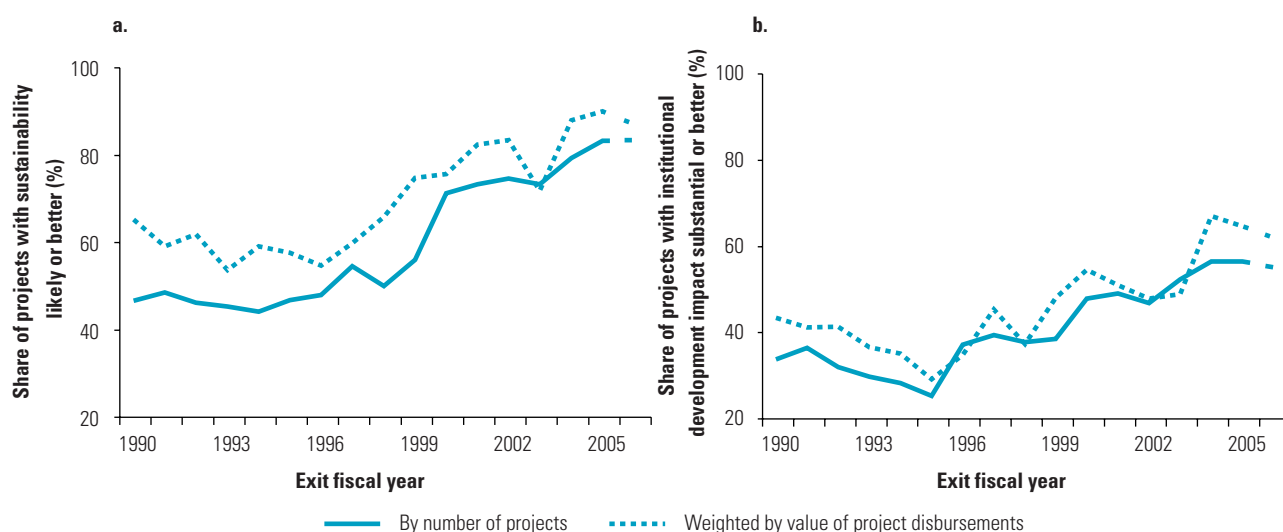
Figure A.5 presents the percentage of satisfactory project outcomes, weighted by disbursement, for the fiscal 2003–07 cohort, as compared with the fiscal 1998–2002 cohort. The East Asia and Pacific and Europe and Central Asia Regions

are the top performers for the fiscal 2003–07 cohort, exceeding the Bank average of 83 percent. The Latin America and Caribbean Region is the only one that declined in performance for the fiscal 2003–07 cohort. In spite of improving the most in performance for fiscal 2003–07, Africa continues to lag behind all other regions. Its performance declined in fiscal 2006 to 69 percent of outcomes moderately satisfactory or better, weighted by disbursement, and to 64 percent in fiscal 2007, an overall reduction of 10 percentage points from fiscal 2005.

Sectoral Performance

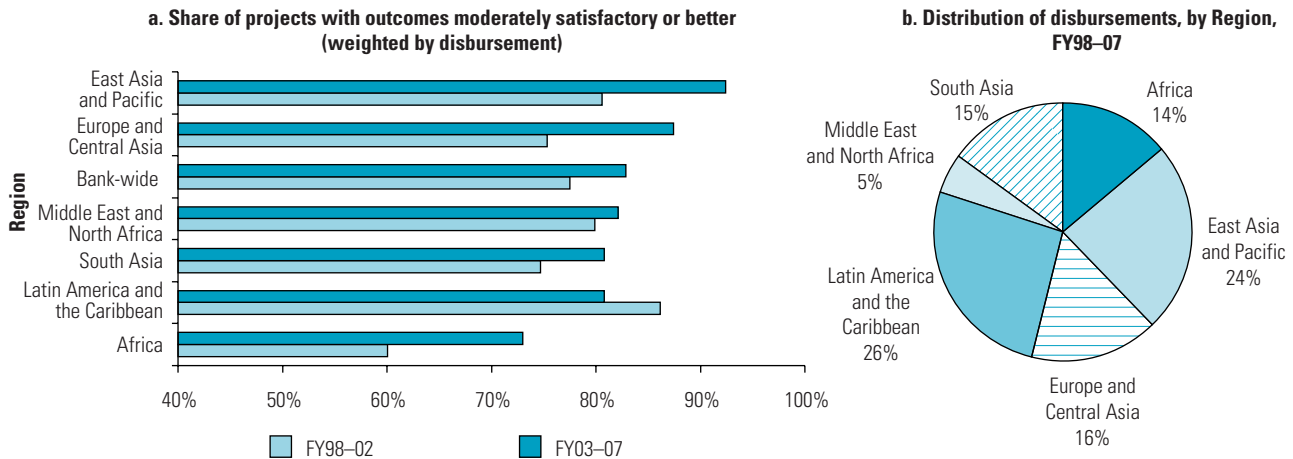
Compared with the fiscal 1998–2002 cohort, the outcome performance weighted by disbursement for the fiscal 2003–07 cohort improved in 8 of 12 sector boards.² Figure A.6 presents the sector boards' (and Bank-wide) outcome performance in order of their fiscal 2003–07 performance. The biggest improvements in outcome ratings were in water supply and sanitation, economic policy, energy and mining, and the social protection sector. The largest declines in performance were in health, nutrition, and population (which, along with economic policy and the environment, were significantly below

Figure A.4: Long-term Trends in Sustainability and Institutional Development



Source: World Bank database.

Note: Data for 2006 are partial (shown by dashed line).

Figure A.5: Africa Improves Relative to FY98–02, But Continues to Lag

Source: World Bank database.

the Bank-wide average for the fiscal 2003–07 period) and in public sector governance.

Lending Instrument Performance

The most recent data show a small dip in the share of development policy lending projects rated moderately satisfactory or better, both by number of projects and value of disbursements (see figure A.7) as measured on a three-year rolling average basis. Investment lending, too, has seen a decline in outcome performance.

New Lending Instruments

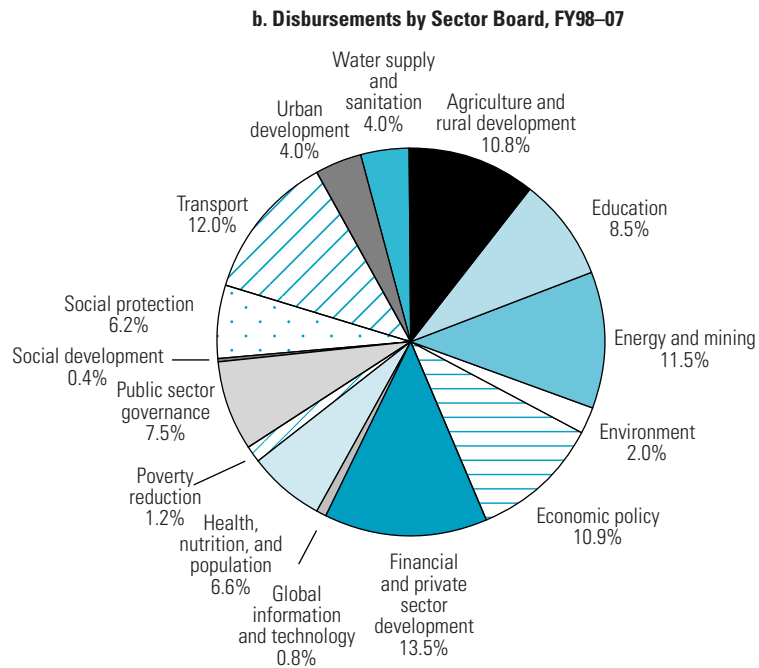
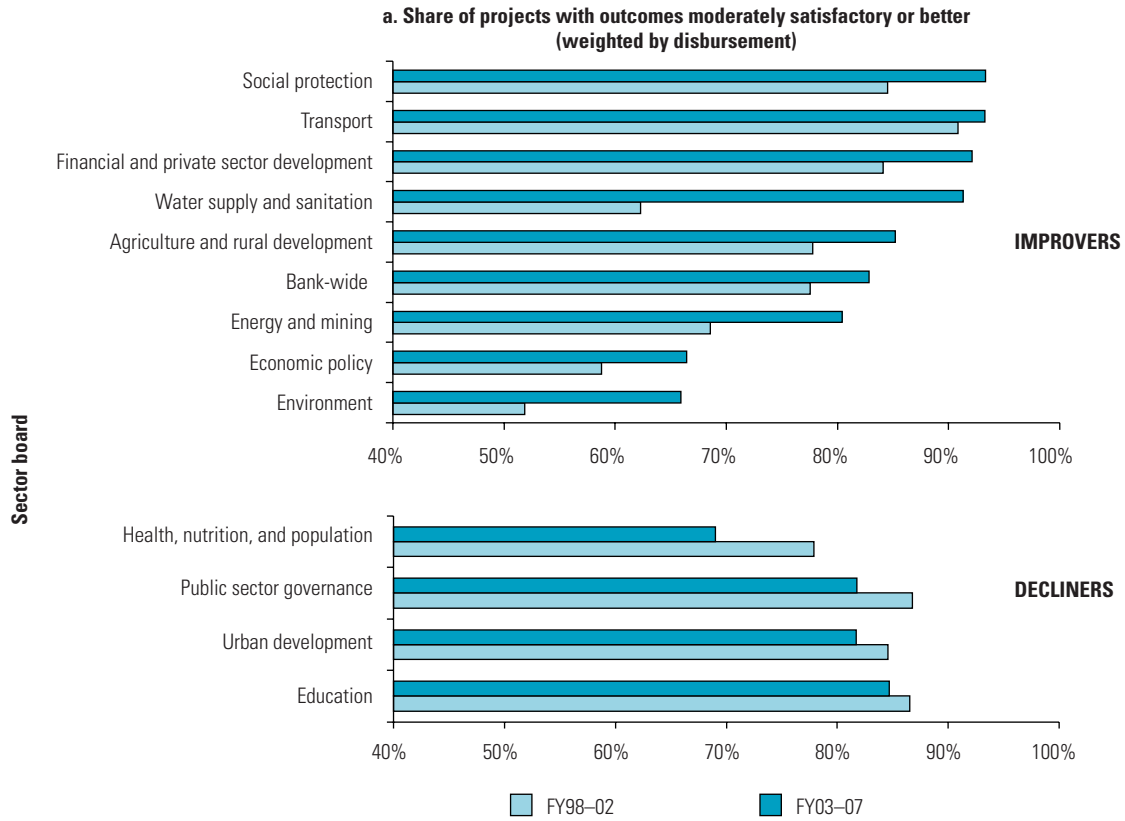
IEG has evaluated 241 operations employing the Bank's four new lending instruments—Adaptable Program Loans, Development Policy Loans, Learning and Innovation Loans, and Poverty Reduction Support Credits. More than 90 percent of these operations exited the Bank's portfolio during the fiscal 2003–07 period, amounting to \$10.5 billion in disbursements, and 17 percent of all the projects that exited during that period. PRSCs have pulled up the performance of the group, exceeding the Bank average for the past five years of 77 percent and 82 percent, respectively, of moderately satisfactory or better projects and disbursements (figure A.8). Their outcome ratings have increased steadily since fiscal 2003 with 100 percent of

PRSCs being ranked satisfactory in fiscal 2006. Some of the project ratings are still provisional, however, with full ratings available for only 25 percent of PRSCs. IEG's ongoing evaluation of PRSCs will shed more light on the performance of this instrument. However, Learning and Innovation Loans are performing below the Bank average, and Adaptable Program Loan ratings have shown a decline in the two years since fiscal 2005 in performance, but an increase as a proportion of the portfolio in fiscal 2007. Twenty-one Development Policy Loans, the newest Bank instrument, have been rated so far, and have performed just above the Bank average, weighted by disbursement, over fiscal 2003–07.

