

# Chapter 6

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## Evaluation Highlights

- Systems for integrating GPGs into country strategies are underdeveloped.
- Attention to GPGs gets diluted as it moves from the Bank's corporate strategy to lower levels.
- Bank administrative spending on GPGs is among the smallest for its six priorities, and the growing role of trust funds presents challenges.
- Concessional finance is important to foster many GPGs.
- A mismatch between country needs and global ambitions for GPGs limits the use of the country model, especially without an attractive financial instrument.



Wind turbine farm; photo ©Frank Whitney/ Getty Images, reproduced by permission.

# Using the Bank’s Country-Based Model to Foster Global Public Goods: Does It Work?

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## How It Works in Theory—the Bank’s Strategic Setting for Fostering Global Public Goods

Relying on the country-based model as the platform for the Bank’s work on GPGs is a double-edged sword. Why? Because the Bank’s systems largely mirror international structure, giving primacy—for obvious reasons—to national decision making on policies and programs supported by the Bank. GPGs that permit significant benefits to be captured at the country level—and so global and national interests coincide—are best suited for the Bank’s country-based model.

Country directors and their teams are able to work in the traditional way with their counterparts to develop approaches supported by the Bank, be it through knowledge, convening power, or finance.

When a GPG has benefits, however, which are not easily or meaningfully appropriated at the national level (for example, cleaner air provided as a result of more energy-efficient production technologies), or where the costs of providing the GPG fall disproportionately on an individual country (for example, income foregone by not using forest resources), then the country model comes under strain. Staff interviews confirm that country directors and their teams do not have the incentive to advance an agenda that does not

directly appeal to their counterparts. Nor do they typically have the internal budget or instruments to be able to do so effectively.<sup>1</sup> In short, it is difficult to bridge the gap between global needs and country preferences.

## *Experience with Bank Country Assistance Strategies*

Country Assistance Strategies<sup>2</sup> for partner nations define proposed country programs and form the bedrock of the Bank’s overall engagement with developing countries. Moreover, because a great deal of the Bank’s work, particularly its financing and knowledge services, is explicitly incorporated into individual CASs, such strategies are of pivotal importance as a starting point for the Bank’s work in connecting global

*Systems for integrating GPGs into CASs are underdeveloped and worth upgrading.*

and country issues. What does experience tell us about how GPGs are playing out in country strategies?

The templates for compiling a CAS do not make explicit reference to global programs or GPGs as issues that must be considered. Likewise, templates for CAS Completion Reports and IEG's own Country Assistance Evaluations do not give explicit guidance on GPG issues. This may well be a gap worthy of further review. The Bank's internal CAS review process does allow for draft material to be circulated for comment to various parts of the Bank beyond the specific country team, including relevant groups involved with GPGs, such as the Sustainable Development Network and the Bank's Global Programs and Partnerships (GPP) unit. This process gives some opportunity for that perspective on GPGs to be added. It is not common, however, for experts from the centrally based anchor units (in the Bank networks) to be active members of the CAS preparation team.

Which GPGs feature strongly in Bank country strategies? A review of major recent CASs found that the environmental commons is the GPG most frequently noted explicitly in country strategies. Climate change, air pollution, and carbon emissions are reported (in the vast majority of CASs) as being addressed through the Bank's own lending or analytic and advisory activities, the Global Environment Facility (GEF) or the carbon funds. This observation resonates with IEG's earlier evaluation of MICs (IEG 2007a), which found that mention and integration of global programs in CASs was more likely for those close to the Bank such as the GEF and the carbon funds.

*Environmental commons is the GPG noted most frequently in country strategies.*

Attention to communicable diseases is the second most frequently emphasized GPG in CASs. But in examining CASs it is often difficult to determine whether work on communicable diseases is primarily focused on national interests (and national goods) or whether the interests of the wider global community are also driving or influencing the Bank's stance. In about

70 percent of CASs reviewed, the documents mention work on either HIV/AIDS, tuberculosis, malaria, or avian flu—which might be taken as the upper bound of attention on these GPG issues. About one-third of the CASs reviewed mention Bank support for national disease surveillance systems.

This pattern has been confirmed in interviews with Bank country directors and their staff.<sup>3</sup> They report that they are open to considering and including important GPG issues in their dialogue with counterparts and, ultimately, in core country strategies. When the Bank is able to draw a practical connection between a GPG and the poverty focus of the Bank, it has a base upon which to build. The key then is to exploit the comparative advantage of combining the Bank's global and local knowledge, because it is the mix of the two that allows the greatest added value to be delivered to the client. But country directors report two significant drawbacks in delivering these potential benefits.

