

---

# **Results and Performance of the World Bank Group**

**Volume II: Management Action Records for  
World Bank, IFC, and MIGA**

**IEG**

INDEPENDENT EVALUATION GROUP

---

©2010 The International Bank for Reconstruction and Development / The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)  
E-mail: [feedback@worldbank.org](mailto:feedback@worldbank.org)

All rights reserved

1 2 3 4 5 13 12 11 10

This volume is a product of the staff of the Independent Evaluation Group of the World Bank Group. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. This volume does not support any general inferences beyond the scope of the evaluation, including any inferences about the World Bank Group's past, current, or prospective overall performance.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

### **Rights and Permissions**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development / The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: [www.copyright.com](http://www.copyright.com).

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

ISBN-13: 978-1-60244-162-0  
ISBN-10: 1-60244-162-6

World Bank InfoShop  
E-mail: [pic@worldbank.org](mailto:pic@worldbank.org)  
Telephone: 202-458-5454  
Facsimile: 202-522-1500

Independent Evaluation Group  
Communication, Strategy, and Learning (IEGCS)  
E-mail: [ieg@worldbank.org](mailto:ieg@worldbank.org)  
Telephone: 202-458-4497  
Facsimile: 202-522-3125

Printed on Recycled Paper

# Contents

## **PART I WORLD BANK MANAGEMENT ACTION RECORD AND IMPLEMENTATION REPORT 2010 ..... 1**

1. Country Financial Accountability Assessments and Country Procurement Assessment Reports: How Effective Are World Bank Fiduciary Diagnostics? .....	2
2. A Decade of Action in Transport: An Evaluation of World Bank Assistance to the Transport Sector, 1995-2005 ....	4
3. World Bank Assistance to Agriculture in Sub-Saharan Africa .....	7
4. The Development Potential of Regional Programs: An Evaluation of World Bank Support of Multicountry Operations.....	11
5. Development Results in Middle-Income Countries: An Evaluation of the World Bank's Support .....	15
6. Using Training to Build Capacity for Development: An Evaluation of Project-based and WBI Training.....	20
7. Public Sector Reform: What Works and Why? – An Evaluation of World Bank Support .....	23
8. Doing Business: An Independent Evaluation – Taking the Measure of the World Bank-IFC Doing Business Indicators.....	27
9. The World Bank Group Guarantee Instruments 1990–2007.....	36
10. Decentralization in Client Countries: An Evaluation of World Bank Support 1990-2007.....	41
11. Environmental Sustainability – An Evaluation of World Bank Group Support.....	43
12. Climate Change and the World Bank Group Phase I—An Evaluation of World Bank Win-Win Energy Policy Reforms.....	52
13. Using Knowledge to Improve Development Effectiveness – An Evaluation of World Bank Economic and Sector Work and Technical Assistance, 2000-2006.....	58
14. The World Bank's Country Policy and Institutional Assessment (CPIA) .....	62
15. How Effective Have Poverty and Social Impact Analyses Been? An IEG Study of World Bank Support to PSIAs 63	
16. Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population - An Evaluation off World Bank Group Support Since 1997 .....	66
17. Implementation Report 2010 .....	83
18. Financial Sector Assessment Program - IEG Review of the Joint World Bank and IMF Initiative .....	84
19. Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters ...	86
20. Evaluation of World Bank Support for Primary Education.....	87
21. Engaging with Fragile States: World Bank Support to Low-Income Countries Under Stress (LICUS) .....	90
22. 2006 Annual Report on Operations Evaluation .....	95

## **PART II IFC MANAGEMENT ACTION TRACKING RECORD 2010 ..... 99**

An Evaluation of IFC's Investment Climate Activities.....	101
Independent Evaluation of IFC's Development Results 2007 .....	101
Independent Evaluation of IFC's Development Results 2007 .....	102
Independent Evaluation of IFC's Development Results 2007 .....	103
Independent Evaluation of IFC's Development Results 2007 .....	104
Independent Evaluation of IFC's Development Results 2007 .....	105
Independent Evaluation of IFC's Development Results 2007 .....	106
IFC in Ukraine .....	107
Financing MSME-FIs in Frontier Countries .....	112
Evaluation of the Private Enterprise Partnership Program in ECA .....	115
IFC in Indonesia .....	123
Independent Evaluation of IFC's Development Results 2008 .....	126
The World Bank Group Guarantees Instruments 1990-2007: An Independent Evaluation .....	129
Supporting Environmental Sustainability.....	131
IFC in Nigeria .....	133
Biennial Report on Operations Evaluation in IFC 2008: Enhancing Monitoring & Evaluation for Better Results.....	134
Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services.....	136
Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population .....	139