Bank-Managed Special Programs

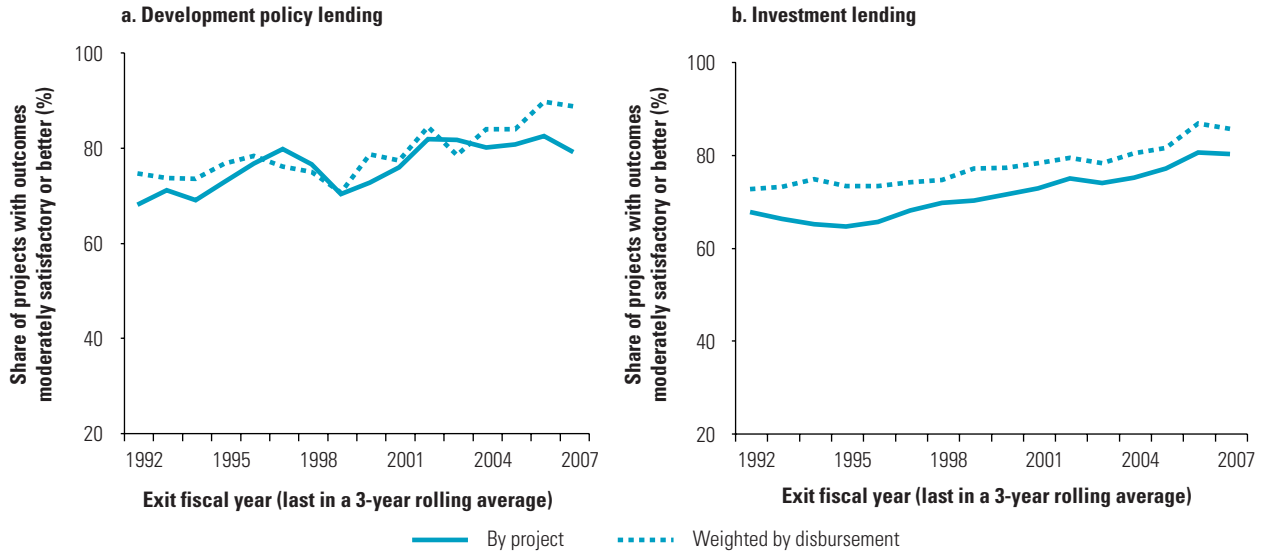
IEG has evaluated 87 operations financed under four Bank-managed special programs that have exited the Bank's portfolio since fiscal 2003 (table A.2). Seventy-seven percent of the special operations had satisfactory outcomes, a decline of 8 percent as compared with operations exiting between fiscal 1998 and fiscal 2002. This decline in performance is mainly due to the lower satisfactory outcomes of Special Financing Grants or multidonor-sponsored trust funds that have assisted five conflict-affected or postconflict countries in the past decade.³ The resources

Figure A.6: Trends in Sectoral Performance



Source: World Bank database.

Figure A.7: Long-Term Trends in Development Policy Lending and Investment Lending



devoted to Special Financing Grants exiting between fiscal 2003 and fiscal 2007 were \$493 million, or 0.5 percent of the Bank's overall project portfolio during this period.⁴

Figure A.8: Outcome Performance of New Lending Instruments

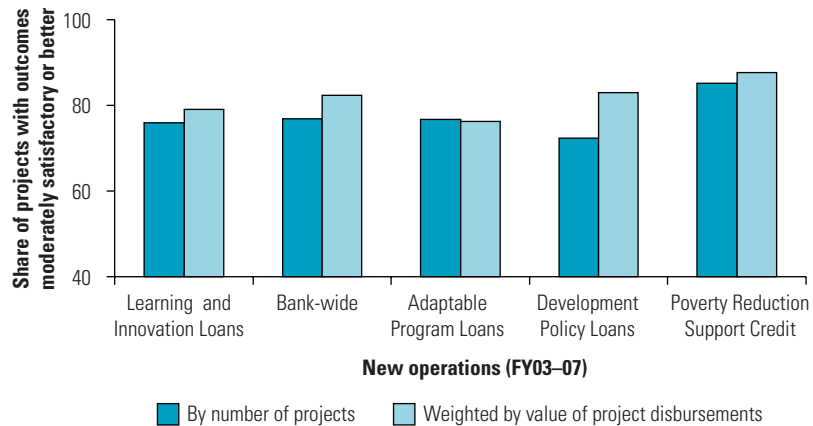


Table A.2: Bank-Managed Special Programs Are Performing on Par with Bank Average

Special program type	Exit FY98–02			Exit FY03–07		
	Number of evaluated projects	Disbursements (% of World Bank portfolio)	Outcome: % satisfactory ^a	Number of evaluated projects	Disbursements (% of World Bank portfolio)	Outcome: % satisfactory ^a
Global Environment Facility	39	0.1	79.5	39	0.46	84.6
Montreal Protocol Fund	4	0.0	100.0	5	0.05	100.0
Rainforest Initiative	1	0.0	100.0	2	0.00	100.0
Special Financing Grants	17	0.2	94.1	41	0.54	65.9
All Special Programs	61	0.3	85.2	87	1.0	77.0

Source: World Bank database.

a. Projects whose outcomes are rated moderately satisfactory, satisfactory, or highly satisfactory are here referred to as "satisfactory."

Table A.3: Outcome, Sustainability, and Institutional Development (ID) Impact by Various Dimensions, by Project, FY98–07

	Exit FY98–02				
	Number of projects	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better
Sector Board					
Agriculture and Rural Development	229	16	66.4	53.7	37.8
Economic Policy	74	5	56.8	65.2	29.7
Education	133	10	81.2	66.9	40.6
Energy and Mining	153	11	68.0	59.4	43.3
Environment	72	5	71.8	73.9	50.7
Financial and Private Sector Development	159	11	64.9	66.4	38.8
Gender and Development		0	na	na	na
Global Information/Communications Technology	16	1	100.0	100.0	68.8
Health, Nutrition, and Population	108	8	65.7	61.0	36.9
Poverty Reduction		0	na	na	na
Public Sector Governance	98	7	84.4	79.8	54.2
Social Development	1	0	100.0	100.0	100.0
Social Protection	84	6	83.1	58.3	45.8
Transport	137	10	88.0	78.4	64.7
Urban Development	67	5	71.2	50.0	36.4
Water Supply and Sanitation	67	5	65.2	46.9	33.3
Overall Result	1,398	100	72.5	63.8	43.4
Lending Instrument Type					
Dev Pol Lending	177	13	75.1	73.8	43.2
Investment	1220	87	72.1	62.3	43.4
Not Assigned	1	0	100.0	100.0	0.0
Overall Result	1,398	100	72.5	63.8	43.4
Network					
Financial and Private Sector Development	172	12	66.5	64.7	38.8
Human Development	325	23	76.6	62.8	40.8
Poverty Reduction & Economic Management	172	12	72.4	73.4	43.5
Sustainable Development	729	52	72.1	61.8	45.5
Overall Result	1,398	100	72.5	63.8	43.4
Region					
Africa	385	28	59.5	47.1	32.4
East Asia and Pacific	206	15	76.2	64.4	45.5
Europe and Central Asia	274	20	82.8	80.2	52.4
Latin America and Caribbean	277	20	76.4	69.4	50.8
Middle East and North Africa	105	8	73.8	64.9	39.8
Not Assigned	0	0	na	na	na
South Asia	151	11	74.2	64.8	41.1
Overall Result	1,398	100	72.5	63.8	43.4
Agreement Type					
Not Assigned	1	0	100.0	100.0	100.0
Global Environmental Facility	39	3	79.5	63.2	51.3
IBRD	671	48	75.9	71.6	48.7
IDA	665	48	67.9	55.5	37.4
Montreal Protocol Fund	4	0	100.0	100.0	75.0
Rainforest Initiative	1	0	100.0	100.0	0.0
Special Financing Grants	17	1	94.1	71.4	41.2
Overall Result	1,398	100	72.5	63.8	43.4

Source: World Bank database.

na = not applicable.

a. Projects whose outcomes are rated moderately satisfactory, satisfactory, or highly satisfactory are here referred to as "satisfactory."

Exit FY03–07					Exit FY98–07				
Number of projects	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better	Number of projects	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better
188	14	83.1	78.0	60.1	417	15	73.9	62.5	46.5
76	6	81.1	80.0	41.0	150	5	68.9	71.4	34.8
136	10	81.3	85.4	59.8	269	10	81.3	74.6	48.7
83	6	77.5	80.0	67.9	236	9	71.3	64.8	49.8
84	6	75.3	73.1	52.5	156	6	73.7	73.6	51.5
124	9	72.1	80.7	56.1	283	10	68.1	71.9	45.6
1	0	100.0	100.0	100.0	1	0	100.0	100.0	100.0
11	1	100.0	100.0	50.0	27	1	100.0	100.0	62.5
109	8	61.5	72.6	59.2	217	8	63.6	65.9	46.4
21	2	81.0	90.9	53.8	21	1	81.0	90.9	53.8
124	9	64.5	74.4	41.9	222	8	73.3	77.1	48.1
23	2	71.4	66.7	42.9	24	1	72.7	69.2	46.7
96	7	83.0	74.5	50.0	180	7	83.1	65.0	47.7
119	9	92.4	86.5	62.7	256	9	90.0	81.4	63.9
78	6	79.2	77.0	44.8	145	5	75.5	63.2	40.6
71	5	84.3	78.8	59.6	138	5	75.0	61.2	45.5
1,344	100	78.1	78.9	54.8	2,742	100	75.2	69.9	48.1
202	15	79.8	88.1	52.6	379	14	77.6	80.3	47.6
1,140	85	77.7	77.1	55.1	2,360	86	74.8	68.2	48.2
2	0	100.0	100.0	100.0	3	0	100.0	100.0	50.0
1,344	100	78.1	78.9	54.8	2,742	100	75.2	69.9	48.1
124	9	72.1	80.7	56.1	296	11	68.9	70.5	45.2
341	25	75.4	78.4	56.8	666	24	76.0	69.4	47.7
222	17	71.9	77.7	42.9	394	14	72.1	75.5	43.2
657	49	82.7	79.1	57.6	1,386	51	77.1	68.5	50.4
1,344	100	78.1	78.9	54.8	2,742	100	75.2	69.9	48.1
316	24	67.1	66.3	47.7	701	26	62.9	54.2	38.3
202	15	83.5	80.9	64.4	408	15	79.9	71.2	53.6
282	21	83.2	89.6	62.9	556	20	83.0	84.4	57.0
318	24	82.6	81.3	56.7	595	22	79.7	74.6	53.4
111	8	73.6	70.9	33.7	216	8	73.7	67.6	37.0
1	0	100.0	na	na	1	0	100.0	na	na
114	8.5	78.1	83.8	54.8	265	9.7	75.8	71.3	46.0
1,344	100	78.1	78.9	54.8	2,742	100	75.2	69.9	48.1
0	0	na	na	na	1	0	100.0	100.0	100.0
39	3	84.6	76.2	53.8	78	3	82.1	67.8	52.3
603	45	82.3	83.9	57.6	1,274	46	78.9	76.6	52.4
654	49	74.4	75.7	53.2	1,319	48	71.1	63.6	44.0
5	0	100.0	100.0	50.0	9	0	100.0	100.0	66.7
2	0	100.0	100.0	100.0	3	0	100.0	100.0	50.0
41	3.1	65.9	48.2	37.5	58	2.12	74.1	56.1	38.8
1,344	100	78.1	78.9	54.8	2,742	100	75.2	69.9	48.1

Table A.4: Outcome, Sustainability, and Institutional Development (ID) Impact by Various Dimensions, by Disbursement, FY98–07