First, many respondents argue that, in a nutshell, "the networks are not working." From their perspective, the Bank's centralized anchor units have not been providing the valuable cross-country research, expertise, and support needed to help foster GPGs at the individual country level. In part, this may reflect gaps in the Bank's own global knowledge but respondents also suggested it was a problem of ineffective dissemination (internally, and to external audiences) of global expertise and research. This last theme is a recurring one—several evaluations from IEG and others have drawn attention to continuing flaws in the way the Bank transmits its analytical and research work (IEG 2007a).

Second, country directors remain concerned about what, at times, appears to be a bewildering array of global programs with which the Bank is associated. In some instances, the information made available on global programs is so voluminous and broad that it is difficult for country teams to digest and use. In other cases, some global programs (and their internal sponsors) circumvent the normal country dialogue approach, and

foist their agenda onto the national dialogue. Many country directors appeal for a rationalized approach that tailors information from global programs much more carefully to country circumstances, which would facilitate a stronger engagement over the long term.

With the Bank's increased attention at the corporate level to GPGs, has there been a similar increase in coverage of GPGs in CASs? This report reviewed a relevant sample of countries in which the Bank has significant engagement and for which recent and historic CASs are available. In sum, there does not seem to be enough evidence to say that the treatment of any of the main GPGs is significantly different in the most recent CASs from their earlier equivalents. In fact, the picture is rather mixed. For example, the latest Vietnam CAS and Brazil Country Partnership Strategy (CPS) seem to address GPGs in a more extended fashion than earlier strategies. In Pakistan, the treatment is similar between the two CAS periods, as is also the case for the China CAS (which has had reasonably good coverage over an extended period).

One important issue highlighted by staff in country and network positions is the differing time horizons that apply in different strategies. Country strategies typically cover two to four years, which has to be aligned with national

pressures (often including electoral cycles). Yet, global strategies to deal with GPGs have time horizons sometimes measured in decades, and implementation measures typically for five years or more. This "mismatch of time horizons" poses an overarching problem for bringing public policy to bear on medium- and long-term global challenges. It is also a source of tension reflected in the country-level client dialogue and priorities across different groups (for example, country teams and anchor specialists) within the Bank. How to make a more effective link between available short-term instruments and medium-term challenges deserves further consideration (IEG 2008a).

The latest Brazil CPS<sup>4</sup> provides a very good example of clear and prominent integration of GPG themes in country-level strategies (see box 6.1).

### ***The Experience with Bank Network (Sector) and Regional Strategies***

Given the sporadic attention to GPGs in country strategies, are strategies above the country level providing more attention to GPGs? That is the case with regard to corporate-level strategy, where the Bank has paid significant attention to GPGs, most notably in the GPG Framework (World Bank 2007d) and Long-Term Strategic Exercise (World Bank 2007e). But these strate-

*There is no evidence that the treatment of GPGs in CASs has expanded across-the-board over time.*

#### **Box 6.1: Brazil: A Best Practice in Integrating GPG Themes in Country Strategies**

The latest Brazil CPS is unique among the CASs reviewed in this ARDE for its treatment of GPG issues. The partnership strategy explicitly references GPGs and particularly highlights the inherent tension in promoting GPGs at the country level:

*The Bank will engage with Brazil with climate change, trade, and other global public goods issues. In so doing, the Bank will help to ensure that Brazil's perspectives and interests are represented, in ensuring that the line between global goods and national ownership is not blurred, in ensuring that development needs are given equal billing. In short, the Bank's perspectives will be to 'level the playing field' on global public goods.*

Brazil is special for its *central role in dealing with many global public goods (including AIDS, climate change, biodiversity, and clean energy) and for the fact that it is a demanding borrower that 'pushes the Bank to the next level,' by insisting that the Bank enter areas where the Bank has been reluctant to participate . . . that the Bank engage with global public goods from the perspective of the developing world.*

The CPS is also notable because it is a joint strategy between IBRD and the International Finance Corporation, which includes both private and public sector responses to GPGs, particularly on environmental commons issues. The CPS is so recent that the effectiveness of the new approach remains to be evaluated.

*The Bank's attention to fostering GPGs gets diluted as it moves from corporate-level strategy down.*

gies could have been more specific on how to translate corporate priorities into country-level action. Indeed, the Long-Term Strategic Exercise acknowledges the limitations of the country-based model as a tool for fostering GPGs, particularly regarding country incentives to diffuse country knowledge (World Bank 2007e).

What about the strategies “in the middle”—those of the networks<sup>5</sup> and Regions? A review of such documents found that explicit attention to GPGs becomes diluted as it passes from network anchor strategy to Regional strategy. And typically, neither network nor Regional strategies fully elucidate how these strategies will play out at the country level.<sup>6</sup> Attention to GPGs is more prominent in both network and Regional strategies dealing with the environment, as compared with those dealing with the health sector.<sup>7</sup> The likely reason is because of the type of intervention needed for containing communicable diseases, which requires a strong national focus that might not be explicitly connected to global action.