<b>PART III MIGA MANAGEMENT ACTION TRACKING RECORD 2010.....</b>	<b>145</b>
I. Strategy Recommendations.....	147
II. Development Impact and Effectiveness Recommendations.....	151
III. Institutional Effectiveness Recommendations.....	160

**PART I  
WORLD BANK  
MANAGEMENT ACTION  
RECORD AND  
IMPLEMENTATION REPORT 2010**

**1. COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENTS AND COUNTRY PROCUREMENT ASSESSMENT REPORTS: HOW EFFECTIVE ARE WORLD BANK FIDUCIARY DIAGNOSTICS?<sup>1</sup>**

**List of Recommendations**

<p><b>1.1</b></p> <ul style="list-style-type: none"> <li>● Agree on a common definition of "fiduciary risk that would be applied consistently in all PFM diagnostic instruments.</li> <li>● Develop a comprehensive and integrated risk analytical framework that would include a standardized methodology for aggregating country-level PFM risks; and</li> <li>● Guide staff on how risk assessments should influence the design of Bank assistance both at the project and program level, and revise guidelines as needed.</li> </ul>	<p><b>Gear CFAAs and CPARs more directly to the fiduciary goal</b></p>
<p><b>1.2</b></p> <ul style="list-style-type: none"> <li>● Issue revised guidelines jointly prepared by the three sector boards on undertaking integrated diagnostics; and</li> <li>● Develop and implement an integrated training program for staff from all three networks on implementing the "Strengthened Approach."</li> </ul>	<p><b>Enhance the quality of the diagnostics.</b></p>
<p><b>1.3</b></p> <ul style="list-style-type: none"> <li>● Ensure that the Bank supports clients in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform even though the diagnosis may be undertaken using multiple instruments.</li> </ul>	<p><b>Improve the outcome and impact of fiduciary work and associated outcomes.</b></p>

**Status of Implementation**

Recommendations		Level of Adoption	
		Management	IEG
<b>1.1</b>	<p><b>Gear CFAAs and CPARs more directly to the fiduciary goal</b></p> <ul style="list-style-type: none"> <li>● Agree on a common definition of "fiduciary risk" that would be applied consistently in all PFM diagnostic instruments.</li> <li>● Develop a comprehensive and integrated risk analytical framework that would include a standardized methodology for aggregating country-level PFM risks.</li> <li>● Guide staff on how risk assessments should influence the design of Bank assistance both at the project and program level, and revise guidelines as needed.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>
<b>1.2</b>	<b>Enhance the quality of the diagnostics.</b>	<b>High</b>	<b>High</b>

<sup>1</sup> The rating categories for the *level of adoption* of recommendations are: High—fully adopted; Substantial—largely adopted but not fully incorporated into policy, strategy, or operations; Medium—adopted in some operational and policy work but not to a significant degree in key areas; Negligible—no evidence or plan for adoption, or plans and actions for adoption are in a very preliminary stage. The ratings categories for the status of implementation in the Implementation Report are "Complete and archived," "Incomplete and archived per the 3 year rule," "Obsolete or overtaken by events," and "Difference of opinion."

Recommendations	Level of Adoption	
	Management	IEG
<ul style="list-style-type: none"> <li>Issue revised guidelines jointly prepared by the three sector boards on undertaking integrated diagnostics.</li> <li>Develop and implement an integrated training program for staff from all three networks on implementing the "Strengthened Approach."</li> </ul>		
<p><b>1.3 Improve the outcome and impact of fiduciary work and associated outcomes.</b></p> <ul style="list-style-type: none"> <li>Ensure that the Bank supports clients in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform even though the diagnosis may be undertaken using multiple instruments.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>