	Exit FY98–02				
	Disburse- ments (\$m)	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better
Sector Board					
Agriculture and Rural Development	11,669	11	77.8	67.3	45.4
Economic Policy	11,497	11	51.9	77.5	37.7
Education	8,125	8	86.6	76.4	44.7
Energy and Mining	15,234	14	68.6	62.3	44.0
Environment	1,517	1	58.8	84.9	37.4
Financial and Private Sector Development	18,019	17	84.1	85.9	51.3
Gender and Development	0	0	na	na	na
Global Information/Communications Technology	1,297	1	100.0	100.0	61.5
Health, Nutrition, and Population	5,622	5	77.9	74.5	45.8
Poverty Reduction	0	0	na	na	na
Public Sector Governance	7,638	7	86.8	91.1	52.0
Social Development	5	0	100.0	100.0	100.0
Social Protection	6,289	6	84.5	77.1	40.9
Transport	11,908	11	90.8	85.1	66.0
Urban Development	3,868	4	84.6	56.7	40.8
Water Supply and Sanitation	4,342	4	62.3	40.4	26.1
Overall Result	107,031	100	77.5	74.9	46.8
Lending Instrument Type					
Dev Pol Lending	38,247	36	77.6	84.8	46.0
Investment	68,783	64	77.5	69.7	47.3
Not Assigned	0	0	na	na	na
Overall Result	107,031	100	77.5	74.9	46.8
Network					
Financial and Private Sector Development	19,658	18	84.2	82.3	48.9
Human Development	20,036	19	83.5	76.1	43.8
Poverty Reduction & Economic Management	19,135	18	65.8	83.0	43.4
Sustainable Development	48,202	45	77.0	68.7	48.8
Overall Result	107,031	100	77.5	74.9	46.8
Region					
Africa	13,143	12	60.0	48.5	28.7
East Asia and Pacific	28,502	27	80.6	81.4	50.3
Europe and Central Asia	19,187	18	75.3	82.6	51.4
Latin America and Caribbean	25,040	23	86.2	80.1	54.5
Middle East and North Africa	5,544	5	79.9	67.3	49.4
Not Assigned	0	0	na	na	na
South Asia	15,616	15	74.7	70.8	37.5
Overall Result	107,031	100	77.5	74.9	46.8
Agreement Type					
Not Assigned	32	0	100.0	100.0	100.0
Global Environment Facility	138	0	80.0	69.6	55.6
IBRD	79,302	74	78.5	78.5	50.0
IDA	27,332	26	74.6	64.9	38.1
Montreal Protocol Fund	9	0	100.0	100.0	81.4
Rainforest Initiative	0	0	na	na	na
Special Financing Grants	219	0	96.8	69.2	33.4
Overall Result	107,031	100	77.5	74.9	46.8

Source: World Bank database.

na = not applicable.

a. Projects whose outcomes are rated moderately satisfactory, satisfactory, or highly satisfactory are here referred to as "satisfactory."

Exit FY03–07					Exit FY98–07				
Disbursements (\$m)	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better	Disbursements (\$m)	Share (%)	Outcome: % satisfactory ^a	Sustainability: % likely or better	ID impact: % substantial or better
9,800	11	85.2	82.2	70.3	21,469	11	81.2	73.0	55.1
10,081	11	65.9	55.6	27.3	21,578	11	58.4	67.6	33.0
8,798	10	84.7	95.5	70.2	16,922	9	85.6	85.0	56.3
7,635	8	80.4	76.3	74.4	22,869	12	72.5	65.7	51.4
2,393	3	66.4	76.9	40.4	3,911	2	63.0	80.3	39.1
8,847	10	92.1	95.6	81.0	26,866	14	86.8	89.0	61.4
3	0	100.0	100.0	100.0	3	0	100.0	100.0	100.0
214	0	100.0	100.0	33.2	1,511	1	100.0	100.0	58.0
7,426	8	69.0	78.2	61.1	13,048	7	72.8	76.1	52.6
2,287	3	84.8	92.5	28.9	2,287	1	84.8	92.5	28.9
7,337	8	81.8	88.2	51.8	14,975	8	84.3	89.8	51.9
847	1	65.4	94.2	44.2	852	0	65.6	94.2	44.6
6,025	7	93.3	85.2	72.2	12,313	6	88.8	79.5	51.9
11,906	13	93.3	90.4	60.9	23,814	12	92.0	87.3	63.9
4,156	5	81.7	80.6	53.0	8,024	4	83.1	68.6	46.9
3,598	4	91.3	78.8	66.1	7,941	4	75.4	55.8	42.3
91,353	100	82.8	82.5	59.3	198,383	100	80.0	77.9	51.8
30,125	33	82.2	81.9	53.1	68,372	34	79.6	83.7	48.9
61,228	67	83.1	82.9	62.7	130,011	66	80.1	74.9	53.4
0	0	na	na	na	0	0	na	na	na
91,353	100	82.8	82.5	59.3	198,383	100	80.0	77.9	51.8
8,847	10	92.1	95.6	81.0	28,505	14	86.7	86.2	59.1
22,248	24	81.8	87.8	67.9	42,284	21	82.6	80.9	54.0
19,708	22	74.0	70.7	35.7	38,843	20	70.0	77.2	39.8
40,549	44	85.6	82.8	62.8	88,751	45	80.9	74.1	54.2
91,353	100	82.8	82.5	59.3	198,383	100	80.0	77.9	51.8
14,572	16	73.0	74.8	52.0	27,714	14	66.9	60.1	39.2
18,261	20	92.4	90.2	74.7	46,763	24	85.2	84.2	59.0
12,053	13	87.4	92.9	70.7	31,240	16	80.0	86.4	58.2
28,920	32	80.8	73.7	56.4	53,960	27	83.3	77.3	55.4
4,032	4	82.1	82.3	31.2	9,575	5	80.8	72.5	43.1
0	0	na	na	na	0	0	na	na	na
13,491	15	80.8	87.8	48.5	29,107	15	77.5	77.5	41.8
91,353	100	82.8	82.5	59.3	198,383	100	80.0	77.9	51.8
0	0	na	na	na	32	0	100.0	100.0	100.0
422	0	90.9	91.8	52.3	560	0	88.2	84.1	53.3
58,907	64	84.7	82.9	62.4	138,209	70	81.1	80.1	54.6
31,487	34	79.4	82.1	53.8	58,820	30	77.1	72.5	45.3
43	0	100.0	100.0	4.0	52	0	100.0	100.0	21.2
0	0	na	na	na	0	0	na	na	na
493	1	66.9	44.3	25.8	712	0	76.1	52.8	28.5
91,353	100	82.8	82.5	59.3	198,383	100	80.0	77.9	51.8

APPENDIX B: MONITORING AND EVALUATION OVERVIEW

The Bank has in place the policies and procedures to monitor, self-evaluate, and conduct independent evaluation of its operations. The Regions conduct the monitoring and self-evaluating of their lending, analytical, and advisory activities, and country assistance programs under guidelines issued by the Operations Policy and Country Services Vice-Presidency. Monitoring and self-evaluation of operations Bank-wide is carried out by the Quality Assurance Group, Operations Policy and Country Services, and other units. The Bank is also strengthening its monitoring and self-evaluation activities financed through trust funds and its involvement in global programs and partnerships.

Independent evaluation is carried out by IEG. The Director-General of Evaluation reports directly to the Executive Board, which approves the Director-General's mandate and IEG's terms of reference. IEG validates the Bank's self-evaluations, verifies their results, and assesses

the relevance, efficacy, and efficiency of Bank operational activities and processes.

The Bank formally revised some of its policies to better monitor and evaluate the results of Bank operations. The Bank issued a new OP/BP 8.60, *Development Policy Lending*, in 2004, requiring outcomes and measurable indicators for M&E in policy loans/credits as well as investment projects. BP 2.11, *Country Assistance Strategies*, was updated in 2005, mainstreaming the results-based country assistance strategy approach. In 2007, the Bank revised OP 13.60, which had focused on dissemination and utilization of IEG findings, making it a policy on M&E. The new OP 13.60, *Monitoring and Evaluation*, includes a section on Bank monitoring and self-evaluation and another on independent evaluation, outlining IEG's role. OP/BP 14.40, *Trust Funds*, also provides guidance on monitoring and evaluation for activities falling under that rubric, and has been updated to introduce enhancements, including greater coverage of periodic independent evaluation.

Table B.1: Summary of Bank Monitoring and Evaluation

Type of intervention or instrument	MONITORING	
	Defining outcomes and monitoring indicators	Tracking and reporting on implementation progress
Loans and credits	Results frameworks in Project Appraisal Documents (for investment loan/credits) and Program Documents (for development policy loans/credits)	Implementation Status Report
Analytical and advisory activities	Concept paper specifies development objectives and tracking indicators	Activity update summary
Country programs	Results framework in Country Assistance Strategy	CAS Progress Report
Trust-funded activities	Initiating Brief for Trust Fund includes program objectives and accompanying performance indicators	Grant reporting and monitoring system for child trust fund/grant

Source: IEG.

EVALUATION		
Self-evaluation	Independent evaluation by IEG	
	Individual activity	Aggregate level
<ul style="list-style-type: none"> • Ex post: Implementation Completion and Results Reports • Ex ante: QAG Quality-at-Entry Assessments. • Bank-wide: QAG Annual Report on Portfolio Performance 	ICR reviews (all); Project Performance Assessment Report (selected)	ARDE
<ul style="list-style-type: none"> • Ex post: Activity completion summary • Country: QAG analytic and advisory activity assessments • Bank-wide: QAG Annual Report on Portfolio Performance 	Reviewed as part of sector/thematic and country assistance evaluations	
<ul style="list-style-type: none"> • Ex post: CASCR • Bank-wide: CAS retrospectives. 	<ul style="list-style-type: none"> • CASCR reviews; • Country Assistance Evaluations 	ARDE, sector/thematic evaluations
<ul style="list-style-type: none"> • Less than \$1 million: grant report and monitoring completion report • More than \$1 million: Implementation Completion and Results Report 		

APPENDIX C: IEG'S SELF-EVALUATION: IMPROVING EFFECTIVENESS

Overview

IEG contributes to the Bank's effectiveness by supporting the Board's oversight function and promoting learning within the Bank and the development community. One tool to gather feedback on IEG's work is a client survey, albeit any such survey has limitations, with respect to sample size and scale of response. The most recent survey found that among respondents, both inside and outside the Bank, there was some increase in awareness of IEG's products. Compared with earlier years, an increasing proportion of respondents reported general satisfaction with the quality and timeliness of IEG products. But they gave IEG lower marks for depth of analysis and incorporation of all available information. The use of evaluations for oversight among World Bank Executive Directors who responded to the survey remains high. Use of evaluation findings in the design of new operations by respondents who are operational staff was higher in 2007 than a year earlier, but remains low.

The lower ratings for operational use and satisfaction with depth of analysis point to the challenge of finding the right breadth and length for IEG products. IEG's work program for fiscal 2009–11, discussed with CODE in May 2008, assembles a good mix of activities, including increased emphasis on newer products such as CASCR reviews, clustered Project Performance Assessment Reports, and quicker turnaround reports on selected major issues of topical interest.

Beyond client feedback, the Management Action Record (MAR) allows IEG to track its recommenda-

tions from sector, thematic, and corporate evaluations. Bank management is accountable to the Board for follow-up. The MAR tracks the level of adoption and the status of individual recommendations. It presents management's ratings on these two indicators and IEG's assessment of the same.

The 2008 MAR shows a continuing high level of agreement by the Bank with IEG's recommendations. Some 96 percent of IEG proposals made in the last three years' evaluations have been accepted by the Bank. In terms of the Bank then adopting those recommendations and putting them into practice, some 95 percent have been adopted with medium, substantial, or high ratings, a level slightly above the previous year. However, the share of recommendations adopted with substantial or high ratings was 42 percent, which is below the level of previous years.

Going forward, the challenge is for IEG to continue producing high-quality evaluations with sensible and practical recommendations, retain the high level of agreement on those recommendations, and for the Bank to lift its intensity of adoption and implementation.

Improving IEG's Effectiveness

This appendix provides an overview of IEG's role in improving the Bank's development effectiveness. It includes a results framework that links IEG's mandate and objectives to its operations. Within this framework, the appendix updates IEG's efforts to increase its evaluation focus on results. The appendix includes findings from the annual client survey, an update on the communications and outreach strategy, and the status of the MAR.