A good example is the Bank's environment strategy, *Making Sustainable Commitments* (World Bank 2001), and the 2007 Sector Implementation Strategy Update (World Bank 2007f), which provides a strong focus on institutions, governance, and outcomes. It is one of the few network strategies that elucidate in detail how each Bank Region should undertake actions to foster global/regional environmental commons. Translating strategy into practice, however, proved to be difficult.

The Sustainable Development Network reported in 2003 that mainstreaming environmental considerations in sectoral projects, programs, and policies had been slower than expected. IEG (2008a) found that although mainstreaming has advanced since 2001, it has remained incomplete because of limited incentives and too few independent Bank resources to integrate environmental components into other projects. The Environment

Sector Board has identified and catalyzed new partnerships for emerging climate change issues, but in other areas has not fully followed through on its stated commitments to realign global partnerships with strategic objectives and to improve the governance and management of such partnerships (IEG 2008b). Similarly, the DGF Council stated during the fiscal 2007 screening process that the environment sector “seemed to lack a unifying strategy and that proposals were not linked with country-based and other global programs” (IEG 2008b).

The Bank's Regional strategies (which vary significantly in format and vintage across Bank Regions, with Africa being particularly comprehensive) typically cover GPGs somewhat superficially. Climate change and HIV/AIDS are mentioned in all Regions, but scant attention is paid to looking at the promotion of GPGs in a more comprehensive or strategic manner. Nonetheless, some good practice is emerging in Regional and sector-specific strategies, as highlighted in box 6.2.

**Box 6.2: Emerging Good Practice from the Regions**

The current Latin America and Caribbean Regional strategy includes concrete references to proposed action on important GPGs. Global issues is one of the four pillars of Bank action for the Region and includes topics such as climate change, trade negotiations, HIV/AIDS, and avian flu. The Regional vice president elevated the importance of climate change and the Bank's involvement in the external media by noting in an op-ed piece that a fair global system should make lower carbon-intense emissions possible by leveling the playing field between developing and developed countries.

The 2005 Health Strategy developed by the Africa Region includes a substantive discussion of how to integrate global priorities with country priorities (World Bank 2005c). Acknowledging the growing number of global initiatives aimed at controlling communicable diseases, the document outlines the importance of the Bank in helping client countries manage and benefit from the complex array of global initiatives.

*Though mainstreaming environmental considerations have advanced since 2001, it has remained incomplete due to incentives and resource limitations.*

Several factors could contribute to the dilution of GPG focus in Bank strategic documents from the corporate level to the networks and Regions and finally to the country. It may be that accountability for GPG issues is lessened, or control over resources diminishes, as one moves down the management chain. Both could compromise a country team's ability and desire to advocate for and to deliver GPGs. Some interview respondents also postulate that task managers and country teams feel they have their hands full with the Bank's traditional mandate and are naturally reluctant to take on another. Without accompanying resources or accountability, a corporate mandate from above becomes more difficult to trace down to the country implementation level.

### Country Programs in Practice— from Strategy to Action

In moving from strategy to action at the country level, at least three factors come into play. First, the broad attention paid by the Bank to GPGs is partly reflected in the overall allocation of corporate resources—the Bank's own budget and trust funds—to this priority. Second, the particular financial instruments at the Bank's disposal—including grants, concessional IDA, IBRD loans—influence country activities. Third, global programs have become an increasingly

popular tool for the Bank to deploy. Each of these is discussed below.

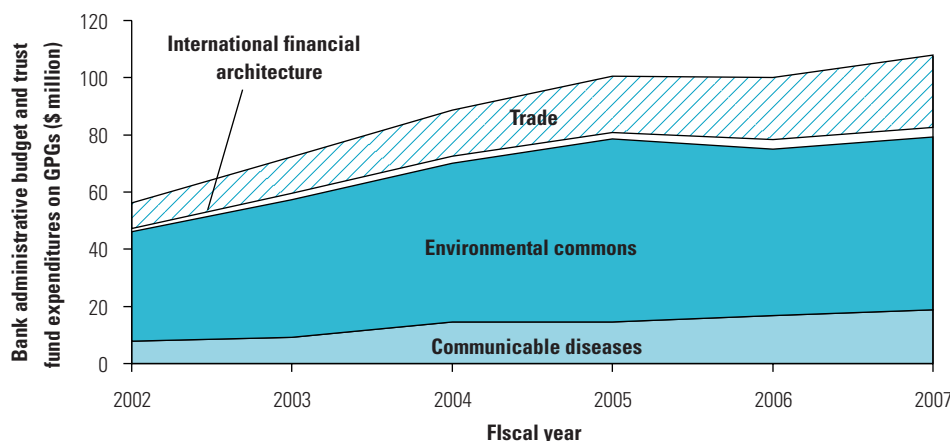
### Allocating the Right Level of Corporate Resources

