

Management Comments: Summary

The 2008 *Annual Review of Development Effectiveness* (ARDE) tracks Bank performance and examines a particular thematic topic, the Bank's work in fostering global public goods (GPGs). Management values the review of project and program outcomes and of monitoring and evaluation (M&E) practice, and we appreciate in particular the clarity of analysis, which helps the Bank learn from experience.

We very much welcome also the review of country program support for GPGs and of the Bank's advocacy work on GPGs, particularly the recommendations on bridging the gap between global needs and country preferences. Management's complete comments are included as an appendix; this note summarizes the main points, with a focus on recent actions.

Tracking Bank Performance

Project Outcomes. The ARDE confirms that project outcomes have significantly improved over the medium term, exceeding the Bank's performance benchmarks in fiscal 2004–06. Management notes with particular satisfaction impressive improvements in the projects of the Africa Region and of the water supply and sanitation sector. Management shares IEG's concerns about the dip in project outcomes in fiscal 2007, notably in noninfrastructure sectors and low-income countries, and appreciates the need to be vigilant so the dip does not become a trend. Overoptimism in self-ratings of operations close to closure parallels findings in our more detailed review of International Development Association (IDA) controls, reports by the Bank's internal Quality Assurance Group (QAG), and the India Detailed Implementation Review. In response,

Bank Regions are reviewing their portfolios and working actively with staff on measures to improve rating practices and strengthen ongoing operations. A more fundamental issue, however, is that the traditional supervision model, which was geared to infrastructure projects in middle-income countries, needs to be adapted to the circumstances of projects in softer sectors and in fragile states, which call for more Bank engagement in project implementation, better risk reporting, and customized implementation support directed at capacity building. Management is addressing this issue in the context of investment lending reform.

Country Program Outcomes. The ARDE reports that outcome ratings, averaged over a long period, are considerably lower for Bank-supported programs in low-income countries (LICs) than for programs in middle-income countries (MICs), and are lower for programs than for projects. Management is concerned about the gap between MIC and LIC programs and would very much welcome IEG's deeper analysis of the underlying factors— notably an analysis of changes in outcomes over time for subgroups of countries, taking into account such developments as the introduction of Country Assistance Strategy (CAS) results frameworks and changes in evaluation methodol-

ogy. Management believes that the gap between program and project outcomes primarily reflects a difference in performance standards, not a failure of programs to exploit synergies. The Bank only recently introduced results-based CASs that clearly distinguish between the country's objectives and CAS outcomes based on those objectives, and include results chains setting out how the Bank will contribute to those outcomes. Most of the programs evaluated by IEG are on based on CASs in which this distinction was much less clear. The upcoming CAS Retrospective will provide a further opportunity for an informed discussion of program outcomes.

Monitoring and Evaluation. Management agrees with the ARDE's finding that the implementation of the Bank's strong policy framework for M&E continues to face challenges in projects and programs. Management appreciates and is acting on IEG's recommendations to focus on the provision of good baseline information, articulate more clearly the link between project outputs and targeted outcomes, simplify CAS results frameworks, and use M&E more effectively for program management. To do this effectively will require not only Bank action but measures to address the issue of statistical capacity in member countries. As announced during the High-Level Forum on Aid Effectiveness in Accra, our joint efforts with the Netherlands and the United Kingdom have succeeded in establishing a new Statistics for Results Facility that will help countries implement their national plans for improving statistical systems.

Shared Global Challenges— Lessons from the Bank's Experience

Bank Support 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.

Management agrees that country-based support for GPGs will need to increase and be better integrated into CASs. We also believe that the appropriate role for the Bank is specific to the particular GPG being supported and to the country context; hence variations in the extent of Bank involvement among GPGs and among countries are to be expected. Since the Bank is only one player among many, our framework for support to GPGs calls for identifying where gaps are not being met by other agencies and then helping to fill the gaps where the Bank has the capability and comparative advantage. Country ownership and response to client demand remain the primary principles of country-based support for GPGs.

The Country Program Model. The ARDE highlights the challenges to country-based support for GPGs in cases where global and country interests diverge and there is no international framework for collective action. Management believes that such challenges can be addressed without earmarked funding at the corporate level for country work. We do not agree with the broad conclusion that relying on the country program model is a "double-edged sword." The Bank's ultimate clients are poor people. By 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, and to ensure that the actions it supports are owned by the country. In Management's view, the key challenge—discussed in the upcoming CAS Retrospective—is to more thoroughly integrate GPGs into the CAS diagnosis of country development challenges and the dialogue with the government, and on that basis determine the appropriate contribution of global programs and trust funds as part of the CAS support program. We also agree that mobilizing concessional funding is important for engagement on GPGs in MICs, and we note that efforts to that effect are under way.