IEG's Results Framework

IEG has three functions in improving development effectiveness. First, it provides accountability by independently reporting on the results achieved by Bank operations. Second, it distills the Bank's operational experience into knowledge of what works and why, and makes that knowledge widely available to Bank personnel and the global development community. Third, it supports client governments with its technical knowledge on M&E through its evaluation capacity development activities.

IEG has a mandate to assess "whether the World Bank Group's programs and activities are producing the expected results, including global, regional, and other programs in which the World Bank Group is a participant."¹ By reporting the results of its evaluations to the Board of Directors and communicating the findings and lessons from its work to Bank management, operational staff, and the development community, IEG expects to increase the Bank's effectiveness and influence Bank and client country decisions on policies, programs, and procedures. While fully independent,² IEG is placed within the Bank to maximize its operational effectiveness and to provide operational staff and strategic decision makers with knowledge that helps them work more effectively.

IEG's results chain is summarized in figure C.1, and related to measures of performance that have been collected for this report. IEG's outputs are the findings, lessons, and recommendations from its evaluations, and evaluation capacity support in client countries. Dissemination efforts are the intermediate step between outputs and outcomes. For IEG's accountability function, the intermediate outcomes of these outputs are the use of evaluations by the Board to fulfill its oversight function, and the incorporation of IEG recommendations in Bank internal policies and procedures. For IEG's function as a knowledge provider, the intermediate outcome of IEG's outputs is the influence and use of these outputs to improve the Bank's policy advice and program and project design. It also includes use of these outputs by external partners to improve their development work.

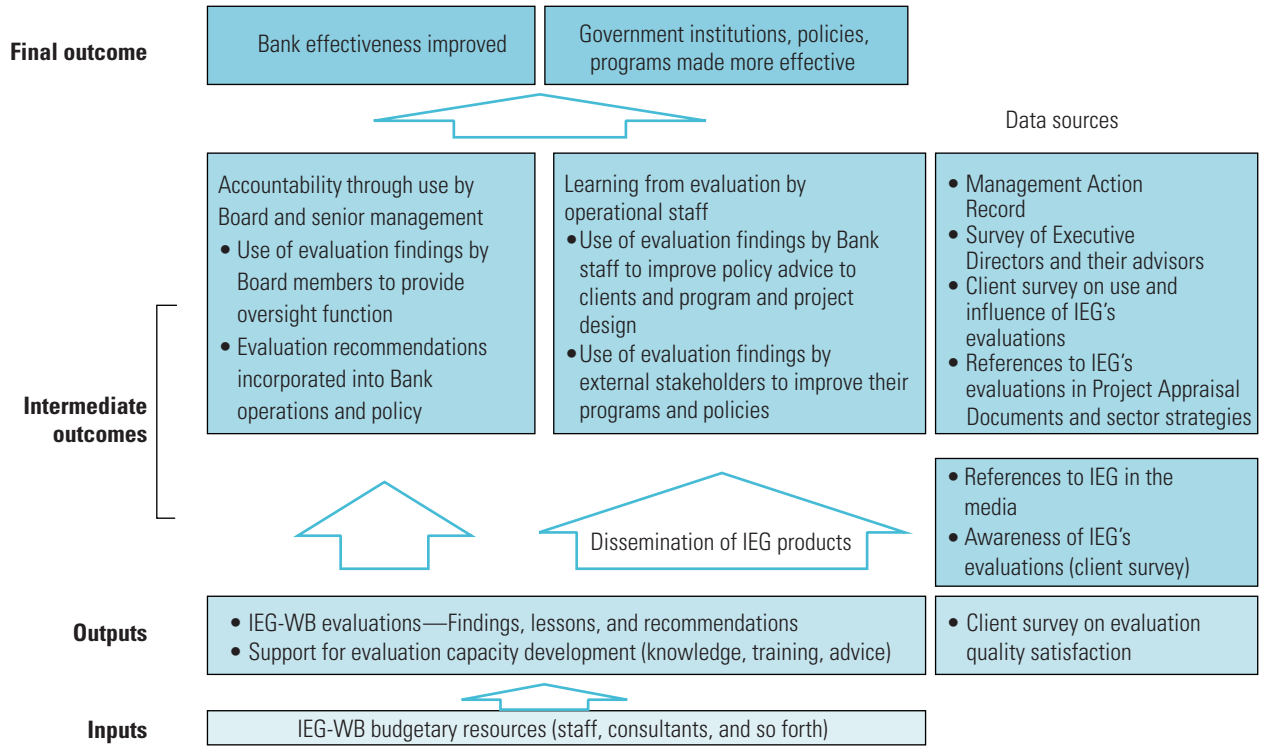
The final outcome for IEG outputs is the use of IEG knowledge about what works and why, leading to improved effectiveness of Bank operations, and development assistance in general, in reducing poverty. For example, IEG's evaluation of regional programs has contributed significantly to the recognition of the importance of regional approaches for the delivery of global public goods (GPGs) by the Bank.³ Outside the Bank, the Bill and Melinda Gates Foundation used IEG's recent evaluation of World Bank Assistance to Agriculture in Sub-Saharan Africa (2007d) as one of the main sources for the development of its agriculture strategy. The Bank's operational staff, management, Board, and external clients use IEG's outputs to strengthen actions taken in client countries. Measures that attribute achievement of the final outcome to IEG, however, are difficult to construct.

Underscoring the importance of the above results framework, the 2006 AROE recommended that "To further strengthen IEG's contribution to the workings of the results agenda in the World Bank Group, IEG should continue to follow its own results framework and monitor it through the AROE. Its focus on the usefulness of evaluation findings for its core audiences should be enhanced: for the **Board** through oversight, for **management** through the incorporation of recommendations into Bank policies and strategies, for **Bank staff** through the use of evaluation findings for policy advice to country partners and in project design, for **external partners** through the use of evaluation findings to improve their programs and policies, and for the **countries** more broadly. In playing this role, IEG should specifically:

- Improve the timeliness of its evaluations,
- Strengthen the operational relevance of the findings, and
- Increase access to and exchange of the lessons."

This appendix describes the key links in IEG's results chain, giving special attention to the recommendations from last year, and highlights recent developments in the results of IEG's

Figure C.1: IEG Results Chain



Source: IEG.

approach. First, it looks at the activities IEG has undertaken to improve its output and the achievement of outcomes; and second, it analyzes the change in indicators that measure the quality of outputs and achievement of IEG's outcomes.

IEG's Outputs: Increasing Relevance and the Focus on Learning

At the product level, IEG has continued its line of quickly produced papers that address immediate needs for evaluative findings and lessons of experience, in the form of notes, presentations, or briefing papers. IEG's short papers, in 2007, on governance received especially positive feedback. IEG's work plan for fiscal 2009–11 continues the shift to fewer and more influential evaluations, including some shorter, topical products, and an increasing number of evaluations conducted jointly across IEG (World Bank, International Finance Corporation, and Multilateral Investment Guarantee Association).

At the level of country evaluation, the adoption of CASCR reviews⁴ represents a major shift in the Bank's evaluation system, because it ensures systematic evaluation coverage of CAS results. In CASCR reviews, IEG reviews the relevance of the CAS to the country's development priorities, implementation of the country program, achievement of CAS objectives, and the quality of the CASCR itself. IEG then gives a rating for CAS implementation and Bank performance.⁵ As of March 2008, IEG has reviewed 59 CASCRs, 17 of which were completed in fiscal 2007. Going forward, IEG is planning to review up to 30 CASCRs each year. Besides its rating function, the CASCR review is intended as a learning tool that distills lessons learned from implementation of the preceding CAS for incorporation into the design and implementation of the following CAS. To make its country reviews more useful and relevant, IEG is also planning an enhanced CASCR review, which would combine the timely

delivery of IEG's results, when the new CAS is discussed at the Board, with the insights of a country mission which would allow a much more thorough assessment of CAS achievements and challenges by IEG.

It has to be noted, however, that the existing process limits the effectiveness of the CASCR review as a learning tool. IEG receives the final CASCR for validation when the preparation of the new CAS is nearly complete. Therefore, it may be too late for the country team to incorporate much, if any, of IEG's findings directly into the CAS document. But lessons learned on the implementation of the CAS should be considered by the country team as it moves to implement the new CAS. This issue has not been addressed so far. In the case of enhanced CASCR reviews, it would be even more important because these would need more preparation time.

To create incentives within the Bank for good performance in design, implementation, M&E, and development effectiveness, IEG has been giving annual Good Practice Awards to operations that exemplify strong performance in these areas.⁶ In addition to providing incentives for high performance, the awards heighten the profile of operations that offer examples of good practices. To foster the exchange of lessons between operational staff and to highlight the

importance of mutual learning, IEG added a learning event to the 2007 and 2008 awards ceremonies (see box C.1).

Deepening Strategic Partnerships

IEG's success in achieving greater focus on results and learning requires strategic partnerships. For example, to capitalize on the impact evaluation expertise available in other groups in the Bank, IEG has been collaborating with the thematic group for poverty analysis, monitoring, impact evaluation, and the Development Economics Department. Together, the three groups organized a two-day event in January 2008, *Making Smart Policy: Using Impact Evaluation for Policy Making*.

Evaluation capacity development. IEG is strengthening its support of results-oriented monitoring and evaluation systems and capacities in client countries. As a result of its 2004 self-evaluation of evaluation capacity development, IEG refocused its high-intensity support on a few targeted, demonstration countries while maintaining low-intensity support to a much broader range of countries. In recent years, these efforts were particularly evident for Colombia, Mexico, and China, and this support will now be extended to other regions. Also, in June 2008, IEG hosted the annual International Program in Development Evaluation Training (IPDET), in collaboration with Carleton University, for the eighth time. This

Box C.1: IEG Good Practice Awards: Secrets of Successful Operations—An IEG Learning Event

Since 2004, the World Bank's Independent Evaluation Group (IEG) has selected a small number of winners, from among operations evaluated in the previous fiscal year, for its Annual Good Practice Awards. The main objective is to highlight exemplary design, implementation, and self-evaluation in Bank projects and country programs, and to create incentives among Bank staff for greater learning from evaluation, to enhance development effectiveness.

To facilitate replication of these good practices in other operations, in 2007 and 2008, IEG invited Good

Practice Award winners to share their experiences and lessons learned with other Bank staff in a learning event, Secrets of Successful Operations. In these engaging discussions, Bank experts—including award winners from the Europe and Central Asia and the Latin America and Caribbean Regions, who led the way in using evaluation effectively—helped identify the challenges they faced in their work and what they did to address them. The experts offered lessons for future operations and participants were encouraged to identify specific lessons to apply to their own work.

four-week course draws broad interest from evaluation professionals and policy makers worldwide. In addition, IEG has a formal partnership with the Chinese government to help develop a regional center for development evaluation training in Shanghai, and a regional version of the development evaluation training is offered there on a twice-yearly basis. Since its inception in 2001, more than two thousand practitioners have participated in the International Program in Development Evaluation Training. Evaluation capacity development products on M&E methodology, impact evaluation, and influential evaluations consistently draw strong interest among practitioners.

Harmonizing development evaluation. As the largest and oldest of the evaluation units in the multilateral development banks, IEG has taken a leadership role in harmonization efforts among the international evaluation community. IEG has actively promoted harmonization of development evaluation methods through the multilateral development banks' Evaluation Cooperation Group, the Development Assistance Committee Evaluation Network, and the United Nations Evaluation Group. The Evaluation Cooperation Group has developed good practice standards for evaluation of both public and private sector development work. Member institutions have been benchmarked against these standards. Beyond that, IEG led the work on a joint Evaluation Cooperation Group paper synthesizing findings and lessons on the linkages between infrastructure and environment operations. IEG took the lead in creating the Network of Networks on Impact Evaluation, with members such as the Development Assistance Committee Evaluation Network, the Evaluation Cooperation Group, and the United Nations Evaluation Group, as well as developing countries and NGOs. IEG is providing the secretariat for this group, which is developing good practice standards for development impact evaluation and promoting impact evaluations of development work. IEG also led the Development Assistance Committee Evaluation Network's work on developing good practice standards and guidelines for evaluating global and regional programs.