The Bank reports that its expenditures and lending for the purposes of fostering GPGs have risen rapidly in recent years (using a widely drawn definition of GPGs, owing to the lack of specific administrative coding).<sup>8</sup> These estimates should be treated with some caution because they may be subject to significant variations depending on the definitions and classifications used in their construction. Indeed, going forward, more precise definition and tracking of spending would be important as management tools. Expenditures, including trust funds, have nearly doubled in five years, from \$56.2 million in fiscal 2002 to \$108.0 million in fiscal 2007, reaching approximately 4 percent of total Bank expenditures. The bulk of this \$50 million rise is concentrated on increased spending in the GPG areas of environmental commons (an increase of \$22 million) and trade (an increase of \$16 million), as shown in figure 6.1.<sup>9</sup>

*Bank expenditures are rising rapidly, with the biggest increase for work on environmental commons.*

These funds come from three sources, including the Bank's core budget, Bank-executed trust

**Figure 6.1: Bank Expenditures on Main GPG Themes**



Source: World Bank, Global Public Goods Working Group.

*Bank lending for GPGs has more than doubled over the past five years—to about 10 percent of total lending in fiscal 2007.*

funds, and other funding sources such as GEF. The core budget expenditures have nearly doubled over the period, from \$32.3 million in fiscal 2002 to \$59.7 million in fiscal 2007. In addition, trust fund expenditures have risen from \$13.9 million to \$26.2 million, and the other sources have increased from \$10.1 million to \$22.1 million.

IBRD and IDA lending has grown even faster, from \$968 million (and 5 percent of all lending) to \$2.5 billion (10 percent) over the same period. The bulk of this increase was in the area of trade, where lending volumes increased from \$76 million in fiscal 2002 to \$988 million in fiscal 2007 as shown in figure 6.2. A large increase also occurred in the area of environmental commons, from \$467 million to \$879 million. Lending for communicable diseases has fluctuated around \$400 million over the period, and that for international financial architecture has been very small.

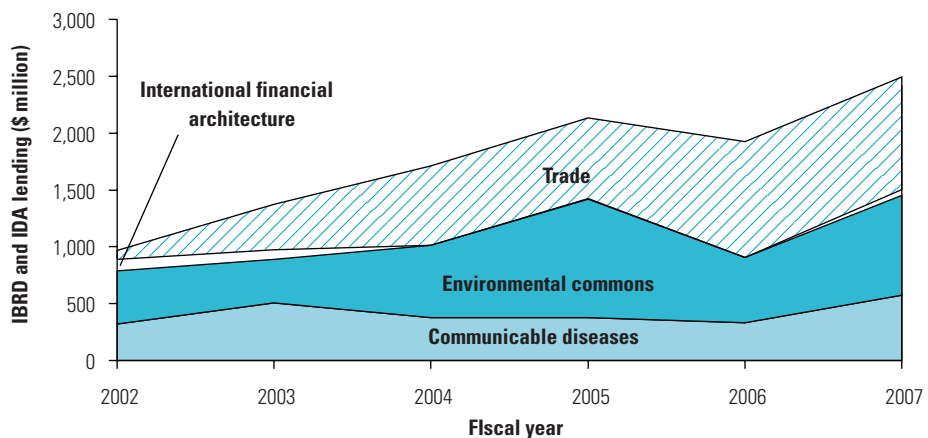
*The Bank's administrative expenditure on GPGs is one of the smaller allocations for its six strategic priorities.*

Other sources of funds have been prominent in financing work in environmental commons. The carbon funds, GEF, Montreal Protocol, and other special funds, together, accounted for

over \$1 billion of finance in fiscal 2006 alone. While this amount was a peak, these funds accounted for an average of \$270 million during fiscal 2002–07.

Are these numbers—particularly the Bank's administrative budget—adequate for the task? It is impossible to say because there is no benchmark against which to calibrate. It is possible to highlight the difficulties of budgets and incentives staff face, as reported in interviews with key respondents.<sup>10</sup> The budget systems of the Bank have largely been designed to fit its model of business, which has been in place for several decades—with lending as the centerpiece—and have not yet been smoothly adapted to reflect the requirements of new business. Country directors and their sector director colleagues can struggle to meet corporate pressure to conduct GPG work at the country level when there is modest or little counterpart demand and no obvious instrument for follow-up. Some innovative responses have been developed, such as the Latin America and Caribbean Region's "beam" funding, which allocates a modest share of Bank budget administrative funding on a competitive basis to Sustainable Development Network sector teams to stimulate their work on GPGs in specific countries.

**Figure 6.2: IBRD and IDA Lending for Main GPG Themes**



Source: World Bank, Global Public Goods Working Group.