### Management Response 2010

<p><b>1.1</b></p>	<p>As stated in the 2009 Management Response, the Financial Management (FM) Sector Board has issued Interim Staff Guidelines for assessing fiduciary risks in the use of country FM systems in investment lending operations (July 2009). These guidelines were developed after consultations with Procurement, PREM, and LOA. Regions have already started piloting the use of these guidelines. OPCPR has developed a comprehensive Procurement Risk Assessment and Management System (P-RAMS) to assist task teams in managing and mitigating risks more effectively. More broadly, OPCS has, in the context of IL Reform, developed a comprehensive and integrated risk analytical framework, the Operational Risk Assessment Framework (ORAF) that will be used for all investment operations as of July 1, 2010. The ORAF assessments are informed by FM and PR analytics and FM and Procurement staff are key members of the task team in undertaking the risk assessment, which influences project design and resource allocation. Using the ORAF, teams reassess risk periodically during implementation and make adjustments accordingly. Draft guidance is already being used by staff implementing the ORAF during the pre-rollout period up to July 1, 2010.</p>
<p><b>1.2</b></p>	<p>FM and Procurement together with PREM participated in preparing a joint memorandum for staff issued by the VPs of OPCS and the PREM Network on July 25, 2005, that endorsed the use of integrated PFM work and the use of the PEFA Framework and strengthened approach. Further guidance on implementation of this memo has not been seen as necessary. Training on the PEFA tools and the strengthened approach are jointly delivered on a regular and on-going basis.</p> <p>FM, Procurement, and PREM share membership on each other's Sector Boards. FM and Procurement are under the same Director who chairs joint sector board meetings. All of these provide the basis for strong coordination, especially on activities that benefit from such coordination.</p> <p>In addition, the two sector boards (FM and Procurement) organize a joint Fiduciary Forum every two years. This year, the Fiduciary Forum was held in March. The Fiduciary Forum included joint plenary sessions dealing with common issues before the FM and Procurement communities and benefitted from participation by PREM.</p> <p>The joint work on the ORAF (mentioned in 1.1) strongly evidences the true collaboration between the FM and Procurement sectors and the sector/country teams, not only at the project level but also</p>

at the sector and country levels. With the approval and rollout of the ORAF, we consider the level of adoption of 1.2 as “high.” By way of additional information, the FM and Procurement Sectors are currently developing their respective strategies that will further highlight the synergy between the FM and procurement work.

**1.3** After the mainstreaming of the PEFA framework among important donors, including the Bank, there are increasing efforts in helping partner countries prepare a single integrated action plan of PFM reforms, which then becomes the basis for donor support. These key principles were clearly articulated in the above-cited joint VP memo to staff.

However, as the focus of our work at the country level differs, each sector manages the development of tools it uses to determine risk associated with the work in the sectors. We have all come together in the PE Working Group that supports the PEFA tool and work closely when applying the indicators at the country level. Similarly, for procurement, the OECD/DAC benchmarking tool that is becoming an integral part of the CPAR means that countries prepare a single action plan for the country and allows better integration of procurement findings with PFM issues.

Wherever feasible, the Bank is encouraging Integrated Fiduciary Assessment (IFAs) Financial Management and Procurement pairing as one of the customized diagnostics being used at the country level.

**IEG Response 2010**

- 1.1** No comments.
- 1.2** The rating is accepted with the expectation that the ORAF will be rolled out in July 2010.
- 1.3** No comment.

**2. A DECADE OF ACTION IN TRANSPORT: AN EVALUATION OF WORLD BANK ASSISTANCE TO THE TRANSPORT SECTOR, 1995–2005**

**List of Recommendations**

- 2.1** **Ensure that the focus of the Bank’s transport operations goes beyond intercity highways and gives more attention to issues of growing urgency, including environmental damages, energy efficiency and climate change, traffic congestion, safety, affordability, and trade. This could entail a trade-off between a portion of the traditional highway business and the newer, more complex challenges.**
- 2.2** **Prepare a Bank Group transport strategy with a sixfold emphasis:**
  - Greater attention to air and water pollution and realizing environmental gains;
  - Achieving greater synergies across relevant sectors—building on the merging of the Bank’s ESSD and Infrastructure Networks;
  - Enhancing knowledge sharing and analytical and advisory services and their contribution to country strategies;
  - Continuing to support private sector participation through close coordination among the Bank, IFC, and MIGA;
  - Increasing attention to governance and corruption issues; and
  - Redeploying staff and budget resources accordingly.