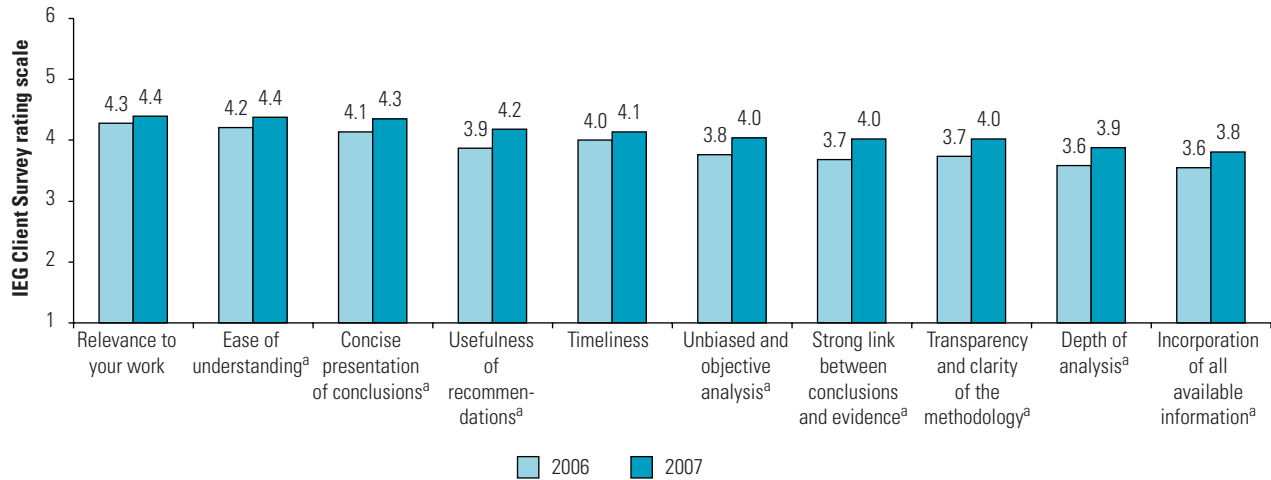
Quality and Relevance of IEG Outputs: Results of the 2007 Client Survey

IEG measures the quality and relevance of its outputs as part of its annual internal and external client surveys. The 2007 surveys asked target audiences for their views of IEG products prepared in 2006 and 2007, including 5 sector and thematic studies, 5 corporate reports, 6 CAEs, about 40 Project Performance Assessment Reports, and an evaluation capacity development report. IEG surveyed a targeted sample of 4,218 internal clients, consisting of Bank staff and Executive Directors and their advisors. The response rate was 24 percent, as compared with 22 percent last year.⁷ The survey of external clients on published evaluations approached a sample of 6,238 individuals and achieved a response rate of 19 percent. Given these response rates, it has to be noted that the survey results are indicative for respondents, but cannot be generalized to the surveyed population.

Readership and awareness. Sixty-one percent of Bank staff who responded to the most recent annual client survey (2007) were aware of the evaluation for which they were surveyed. This is above the 56 percent in 2006 and continues the trend of increasing awareness of IEG products among Bank staff respondents, only 39 percent of whom indicated awareness in 2004. Among respondents to the external survey, 75 percent were aware of the evaluation for which they were surveyed, compared with 76 percent in 2006.

The quality of IEG evaluations. As shown in figure C.2, Bank staff were asked to rate their satisfaction with IEG's evaluation for 10 attributes of quality on a six-point scale. Bank staff respondents were more satisfied with the quality of IEG products in 2007 than in 2006, across all attributes of quality. Bank staff respondents continue to report highest satisfaction with the relevance of IEG's evaluations to their work, with 80 percent of respondents rating it 4 or higher, the highest rating in the past four years. Bank staff respondents continue to be least satisfied with the incorporation of all available information and the depth of analysis, with 63 percent and 66 percent of respondents expressing their satisfaction, respectively.

Figure C.2: Bank Staff Satisfaction with Quality of IEG Evaluations Improved in 2007



Source: IEG data.

Note: Bars show the means on a six-point scale, where 1 = highly unsatisfied, and 6 = highly satisfied. The sample size for 2006 is 292, for 2007 is 417.

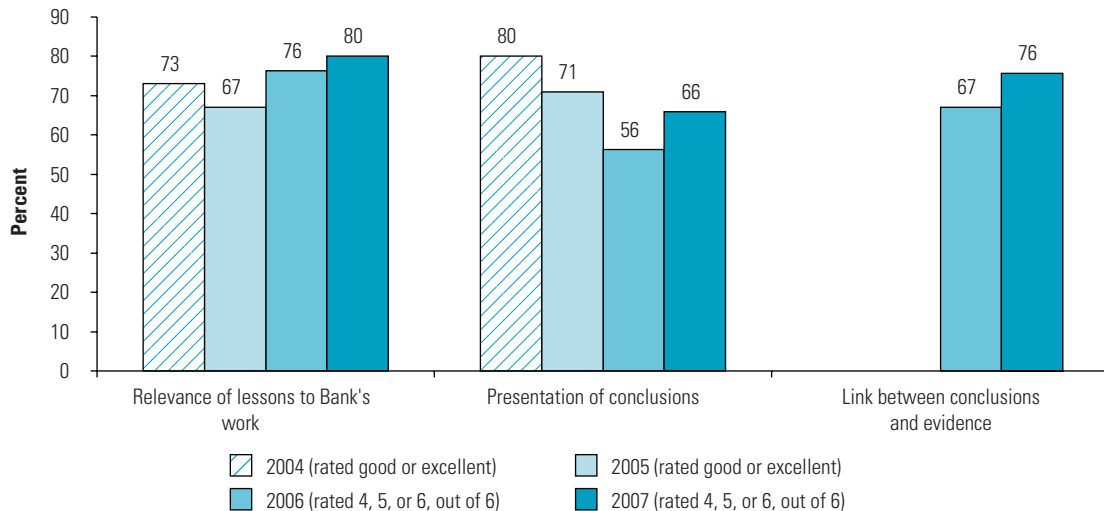
a. Difference is significant at 90 percent confidence level.

Due to changes in the survey methodology, a longer time series is only possible for a few quality attributes. Figure C.3 shows that IEG continuously improved the timeliness and relevance of its products to operational staff. Regarding views on the depth of analysis in IEG

evaluations, the decline in ratings stopped in 2007, but there is room for improvement.

Executive Directors and their advisors who responded to the survey are very satisfied with the quality of IEG products. As figure C.4 shows,

Figure C.3: Satisfaction of Bank Staff with Quality of IEG Evaluations, 2004–07



Source: IEG data.

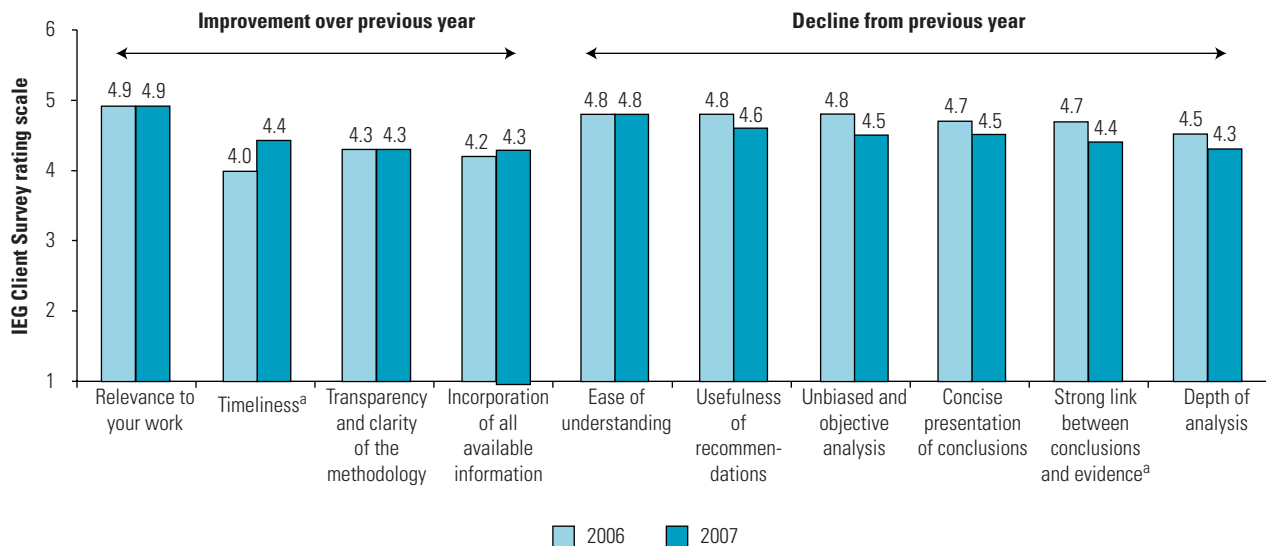
in 2007, Executive Directors and advisor respondents were most satisfied with IEG's relevance to their work (with a mean of 4.95, 88 percent of respondents rating it 4 or higher). External respondents' satisfaction with IEG's quality was very high, with 89 percent of respondents rating all attributes of IEG's evaluations with a score of 4 or higher.

In response to the question of whether evaluations influenced their understanding of the subject area, 74 percent of Bank staff respondents rated it 4 or higher, a marked increase over 58 percent in 2006.⁸ Ninety-four percent of Executive Directors and their advisors who responded rated this aspect at 4 or higher, compared with 90 percent in 2006. Among external respondents, 83 percent rated the influence of evaluations on their understanding of the subject area at 4 or higher, compared with 81 percent in 2006. At the more practical level of influencing Bank strategies and the design of results frameworks, Bank staff respondents rated IEG's influence a bit lower. On average, 58 percent rated these options at 4 or higher, with

means of 3.85 for IEG's influence on how outputs are linked to outcomes at the country level, and 3.96 for IEG's influence on sector strategies.

Use of evaluations for assessing the Bank's sector and country strategies is high among Executive Directors and their advisors, with more than 90 percent rating it at 4 or higher, and policies and procedures, with 87 percent assigning ratings of 4 or higher. Executive Directors and their advisors who responded use evaluations less for assessing Bank projects (73 percent rating it 4 or higher). Overall, Executive Director and advisor respondents made more use of IEG evaluations in 2007 than in 2006. The same holds true for Bank staff respondents, whose self-reported use has increased by 19 percent, on average, for all types of usage since 2006.⁹ Bank staff respondents use evaluations mostly for commenting on the work of others, making a case for a particular course of action, and providing advice to clients, and less for modifying strategies or operations, or designing new projects or programs. However, in 2007, 45 percent of respondents rated use for modifying ongoing operations at 4

Figure C.4: Satisfaction of Executive Directors with Quality of IEG Evaluations



Source: IEG data.

Note: Bars show means on a six-point scale, where 1 = highly unsatisfied, and 6 = highly satisfied. Sample size for 2006 is 50, for 2007 is 58.

a. Difference is significant at 90 percent confidence level.

or higher, compared with only 27 percent in 2006. External clients use IEG evaluations mostly for research (76 percent), while 71 percent use it to refocus ongoing strategies or programs. Although use of evaluations was higher in 2007 than in 2006, respondents continued to point to obstacles to usefulness, such as the lack of specificity of recommendations to suggest how to put them into practice, and lack of reflection on the country context where the Bank operates, which would make findings relevant to Bank operations on the ground.