At the network level, staff also report that budget and incentive pressures are inhibiting, but it is difficult to assess this from an external viewpoint. The Bank's need or desire to be responsive to its shareholders and stakeholders leads it to be an active partner in a growing number of global initiatives. Network staff often do not have adequate budgets to fund their work—such as attending planning and governance meetings of global programs, or producing tailored research in response to partner requests. And against such a squeeze, the staff are placed in difficult positions of trying to fulfill other services, including providing operational and other specific support to country teams.

Overall, while the increase in resources of the Bank to GPGs has been substantial, renewed attention to those GPGs—both globally and within the Bank—implies there will be pressure for the Bank to devote substantially more emphasis and, therefore, resources to GPGs. Since the Bank's administrative budget is projected to remain flat, and across-the-board increases in lending volumes will be modest at most, the Bank would then have to rely increasingly on other sources. Grant resources and market-based mechanisms may be used to finance country-based projects, and trust funds to finance Bank expenditures. If not, the Bank would have to make a major reallocation of its own Bank budget away from its traditional work and toward GPGs.

This corporate decision to use external funding streams, particularly trust funds, to address GPGs could lead to fragmentation of efforts, rigidity over allocations, greater administrative costs, subjection to particular donor requirements and preferences, and a disconnect from the basic resource allocation mechanism that governs the country-based model. The Bank has sought to mitigate such risks through several measures, including standardizing its trust fund policies and engaging with donors to harmonize approaches.

### **Using Different Financing Instruments**

#### **Bank Concessional Finance—IDA**

For LICs, the Bank can support country action

through the concessional—and hence more attractive—financing of IDA. Indeed, in recent years, the Bank has committed substantial IDA funding to help countries in programs with clear GPG dimensions—such as HIV/AIDS, avian influenza, and environmental commons. For example, in Vietnam, the Bank has been able to use its multisectoral expertise, combined with concessional IDA finance, to help the authorities cope with the threat of avian flu, in part, because there was a strong national interest in averting economic fallout in the domestic food industry.

Often, implementation capacity on the ground is stretched, however, and in those circumstances, Bank staff report that national demands, understandably, may take precedence over some GPG considerations. Furthermore, for national counterparts who are dealing with wretched poverty or postconflict reconstruction on a day-to-day basis, the goals of GPGs can seem rather distant and lofty. Again, staff report that there is great reluctance among national partners and country teams to allow IDA allocations targeted for poverty reduction to be diverted to fostering GPGs whose benefits may not be felt by the poorest.

A related and pressing point that has been observed in several high-profile cases in Africa is the growing presence of vertical global programs and funding mechanisms. Most vertical funds are in the health sector and they focus much needed attention and resources on specific problems, such as HIV/AIDS, malaria, and other communicable diseases. While these are vital issues that pose national, regional, and sometimes global challenges, the influence of vertical funds risks diverting domestic resources from other health sector and national priorities. Such funds may place more pressure on national administrations and can exacerbate aid fragmentation.

For example, in Ethiopia, more than half of the country's health budget recently came from HIV/AIDS global programs (IEG 2005). In cases with large resources from global programs, the

*Trust funds are a growing force in the delivery of GPGs—this poses challenges with regard to fragmentation, donor requirements, and preferences.*

Bank must work with client countries to carefully weigh its role and comparative advantage. In doing this, there may be instances in which a track record of successful Bank support for, say, HIV/AIDS projects in a specific country warrants continuing active engagement. In other circumstances it may be better to reallocate resources away from “inundated” areas to where the Bank can be more effective, for example, in integrated health care systems. The Bank should also continue its aim to support government-led aid coordination mechanisms, and at the global level, through the Paris Declaration and follow-up measures. Progress needs to be accelerated.

***IDA has innovated with special support for Regional projects.*** A recent innovation in IDA has been the creation of a separate funding envelope to support Regional projects.

Established on a pilot basis under IDA13, the approach was continued under IDA14, and the allocation for it increased by over 70 percent under the IDA15 framework (World Bank 2008c). These resources can be used to “top-up” IDA resources provided to countries through the regular country performance-based allocation system, as applied to pertinent Regional projects. The rationale is to encourage and facilitate countries’ participation in Regional projects, help defray the extra costs associated with such cross-border cooperation, and meet what is perceived to be a significant demand and opportunity for more (and more ambitious) Regional projects. The Bank’s Africa Region has helped push Bank support for Regional cooperation through the creation of a director position and a dedicated unit to promote Regional projects and programs. Although it is still early, there are signs that this IDA initiative is bearing fruit. It should be monitored for lessons as to whether this approach should be replicated for some GPGs, though great care would be needed to avoid fragmenting IDA’s overall framework.

#### ***Other Concessional Finance—Grants***

***When the Bank has an attractive instrument to support its country partners in taking action, there are signs of success.*** When the Bank has had a clear and viable instrument to support its country partners in taking action on some environmental concerns, there are signs of success. A good example of

this is the GEF. Formed in 1991, the GEF had a very clear mandate, with the full backing of the international community. Its basic operational structure and financial management originated in the Bank itself, and the professional experts who help promote GEF projects are Bank staff. Its grant finance has proved equally appealing to MICs and LICs alike (IEG 2007a). Indeed, in China—which has benefited from about \$510 million of GEF financing in 45 projects since 1991—the presence of the GEF has been a key ingredient in helping the Bank and national authorities form a strong and practical partnership to tackle issues that would not otherwise have been addressed. Client representatives report that Bank staff have kept them adequately informed on a range of global programs and initiatives. Furthermore, Bank involvement has been valued where it helps demonstrate new approaches that can be subsequently scaled up—an important feature of China’s 11th five-year plan (IEG 2007a).

In cases where the Bank has not had an obviously attractive financial instrument—and/or where there has been a lack of demand from country partners—it is less easy to see progress. For example, Bank effectiveness in promoting global environmental sustainability, including tackling climate change, has been mixed. Considerable attention has been given to biodiversity conservation, but, with the significant exception of China, less has been given to greenhouse gas mitigation, and, until recently, almost none to help countries adapt to the likely future impacts of climate change. In Senegal and Uganda, for example, the link between natural resource management and poverty has been largely overlooked in Bank lending (IEG 2008a). Much of this could be the result of a wider concern about how developing countries are compensated for their investments in GPGs. The Bank’s approach is beginning to change, however, and much greater attention is envisaged by both the Bank and International Finance Corporation to climate-related challenges, including with the newly emerging Climate Investment Funds.

Several developing countries have expressed apprehension about having to design national

projects that include global interests without receiving additional funding for the benefits accruing to the international community (ITF 2006). Although the inclusion of GPG concerns in national strategies is socially desirable, the issue still remains contentious about how developing countries will be compensated for having to incur higher costs (while benefits are distributed globally) when implementing development projects. For example, the creation of renewable energy electrification projects, without compensation for higher costs (as compared with traditional electrification projects), will mean a reduction in the number of beneficiaries.

#### **Nonconcessional and Market-Based Finance**

A key point reported by some operational staff and client representatives is that there is often a mismatch between country needs (and resources) and global ambitions on many GPGs.<sup>11</sup> In MICs, for example, the Bank tends not to be a significant player in financial terms and, indeed, its main instrument—IBRD lending—is nonconcessional (IEG 2007a). Hence the Bank's ability to influence (or persuade) a country to take concrete action on some GPGs is inherently limited, but the effective provision of those goods requires deep participation by these MICs, as discussed in box 6.3.

The limits of nonconcessional finance are illustrated in the Bank's work on avian influenza.

Only some of the benefits of controlling avian influenza can be captured by individual countries, and so it tends to remain a low national priority. So far, the Bank has supported 50 avian influenza and pandemic preparedness projects under its Global Program for Avian Influenza.<sup>12</sup> But only seven of these projects include IBRD finance, for a total of \$94 million, and among these, only two are for sizable sums. Moreover, to date, only \$12 million of IBRD loans have been disbursed.

In the two large IBRD projects—in Romania and Turkey—the positive externality of controlling avian influenza was largely captured within national borders by factors having nothing to do with the Bank. In both cases, poultry exporters were prevented from getting their products to the important European Union market because of fears that the disease could spread to people, providing strong national incentive to take quick action. This is a good example of how external pressure (economic or legal) can make the most of the Bank's country-based model for fostering certain GPGs.

In Indonesia, an evaluation of the Bank's country assistance program from 1999 to 2006 showed that it covered forestry issues with large-scale analytical work but little lending. Over that

*Although the inclusion of GPGs in national strategies is desirable, doing so remains contentious.*

*The Bank's work on avian influenza illustrates the limits of the Bank's nonconcessional finance.*

#### **Box 6.3: Bank GPG and MIC Strategies: Fates Entwined**

The provision of many GPGs depends critically on the actions of middle-income countries. Indeed, MICs are home to many of the world's most important environmental assets. They are the source of more than 40 percent of the world's carbon emissions; the strength of their financial systems directly affects the fortunes of other countries globally, and the prevention of communicable diseases by MICs could be critical to avoiding widespread contagion. Actions taken by MICs are therefore essential to the GPG agenda. Moreover, the Bank has indicated that GPGs will be a critical focus of its engagement with MICs, providing one of the primary justifications for a continuing relationship (World Bank 2006a).

In addition to these potential synergies, however, there are also tensions between these two agendas. MIC clients are increasingly calling on the Bank to become more client-focused and responsive to their needs, given the vast expansion of choice they have enjoyed in financial and technical support for development (IEG 2007a). At the same time, almost by definition, many GPGs—particularly those with the weakest link and aggregate effort characteristics—require action that countries would not otherwise choose to take. The Bank must carefully navigate these inherent tensions and trade-offs. Doing this well would lead to success and effectively deliver on both the MIC and GPG agendas, but failing on one would likely weaken the other.

period, the traction achieved by the Bank was very limited, and deforestation continued at a rapid clip.