When asked about how to improve the evaluation for which they had been surveyed, 59 percent of staff respondents recommended that IEG make its findings more operational, compared with 57 percent in 2006. Broadening consultation with Bank staff was the second recommendation made by 47 percent of respondents (48 percent in 2006). This was followed by improving depth of analysis (2007: 41 percent; 2006: 45 percent) and broadening external consultation (2007: 40 percent; 2006: 35 percent). Executive Directors and their advisor respondents made similar suggestions, but 54 percent emphasized the importance of broadening external consultation more than consultation with Bank staff, which only 27 percent of respondents chose as a recommendation to IEG. External respondents' main recommendation was to broaden external consultation (59 percent), followed by more operational findings (51 percent) and obtaining more evidence (47 percent).

In 2007, the survey also included questions about the timeliness and relevance of four IEG quick products from 2006 and 2007. These were generally well received. Eighty-four percent of Bank staff and Executive Directors and advisor respondents rated them at 4 or higher on timeliness, and 80 percent rated them at 4 or higher on relevance. However, awareness of these notes was low, with senior management respondents (42 percent indicated no awareness with any of the four notes) and staff, whose awareness was below 40 percent for all but one note. Executive Directors and advisors who responded were generally well aware of these notes.

Communicating Knowledge from IEG Evaluations

Effective communication of IEG's knowledge to Bank staff, governments, other donors, and the international community is a crucial link between evaluations and outcomes. Over the last two years, IEG has undertaken extensive efforts to improve its outreach to Bank staff and the wider development community. After a series of pilot initiatives, IEG mainstreamed several new approaches on media outreach, e-mail marketing, Web promotions and an improved Help Desk, and successfully increased awareness among target audiences.

Awareness of evaluations, as reported by Bank staff who responded to the 2007 client survey, rose from 39 percent in 2004, to 61 percent in 2007. The number of follow-up inquiries to IEG's Help Desk increased tenfold during 2005 and has stayed at the same high level since, with about 2,400 inquiries each year. Help Desk inquiries are concerned with evaluation methodology, advice on M&E systems, and IEG's product portfolio, suggesting that IEG's outreach campaigns are triggering follow-up questions among key audience segments.

Over the past two years, IEG organized 11 media outreach campaigns to coincide with the release of its reports. These campaigns have produced extensive media coverage and generated an estimated 200 articles and reports in audiovisual media over the last two years.¹⁰ The growing number of references in the media to IEG evaluations indicates strong interest in the Bank's performance on key development initiatives.

IEG's communication and outreach can be strengthened by providing more summaries of IEG findings. In the client surveys, about two-thirds of all client groups made this recommendation in both 2006 and 2007. Bank staff (39 percent of respondents) and Executive Directors and advisors (53 percent of respondents) continue to ask for more online accessibility to IEG content. Among external respondents, 60 percent asked for more training/education material. Forty percent of Executive Directors and

advisor respondents made this recommendation as well. Going forward, IEG will work on its Web site, focusing on the development of new search tools that will make its content more accessible.

IEG Intermediate Outcomes: Evaluation Recommendations Incorporated into Bank Operations and Policy

IEG influences the Bank's effectiveness through recommendations to management as part of sector, thematic, and corporate evaluations, as well as Country Assistance Evaluations. Bank management is accountable to the Board for follow-up. One of the intermediate outcomes for IEG is the extent to which management incorporates IEG recommendations and findings in policy advice, program design, and project design (see box C.2).

The Management Action Record allows IEG to track its recommendations and to monitor the degree to which they have been adopted by management. The MAR tracks two indicators: the level of adoption¹¹ and the status of individual recommendations.¹² The MAR presents management's ratings on these two indicators and IEG's assessment of the same. The MAR includes IEG recommendations from the previous three calendar years.

The MAR for 2008 tracks management's progress on 57 recommendations. These include 22 new recommendations from the six IEG studies (excluding CAEs) presented to the Board in calendar year 2007, and 35 recommendations carried forward from calendar years 2005 and 2006.

The 2008 MAR shows a continuing high level of agreement from the Bank with IEG's recommendations. Of the 57 recommendations in the 2008 MAR, 96 percent (55 recommendations) have been accepted by Bank management,¹³ similar to the rate of acceptance in earlier years (95 percent in MAR 2007 and MAR 2006).

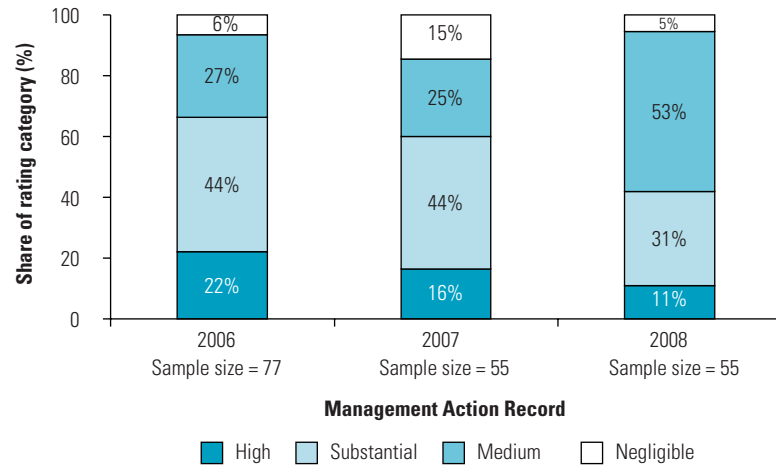
In the 2008 MAR, as shown in figure C.5, IEG rated adoption medium or better for 95 percent of 52 recommendations. This compares with 85 percent (47 recommendations) in the 2007 MAR and 94 percent (72 recommendations) in the 2006 MAR. The share of recommendations adopted with substantial or high ratings was 42 percent in the 2008 MAR, down from 60 percent in the 2007 MAR. Therefore, the distribution of adoption ratings among the top three categories (medium, substantial, and high) has shifted toward medium.

The Bank's own assessment shows this shift and it is confirmed by IEG. In this regard, it is

Box C.2: Selected Impacts of IEG Evaluations

- The recently announced credit line to deal with catastrophes, such as earthquakes and hurricanes in MICs, directly reflects IEG's recommendation that a new mechanism be established to meet urgent needs in the early days of a disaster response.
- The Bank's recently promulgated strategy "Strengthening the World Bank's Rapid Response and Long-Term Engagement in Fragile States" responds directly to IEG's recommendation that internal Bank support for fragile states—including staff numbers, staff skills, guidance, and organizational incentives—needs to be strengthened.
- Prompted by IEG's primary education study and the accompanying volume of science-based sectoral knowledge, Bank projects more often now aim to measure learning outcomes, and, in particular, the reading fluency acquired in the early grades. A major donor-financed workshop in March 2008 used findings and benchmarks identified by IEG.
- IEG's review of lines of credit led to a Bank-wide effort to identify and review their quality, sharing of experience among donors, and an Operations Policy and Country Services initiative to require early identification of lines of credit.
- IEG's evaluation of private sector development in the power sector contributed to a reassessment of the Bank's approach to infrastructure.
- The evaluation of social development fed directly into the preparation of the Bank's Social Development strategy.
- The global programs review resulted in greater scrutiny and streamlining of the Bank's approach to and governance of global programs.

Figure C.5: Adoption of IEG Recommendations Has Declined, but Agreement with Management Is Higher in 2008



Source: IEG data.

noteworthy that agreement on adoption ratings between IEG and management was higher in 2008 than in previous years. IEG and management agreed on the rating on level of adoption for 65 percent of recommendations (36 out of 55).¹⁴ And the disconnect between high and substantial adoption ratings by IEG and management was 18 percent (IEG rated 42 percent of recommendations high or substantial; management 60 percent) in 2008, compared with 28 percent in 2007 and 21 percent in 2006.

Going forward, the challenge is for IEG to continue producing high-quality evaluations with sensible and practical recommendations, retain the high level of agreement on those recommendations, and for the Bank to lift up its intensity of adoption and implementation.

Since 2006, recommendations that are older than three years are being retired from the MAR, subject to review by CODE and the Board.

IEG Intermediate Outcomes: Use of Evaluation Findings by Bank Staff at the Operational Level

IEG's performance on this intermediate outcome can be measured by whether Bank staff use IEG findings to improve Bank policy advice and

program and project designs. The 2006 AROE found that IEG provides high-level knowledge that is useful for assessing programs, giving advice to clients, and making comments, but needs to focus on influencing ongoing and future operations. Focus groups conducted for that report showed that Task Team Leaders are least likely to report that they incorporate evaluation findings into planning and design. Their operational context requires information on how to conduct monitoring, establish indicators, and prepare projects for evaluation. Respondents in management positions reported greater use and usefulness of IEG products. CODE members rely heavily on IEG's reports, advice, and recommendations. These findings were also borne out in the 2007 client survey in which 72 percent of Bank staff respondents reported using IEG evaluations for making comments and giving advice to others. However, only 54 percent of staff report using evaluations for designing new operations, and 45 percent report using evaluations for modifying ongoing operations. Executive Directors and their advisors make heavy use of evaluations (90 percent indicating substantial use) for their oversight function of sector and country strategies, and Bank policies, but less so for project-level oversight (76 percent of respondents indicating substantial use).

To improve IEG's impact on Bank operations, IEG will need to continue giving greater emphasis to applied learning and real-time use of evaluation findings, to improve Bank performance. To meet this challenge, IEG needs to define its stance on engagement and learning with guidelines and funding for its staff. The more that operational staff are involved up front in the evaluation design and during the evaluation, the more likely the

evaluation will deliver operationally relevant results and be geared toward learning. At the same time, close engagement challenges the evaluator's independence and might distract from the necessary accountability perspective. Finding the right balance and providing the proper incentives to IEG staff for engagement with operational staff during the evaluation and afterward for learning requires clear directions from IEG leadership.

APPENDIX D: FEATURES OF GLOBAL PUBLIC GOODS

Both the demand and supply features of GPGs can provide an obstacle to their provision. Individual countries “demand” GPGs only to the extent that this demand serves a national interest. Moreover, the features of different GPGs imply large variations in the manner through which a GPG should be supplied. This section provides a framework for considering how the Bank and the international community should arrange for the most efficient approach toward providing GPGs.

From the Demand Side

The extent of divergence between national and global benefit (or cost) of a GPG varies across a spectrum, and so the extent to which a particular good is truly a GPG is not always easy to assess precisely. Clean air provides a good example of a GPG. In contrast, some facets of communicable diseases are primarily national in scope, notwithstanding the fact that there may be other reasons why responses are supported by global partnerships.

This distinction is noteworthy. A country’s perception of the divergence between national and global benefits and costs of GPGs influences whether a country “demands” a GPG and, therefore, whether there is action on the country level, the extent to which such engagement occurs, and the types of instruments that are used. For the Bank, the level of overlap between national and global net benefits can be one determinant of the type of role it can play in fostering GPGs, and the extent to which strategic intent is translated into action on the ground.

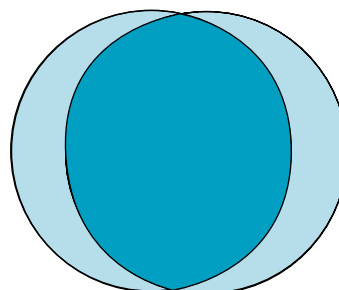
At one extreme, when the national benefits of the GPG coincide in large part with the benefits accruing to the global community (depicted in figure D.1), the Bank’s country-based model can

work well to encourage countries to integrate the GPG into their national programs because the country’s interests are already closely aligned with the worldwide interests. For example, a country will likely be more interested in controlling HIV/AIDS within its borders if it has a high HIV prevalence rate (and hence the health and social consequences are already felt at the national level). In such cases, the Bank should have influential national counterparts who are receptive to its support. In such circumstances, traditional Bank instruments such as IBRD and IDA lending can often be used.