In contrast, when national and global interests (and benefits) are closely aligned, nonconcessional finance can prove a workable instrument. Over the last two decades, the Bank has been able to secure very substantial country-based action on the promotion of trade—recognized as an important GPG. To complement its global-level work on trade regimes, the Bank has supported projects and programs in some 117 countries, with a total of \$38 billion of finance (8 percent of total Bank commitments) since the late 1980s (IEG 2006a).<sup>13</sup> About 70 percent of those projects

*In China, the Bank has successfully used market-based finance alongside its other, more established instruments.*

have delivered satisfactory development results in the countries concerned, although the poverty-reducing aspects of trade reform have not often been fully delivered (IEG 2006a). In recent years, the Bank has also creatively brought together the nexus of global, regional, and country interventions on trade—for example through successful, regionally structured, trade and transport facilitation projects (IEG 2007c).

The use of market-based finance, alongside other more-established instruments, is demonstrated well in the Bank's work on China, which is one of the world's largest emitters of carbon dioxide and where 70 percent of energy is coal-based. The Chinese authorities have actively engaged with the Bank, and priority has been given in the Bank's country strategies to financing clean and renewable energy as well as projects for the clean storage of carbon dioxide emissions, afforestation, and recycling. Indeed, to date the Bank's program has helped the Chinese to adopt a Renewable Energy Law, while other analytic and advisory activities and technical assistance work has focused on enhancing biodiversity. Furthermore, the Bank has been able to leverage funds from global programs like the GEF and the Multilateral Fund for the Implementation of the Montreal

*Global programs have grown rapidly in number.*

Protocol for renewable energy and ozone-depleting substance projects. Finally, the Bank has helped China

utilize the Clean Development Mechanism of the Kyoto Protocol through carbon funds, focusing particularly on the capture of the greenhouse gas, trifluoromethane.

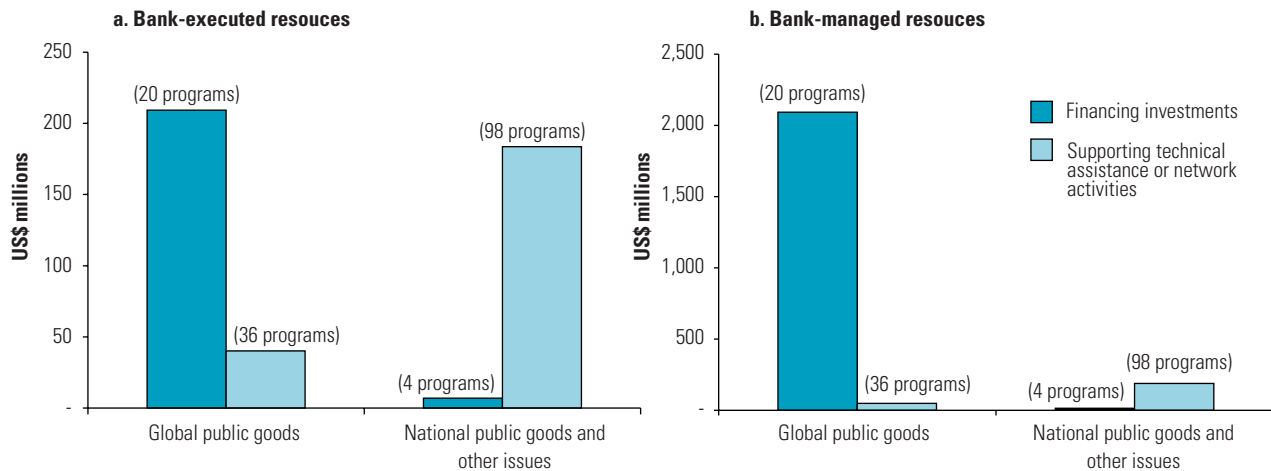
### **Deploying Global Programs at the Country Level**

Global and regional programs and partnerships<sup>14</sup> are another vehicle the Bank can use to bring national and global interests closer together. The number of these global programs supported by the Bank has grown rapidly in recent years, reaching about 160 in fiscal 2008. Global and regional programs are very diverse, in both their objectives and structure. A program can act primarily as a cross-country network, with little or no financial resources available; it can finance technical assistance; it can finance specific investments; or it can act in a combination of these ways. It can support GPGs through investments at the country, regional, or global level; or it can have nothing to do with GPGs at all.