At the other extreme, when the net benefits of the GPG are large at the dispersed global level but only minimally appropriable at the level of an individual nation state—as is the case for climate change—the Bank’s country-based model may not be as useful because of that very divergence (depicted in figure D.2). In such instances, the

Figure D.1: Country Perception of Net Benefits When National and Global Interests Coincide

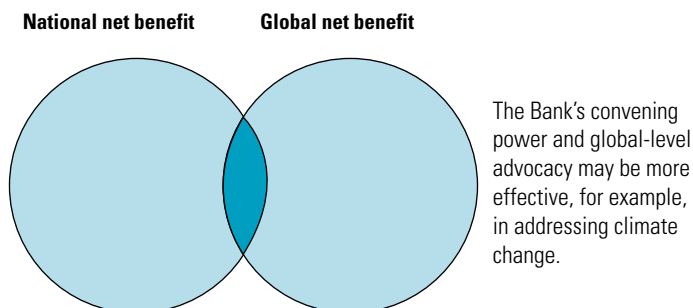
National net benefit Global net benefit



The Bank’s country-based model can work well, for example, in the case of an HIV/AIDS control program.

Source: IEG.

Figure D.2: Country Perception of Net Benefits When National and Global Interests Diverge



Source: IEG.

Bank may be more successful in fostering GPGs by leveraging its convening power and providing constructive advocacy at the global level.

Between the two extremes, when there is some level of convergence in national and global net benefit, the Bank has a chance to prompt national action, but has to “push hard at the door.” In fact there are several levers the Bank

can use to, as it were, “push the circles together” and create a coincidence of national and global interest. Those levers include: (i) financing instruments; (ii) global programs, and (iii) advocacy—including convening power and support for international frameworks.

From the Supply Side

GPGs also have different features in the way they have to be supplied and this has implications for the way in which the Bank (and other bodies) deal with them. As shown in table D.1, some public goods are supplied through aggregate efforts, others by single best efforts. Some depend on the weakest link, others require coordination. These distinctions are important because they reveal different incentive challenges. While the desire of some countries to coordinate may be strong, the supply of public goods requiring an aggregate effort is usually prone to free riding. Supply of public goods requiring a single best effort can be easier to achieve than supply of a weakest-link public good, which can be undermined by a single failed state.

Table D.1: Bank Uses Different Vehicles to Support the Provision of Different Types of GPGs

		Supply-type of Global Public Good			
		Single best effort The action of a single actor or country (or small group of actors) provides a GPG. <i>For example, researchers in the United States developed two polio vaccines in the 1950s that were available to many other countries.</i>	Weakest link Inaction or a weak effort by a single country leads to undersupply of a GPG. <i>For example, the inability of a country to eradicate a communicable disease forces other countries to vaccinate against it.</i>	Aggregate effort A critical mass of countries each contributes individually to a GPG <i>For example, countries reduce or eliminate their production of ozone-depleting substances to preserve the global ozone layer.</i>	Coordination Countries act in harmony to jointly achieve an agreed upon GPG. <i>For example, countries agree to standards of measurement that facilitate international trade and cross-country comparisons</i>
World Bank-supported activity	Country-based interventions		<p>Crises and systemic risk The Financial Sector Assessment Program helps countries identify vulnerabilities in their financial systems and determine needed reforms in order to avoid financial crises and potential global contagion.</p>	<p>Climate change The Carbon Fund mitigates against climate change through market-based mechanisms. The Global Environment Facility (GEF) fights climate change and protects biodiversity through grant finance.</p>	
	Advocacy and research	<p>Vaccines The Global Alliance for Vaccines and Immunizations conducts research to provide new vaccines for communicable diseases that could then be shared with all countries.</p> <p>Trade The Bank's research and advocacy on trade provides pressure and evidence to encourage a prodevelopment Doha round of WTO negotiations.</p>			<p>Avian influenza The Bank conducted research that outlined the costs and benefits of avian influenza control, which served as an umbrella for international action.</p>

Source: IEG.

Introduction

This year's Annual Review of Development Effectiveness (ARDE) tracks World Bank performance and examines a particular thematic topic, the Bank's work in fostering global public goods (GPGs). Management welcomes the new two-part format of the ARDE and considers the thematic topic timely and highly relevant. In Part I, the Bank's Independent Evaluation Group (IEG) reports on recent trends in the outcomes of Bank projects and country programs and analyzes progress in the quality and coverage of monitoring and evaluation (M&E) systems employed by the Bank. In Part II, IEG reviews the Bank's experience with (a) country-based support for client contributions to the supply of GPGs and (b) its advocacy for action on GPGs. This appendix provides brief responses to IEG's findings and suggestions in Part I and Part II, respectively.

Tracking Bank Performance

Management values the review of development outcomes and the Bank's M&E practice. IEG's feedback fosters learning from experience and is a factor in the medium-term improvement of Bank performance documented in the ARDE. Management agrees that the weakening of development outcomes in projects that exited the portfolio in fiscal 2007 warrants attention and outlines its actions below. Management also agrees with most of the suggestions to further improve the quality and coverage of M&E in projects, country programs, and global programs and partnerships (GPPs).

Project Outcomes

The ARDE confirms that the ratings for project outcomes have significantly improved over the medium term and have exceeded the Bank's

performance benchmarks in each of the three years to end-fiscal 2007. Improvements have been particularly impressive in the Africa Region and in the water supply and sanitation sector. The report goes on to highlight and discuss two signs of weaknesses in the data for fiscal 2007, including a jump in the so-called disconnect—that is, the difference between the outcome ratings provided by Bank staff in the final Implementation Status and Results reports (ISRs) for ongoing projects and IEG's ratings in its reviews of the Bank's Implementation Completion and Results reports (ICRs)—and a decline in the share of projects with satisfactory outcomes, from a high of 83 percent in fiscal 2006 to 76 percent in fiscal 2007.

Actions in response to warning signals. Management concurs that a correct rating of likely outcomes in ongoing projects is necessary for its ability to take timely remedial action in problem projects, and that the fall in IEG exit ratings and the increased disconnect in fiscal 2007 must be recognized as a warning sign. This parallels findings under our more detailed review of IDA controls as well as QAG reports and the India detailed implementation review. Management is taking on these issues in the context of investment lending reform, notably changes in our supervision practices. As IEG notes, the more problematic areas are the noninfrastructure sectors and low-income countries (LICs), especially fragile states. Management is considering a more customized approach for implementation to reflect the complexities of these operational situations, moving beyond the traditional notion of supervision and incorporating the possibility of implementation support directed at capacity building. However, management is not waiting for the introduction of these

reforms. Each Region has conducted its own review of ratings in ongoing operations. In the South Asia, East Asia and the Pacific, and Latin America and Caribbean Regions, Regional vice presidents have taken the lead in reviewing ISRs, with instructions for action by task teams. The Africa Region has adopted specific measures (involving country management, sector management, and the quality and knowledge services units) to reduce the disconnect, ensure realism in the ratings of ongoing operations, and strengthen accountability for project quality. In addition, the upcoming Development Policy Lending Retrospective will review the Bank's rating practice for development policy loan operations and, as necessary, will recommend appropriate actions to ensure that management receives timely information on weak performance in such operations.

Decline in fiscal 2007 project outcome ratings and increase in disconnect—some observations.

Effective support for members' development efforts requires the Bank to take risks; consequently, not all the operations it supports will achieve the desired outcomes. Against this background, the share of Bank projects with a satisfactory development outcome in recent years has risen to a reasonable level—a level at which year-to-year variations are to be expected. However, management agrees that vigilance is warranted to ensure that the fiscal 2007 drop in ratings signifies a variation around that trend and not the beginning of a decline. IEG is to be commended for examining the possible impact of sample composition bias and of changes in the evaluation methodology on the fiscal 2007 outcomes, and for recalling key factors about which the Bank must always be vigilant, including poor or overly complex project design, articulation of overly ambitious expected outcomes, implementation delays, and weaknesses in project supervision and staff performance. In addition, management believes the following considerations to be pertinent.

- Reduced outcome ratings for development policy loans contribute to the reported overall drop in fiscal 2007 ratings. That reduction

likely reflects in part the temporary impact of a recent decision to report on programmatic development policy loans only at the end of the series. As a result, for a few years, one-off development policy loans will make up a larger share of the sample for which outcome ratings are available. With programmatic development policy loans rated better than one-off development policy loans, on average, this shift in composition has an adverse, but likely transitory, effect on the average rating for the sample.

- Vigilance about “overly complex” project designs must not discourage staff from responding to client demand for sophisticated—and at times necessarily complex—products, particularly in middle-income countries (MICs). The risk of not achieving satisfactory outcomes may be higher in such circumstances, but taking that risk is necessary for the Bank's continued relevance to its members. The issue is not so much reducing complexity as it is having clear objectives and effective systems for tracking operational performance.
- In addressing task team performance, it is important to take into account the challenges that result from the Bank's commitment to increased harmonization and collaboration with development partners, particularly in LICs. Staff must devote more time to coordination and are generally more dependent on the actions of others for achieving results, notably pending greater harmonization around agreed results frameworks.
- The jump in the disconnect can in part be traced to the introduction of a new evaluation methodology in fiscal 2007, specifically to different paces of implementing the agreed rating system and rating criteria between IEG and the larger and more layered Bank operational complex. The ARDE estimates this effect as accounting for one percentage point of the jump in the disconnect, but it may have been higher. As more ISRs and ICRs apply the methodology already used in IEG's reviews, the divergence in ratings can be expected to decline.

Country Program Outcomes

The ARDE reports the average development outcome ratings for some two decades of

country programs on the basis of IEG's Country Assistance Evaluations (CAEs), and, for more recent country programs (starting in fiscal 1999), on the basis of IEG's reviews of Country Assistance Strategy Completion Reports (CASCRs). The ARDE observes that in both sets, average outcomes for MIC programs surpass those for LIC programs by a considerable margin, and that higher outcome ratings for the more recent country programs—those for which CASCRs are available—reflect improvements in MIC programs only. It also compares average country program outcomes with average project outcomes and suggests that the lower rating for country program outcomes may indicate a failure of such programs to exploit synergies between the Bank's development services. Management offers two comments.

- The gap between the outcomes of MIC and LIC programs is a matter of concern to management. However, averages over long durations do not shed light on the underlying factors. Management encourages IEG to analyze changes in outcomes over time for subgroups of countries, with the analysis taking account of major changes, such as the introduction of CAS results frameworks and changes in evaluation methodology. Moreover, management wants to note that it has not yet introduced a standard rating methodology for CASCRs, and the methodology used by IEG self-initiated ratings of CASCRs has been evolving and has not yet been finalized.
- IEG's suggestion that lower outcome ratings for country programs than for projects indicate that country programs fail to exploit synergies among Bank development services is not substantiated in the report. The report acknowledges some of the factors that, in management's view, deprive the comparison of informative value (for example, different performance standards). Management notes that performance in country programs predating the introduction of CAS results frameworks in fiscal 2005 is measured against objectives that do not clearly distinguish between country outcomes and CAS program outcomes. As program outcomes come to reflect more realisti-

cally the Bank's role in supporting a country's development strategy, outcome ratings tend to improve. It is also important to recognize that CAS program outcomes can change during the CAS period as the Bank responds flexibly to changing client demand for its services.

Monitoring and Evaluation

The ARDE recognizes that as part of the results agenda the Bank has put in place strong policies and procedures for the monitoring and evaluation (M&E) of project and country program outcomes. For the projects and country programs reviewed, however, it reports a low quality of M&E and results frameworks. Management agrees with IEG's recommendations for improving the quality and use of M&E, including increased focus on providing good baseline information for project outcomes, articulating more clearly the link between project outputs and targeted outcomes, simplifying the CAS results frameworks, and using them not only for evaluation but also for program management. Ongoing efforts in the Regions to improve M&E are indeed focusing on these aspects, as is management in its reviews of proposed development policy loan operations and CASs. Management believes that the ARDE could have given more recognition to initiatives such as Regional M&E support for task teams, the development of scorecards in a number of countries, and greater use of M&E frameworks for management purposes (for example, for annual country portfolio performance reviews in the Latin America and the Caribbean Region). The ARDE might have also given greater recognition to the commitments and actions to date under the IDA14 and IDA15 Results Measurement Systems, notably in terms of baseline operational data.