Indeed, when one looks at the financing for these programs, three characteristics emerge. First, only 56 global programs (35 percent of the total) focus primarily on providing GPGs, as shown in figure 6.3a.<sup>15</sup> Second, a majority share—57 percent—of Bank-executed resources that the Bank devotes to global programs are allocated to the GPG-focused programs. Third, when one looks at all funds that the Bank manages, including recipient-executed trust funds, the share devoted to GPGs grows to a large majority, as shown in figure 6.3b—92 percent. These figures raise interesting issues regarding the prioritization of GPGs in the Bank's support for global programs.

Many global programs—particularly those that primarily deliver GPGs through national investments and technical assistance—require action at the country level. But despite the Bank's direct role as a partner in these global programs, systematic linkages to country programs have proved challenging. Many of the global programs have garnered only modest participation by MICs (IEG 2007a). And Bank performance in global programs overall has been better at the global

**Figure 6.3: Most Global Programs Do Not Focus on GPGs, but Most of the Bank's GPP Resources Are Devoted to Those That Do**



Source: World Bank database.

Note: Bank-executed resources cover Bank budget and Bank-executed trust funds. Bank-managed resources also include recipient-executed trust funds.

than at the country level, in part because, in the absence of a requirement to do so, task managers for global programs rarely demonstrate how the program will help specific countries (IEG 2004b).

One reason for limited participation by developing country partners is that the Bank's decision to support a global program can be the result of pressures beyond those coming from its client countries, including strong donor interests, advocacy by international nongovernmental organizations (NGOs), and other geopolitical considerations. Sometimes these programs attract limited interest from developing countries.

How can global programs be better integrated into country operations? Simply basing a global program within the Bank—there are 57 such programs—does not guarantee effective linkages. For example, these linkages were weak in the Population Reproductive Health Capacity Building Program, in spite of the potential synergies with Bank investment operations occurring in the same countries. Even when country teams and global program teams communicate, the natural tendency is for global

program staff and Bank staff to focus on their own activities, for which they are held accountable, while collaborating primarily with established counterparts. For example, Bank country team staff often liaise with ministry officials overseeing country programs, while global program staff often liaise with a different set of officials, donors, specific interest groups, and specialists dealing with GPGs.

Indeed, Bank Task Team Leaders of global programs have reported that there are sharp incentives against close linkages between country and global programs. On occasion, the strong presence of a global program in a country sometimes leads a country team to take a division-of-labor approach, scaling back its program in the same sector. Importantly, country teams have few resources to work on global programs unless there is a demonstrated interest by the country client. This is even more acute when a global program is housed outside the Bank because there is little or no core Bank budget earmarked for program oversight. Moreover, while country teams are interested in budget and concessional finance that may come with participation, their interest

*It has proven challenging to make systematic linkages between global programs and country programs.*

*Merely basing a global program in the Bank does not guarantee effective linkages.*

*There are, in fact, strong incentives against making such linkages.* depends on the flexibility of the funding to support country priorities that may or may not overlap with global priorities.<sup>16</sup>

IEG has found that stronger legitimacy of a program appears to foster stronger linkages with country operations (IEG 2004b, 2008b). This legitimacy is enhanced by substantial developing-country representation in the governing body (discussed in the chapter 7). Stronger linkages emerge in the programs when developing countries have greater voice, in part because these programs are more likely to reflect developing-country interests and to be relevant to developing-country needs and circumstances.

The approach toward M&E for global and regional programs is substantially less developed than that which has been established over time for the Bank's traditional IBRD and IDA instruments. Global programs are relatively new and rarely self-sustaining financially, and hence it is very important to establish a robust M&E framework at the outset of a program. But IEG's recent review of seven global program evaluations found the quality of all seven was compromised by weak M&E systems for the program. Therefore, neither the external evaluations nor IEG found much systematic evidence relating to the achievement of the seven programs' objectives at the outcome level. It is impossible to say whether the global program interventions—together accounting for about

\$100 million of spending in 2007—ultimately had any effect (IEG 2008b).

The multicountry aspect of GPGs also applies to topics and responses that are best handled at the regional level, that is, by groups of neighboring countries. The Bank faces a similar challenge in demonstrating how it can link regional and country concerns and opportunities. One major instrument for doing this is through regional programs, which have increased in importance in recent years, though they still account for a modest share of Bank lending. In reviewing CASs, it is clear that mentioning regional programs is also much more the exception than the rule.

As the cross-border dimensions of health, environment, and trade facilitation are expanding worldwide, the contribution of regional programs to address regional public goods and GPGs is likely to grow in significance. Consensus among participating countries regarding the distribution of program benefits and costs, as well as strong country voice in governance arrangements, are key characteristics which IEG identified in successful regional programs (IEG 2007c). An example of an effective regional program is the Regional Hydropower Development Project, which was designed to manage the Senegal River Basin serving Mali, Mauritania, and Senegal. This project built a hydroelectric plant that successfully responded to the needs of the three countries by providing a reliable, low-cost power supply and increased electricity access.

*The approach to M&E for global programs is substantially less developed than approaches used in Bank lending.*