Management does not share IEG's view that staff incentive problems continue to be a major obstacle to the improvement of M&E in projects and country programs; rather, it believes that the new policies and procedures and the ongoing efforts for enhancing practice are improving quality in the more recent projects and programs. It would have been appropriate in this regard to highlight the challenge of country capacity for

results management, since lack of data in poorer countries often is the most important obstacle to improving M&E frameworks. Helping partner countries overcome these data problems is a Bank priority, notably through the Marrakech Action Plan for Statistics, the framework discussed by the Board in May 2006. While this is a long-term effort, there has been progress. A key target of this plan is to help all low-income countries develop a national strategy for improving their statistical system. All but one Sub-Saharan African country (Somalia) have a strategy or are working on one. The Bank's multidonor Trust Fund for Statistical Capacity Building has provided 20 new grants to countries for strategy preparation since 2006. Following the Third International Roundtable on Managing for Development Results, in Hanoi, staff have been working closely with other development partners through the Partnership for Statistics for Development in the 21st Century to find the resources to scale up the implementation of these strategies. Part of the effort is mainstreaming statistical capacity building in country operations. New statistical capacity-building (STATCAP) lending projects have been approved for Kenya and Russia, and pipeline countries include Bolivia, Tanzania, and India. Two donors—the Netherlands and the United Kingdom—are working with the Bank to establish a new Statistics for Results Facility, which will promote better coordinated efforts by donors at the country level, and will provide grants to help finance the implementation of national statistical improvement plans and link them more closely with national development strategies. Staff are working to launch this facility in Ghana at the forthcoming High-Level Forum on Aid Effectiveness.

In discussing the M&E of projects and country programs reviewed, the ARDE could have paid more attention to an obvious legacy effect. The large majority of projects reviewed were approved prior to the adoption of the new policies and procedures; and nearly all results-based CASs reviewed were from the first round, in which results came from an existing portfolio of operations that had been approved prior to

that date. As noted in the report, in the small sample of reviewed projects approved since fiscal 2005, the share of projects with substantial or high M&E quality doubled. As more IEG reviews of results-based CASs from the second round become available, the ratings for the quality of results frameworks are likely to improve as well.

Management finds the ARDE's review of experience with the Bank's impact evaluations helpful and agrees that their increased use is important for strengthening the knowledge base for reporting on the Bank's corporate results; however, management is also aware of practical barriers to impact evaluation work in the context of specific operations. Management concurs with the emphasis in the report on strengthening results reporting at the corporate level. It recently proposed to prepare a Bankwide results report that will provide an overview of results achieved through Bank activities and report on progress in the Bank's results focus and measurement systems.

Shared Global Challenges

The ARDE reviews the Bank's experience with country program support for GPGs and offers a number of recommendations on bridging the gap between global needs and country preferences. It also reviews the Bank's advocacy work on GPGs.

Country-Based Support for GPGs

Management welcomes the report's many valuable insights into the challenges of supporting countries' contributions in cases where global and country interests diverge significantly and international agreement on a course of collective action has not yet been reached. Management also appreciates the careful review of the Bank's work on the country level—in the context of country programs and through country-level activities of global programs and partnerships—and the proposals for strengthening that work. Management agrees with many of the observations and assessments. Some, however, require comments, notably those on the extent of Bank involvement on the country level, the Bank's ability to provide attractive

financial support for the GPG efforts of MICs, the reliance on the country program model, the attention paid to fostering GPGs in country and regional strategies, the deployment of global programs, and the option of setting aside corporate administrative funds for high priority GPG work at the country level.

Bank involvement in GPGs at the country level. The ARDE observes that GPGs other than environmental commons are not sufficiently emphasized in CASs and that the extent of Bank involvement in GPG issues varies widely among countries. This observation fails to take into account the framework for such Bank involvement.¹ Since the Bank is only one player among many, the framework calls for identifying where there is a gap not being met by other agencies and then filling the gap in areas where the Bank has the capability and a comparative advantage. At the country level, country ownership and response to client demand is the primary principle of Bank involvement—that is, the Bank works with clients on issues of global or regional concern and supports their efforts at addressing such issues. In sum, the appropriate role for the Bank at the country level is situation-specific to the GPG being supported and to the country context; hence, variations in the extent of Bank involvement at the country level among GPGs and among countries are to be expected. For example, on communicable diseases, substantial funding is flowing from large vertical funds. Here the challenge is to ensure that the funding is balanced by Bank support for health sector systems and other government priorities for the delivery of health services. While not presented in CASs as support for a global public good, such support by the Bank is key for bridging the gap between global and country interests in the area of communicable diseases (that is, it provides indirect support to the respective GPG). Regarding climate change, pending a future global climate agreement, country ownership and an effective country support program can be built only on demonstrated development opportunities and advantages of a low-carbon, climate-resilient strategy tailored to specific country circumstances.

Financial support for MICs' contributions to GPGs.

The ARDE presents ample evidence of the effectiveness of concessional finance in bridging gaps between global needs and country preferences in International Development Association-eligible countries. With respect to International Bank for Reconstruction and Development (IBRD)-eligible countries, the report recognizes the Global Environment Facility (GEF) as a source of concessional financing and carbon finance as an innovative mechanism the Bank can deploy also in MICs. But the report pays insufficient attention to the Bank's ability to further mobilize and innovate finance for scaling-up action on climate change, in cooperation with development partners and the private sector, and it also neglects the possible leveraging of IBRD and International Finance Corporation financing and risk management services through blending with concessional donor funds. Management considers overly pessimistic the report's conclusion with respect to future Bank work on GPGs in MICs that "... the Bank has not been able to call on an attractive large-scale funding program . . . to encourage comprehensive action on climate change." Given that the World Bank Group only recently began full-fledged efforts to step up climate action to scale, the conclusion appears premature. For example, the Bank works with donor countries to mobilize some \$5 billion in new and additional financing for the proposed Clean Technology Fund, with the expectation that these new resources will leverage another \$25–30 billion in financing for low-carbon investments.

Use of the country program model. Management is aware that country-based work on GPGs faces challenges in cases where global and country interests diverge and there is no international framework for collective action, but it believes that such challenges can be addressed. Management does not agree with the report's broad conclusion that relying on the country program model for the Bank's work on GPGs is a "double-edged sword." The Bank's ultimate clients are poor people. Using the country program model, the Bank is better able to provide analysis that puts growth and poverty reduction at the core

and relates GPG challenges to this goal. Importantly, using the country program model also helps ensure country ownership of the actions supported by the Bank. These considerations argue for integrating the country-level activities of GPPs into country programs and against allowing them to bypass country programs. The example of Ethiopia's health budget, which due to the proliferation of vertical health funds devotes some 50 percent of resources to HIV/AIDS, is instructive. That the Bank can balance resource flows by targeting its resources to other health needs in the country is a considerable strength of the country program model. The key challenge, in management's view, is to more thoroughly integrate GPGs into the diagnosis of countries' development challenges and the dialogue with the government as part of the CAS process. With this analysis in place, the appropriate contribution of global programs and trust funds as part of the CAS support program can then be determined, consistent with the plans by vice-presidential units for implementation of the Trust Fund Management Framework.

Country and regional strategies. The report provides valuable information on the treatment of GPGs in CASs, Regional strategies, sector strategies, and Bankwide strategy documents. In light of recent developments, however, management finds too categorical the general statement in the report that the Bank's attention to GPGs ". . . wanes as one moves down from corporate strategies to sector or regional strategies, and then down one level further to country strategies." For example, the 2008 Latin America and Caribbean Regional strategy update emphasizes support for clients' efforts to address global issues, and this priority is translated into specific actions planned in the recent round of CASs, including those for Brazil, Colombia, and Mexico. (In March 2008, the Board approved a \$500 million loan to Mexico to support implementation of its National Climate Change Action Plan.)

Global programs. The report shows that there is room for improvement in deploying global and regional programs at the country level. Manage-

ment welcomes the report's proposal to strengthen M&E quality in GPPs, though it notes that an M&E framework for Development Grant Facility-supported global programs is in place and the Consultative Group on International Agriculture Research program offers an example of good practice. Management appreciates IEG's insight into factors influencing the integration of global program activities into country operations, notably the strong positive effect of substantial developing country representation in the governing body of a GPP in both enhancing legitimacy and fostering stronger linkages with country operations. But management also believes that the report should more clearly distinguish among subsets of GPPs (instead of treating GPPs as if they are all interchangeably applicable at the country level or all deal with GPG issues) and should also recognize that the Bank's role at the country level is limited in GPPs where the Bank is not an implementing agency. Management agrees that better integration of global funds at the country level is important. To that end, over the last two years, the Bank has been working closely with the Development Assistance Committee of the Organisation for Economic Co-operation and Development and with bilateral donors and partner countries on an initiative to better align global programs with country operations. This initiative has contributed to preparations for the Accra High-Level Meeting.

Strengthening country program support for GPGs. Management agrees with the report's suggestions for strengthening the Bank's country-based support for GPGs, notably through improved organizational arrangements to coordinate global, regional, and national activities; better delivery of the Bank's global knowledge to country teams and improved deployment of network anchor experts; support for clients' efforts to gain greater voice in shaping responses to global issues; and the exercise of greater selectivity in the Bank's engagement in global programs. Management agrees on the desirability of strengthening incentives to deliver GPGs at the country level where that is appropriate, but has reservations about the suggested option of setting aside significant administrative funding at

the corporate level for allocation to high-priority GPG work at the country level. This could distort incentives and encourage supply-driven initiatives. A more effective approach—as already demonstrated in the Latin American and Caribbean Region—is Regional management commitment and clear guidance to staff on the need to be attuned to client demands for support for their GPG priorities. There also needs to be an ongoing dialogue among the networks and Regions on staffing and resource allocation, to address key corporate priorities through country operations where there is demand at the country level. This would be strengthened by recognition in staff performance evaluations, as indicated in the report.

Advocacy on GPGs

Management appreciates IEG’s thoughtful analysis of the Bank’s successful advocacy work on GPGs and its achievements in creating innovative financing mechanisms. Management agrees with most of the assessments, though it believes that the report could have provided more recognition to the Bank’s performance in preserving biodiversity, with funding from the GEF and own Bank resources. Two comments are warranted.

- The report acknowledges the Bank’s many activities in support of the international climate change agenda, including securing resources for the GEF (the financial mechanism of the United Nations Framework Convention on Climate Change), developing methodologies to put the Kyoto Protocol’s Clean Development Mechanism into action, launching carbon funds, and supporting the demonstration, deployment, and transfer of low-carbon technologies and adaptation technologies. In this light, management believes that the report’s summary assessment that “. . . the extent to which the Bank has been a leading influential

advocate on climate change is more debatable” does not fully reflect this reality.

- Management agrees that increased Bank efforts are merited to strengthen the voice and representation of developing countries in the governance of global programs. For example, the participation of developing countries in the design of the Climate Investment Funds, including the design of a governance structure with equal representation of donor and recipient countries, has been critical to providing legitimacy for these funds. This participation is essential to set the stage at the global level for climate change mitigation programs at the country level.

Conclusion

This year’s ARDE has again provided a valuable service by tracking development outcomes and improvements in M&E frameworks, a service that helps the Bank improve its performance. Management commends IEG for an insightful review of the Bank’s experience with fostering global public goods through support for countries’ efforts and through constructive advocacy. In its lessons of experience, the report appropriately focuses on ways to strengthen the Bank’s country-level support for GPGs. As detailed above, management generally agrees with the report’s suggestions, although it has reservations about the option of setting aside administrative funding at the corporate level earmarked for country-level GPG work. But management also stresses the need for clarity on the Bank’s role in supporting a country’s efforts at addressing issues of global or regional concern. Such support must build on the Bank’s core mandate to foster the country’s growth and poverty reduction goals, support measures that are owned by the country, and take into account, for each GPG, the involvement of other agencies and partners and the Bank’s capability and comparative advantage.