<p><b>2.3</b></p> <p><b>Build up the sector’s monitoring and evaluation efforts and align them with the new strategy:</b></p> <ul style="list-style-type: none"> <li>• The development over the next year of relevant intermediate indicators applicable to the broad range of projects;</li> <li>• The launching of an enhanced program of rigorous impact evaluations for selected programs;</li> <li>• A comprehensive self-evaluation of the experience with SWAPs within 3 years; and</li> <li>• An independent overview of the SSATP Program within 2 years.</li> </ul>
---

**Status of Implementation**

Recommendations	Level of Adoption	
	Management	IEG
<p><b>2.1</b></p> <p><b>Ensure that the focus of the Bank’s transport operations goes beyond intercity highways and gives more attention to issues of growing urgency, including environmental damages, energy efficiency and climate change, traffic congestion, safety, affordability, and trade. This could entail a trade-off between a portion of the traditional highway business and the newer, more complex challenges.</b></p>	Substantial	Substantial
<p><b>2.2</b></p> <p><b>Prepare a Bank Group transport strategy with a sixfold emphasis:</b></p> <ul style="list-style-type: none"> <li>• Greater attention to air and water pollution and realizing environmental gains;</li> <li>• Achieving greater synergies across relevant sectors—building on the merging of the Bank’s ESSD and Infrastructure Networks;</li> <li>• Enhancing knowledge sharing and analytical and advisory services and their contribution to country strategies;</li> <li>• Continuing to support private sector participation through close coordination among the Bank, IFC, and MIGA;</li> <li>• Increasing attention to governance and corruption issues; and</li> <li>• Redeploying staff and budget resources accordingly.</li> </ul>	High	High
<p><b>2.3</b></p> <p><b>Build up the sector’s monitoring and evaluation efforts and align them with the new strategy:</b></p> <ul style="list-style-type: none"> <li>• The development over the next year of relevant intermediate indicators applicable to the broad range of projects;</li> <li>• The launching of an enhanced program of rigorous impact evaluations for selected programs;</li> <li>• A comprehensive self-evaluation of the experience with SWAPs within 3 years; and</li> <li>• An independent overview of the SSATP Program</li> </ul>	Substantial	Substantial

Recommendations	Level of Adoption	
	Management	IEG
within 2 years.		

### Management Response 2010

2.1	<p>While the sector saw some rebalancing between modes in FY08, with roads and highways coming down to 57 percent, FY09 shows a return of the prominence of the road sub-sector, largely the consequence of the Kazakhstan Roads project, the largest-ever loan made by the Bank in Transport at \$2.2 billion, which makes by itself 35 percent of FY09 total transport lending. Nonetheless, taking the Kazakhstan project out of the picture, the rest of the roads portfolio makes less than 50 percent of FY09 transport lending. Noteworthy also is the sustained growth of the rail subsector since FY06, which is now clearly the second most important portfolio within the sector, with further growth prospects in FY10 and FY11. More integration is also taking place between Transport and Urban operations in the context of promotion of the sustainable cities concept, where urban transport, mobility and overall climate impact are deeply interwoven. Similarly, transport projects are reaching out more systematically towards social inclusion objectives (accessible transport for all, including people with disabilities), health targets (road safety as a global public health issue, fight against the spread of HIV-AIDS), and trade competitiveness aspects (trade logistics and facilitation).</p>
2.2	<p>Further to the March 10, 2008, CODE meeting where the Transport Business Strategy 2008–12 was discussed, the strategy was published and launched on May 21, 2008. Presentation and discussion sessions have been organized with large audiences including a wide variety of stakeholders from both the public and private spheres, in London in May 2008, in Manila in September 2008, and in Paris in November 2008. More dissemination activities have taken place throughout CY09, and adjustments to the skills mix in the Bank transport community have started with new hirings carried out in the field of urban transport, logistics, road safety and social inclusion. Implementation of this recommendation is therefore considered complete.</p>
2.3	<p>(i) Intermediate indicators for projects and programs are being mainstreamed as a result of the dissemination of the Transport Business Strategy. The Transport Sector Board is following up on operational implementation as part of regular portfolio monitoring activities, using the strategy’s Implementation Action Plan as a baseline. (ii) A comprehensive independent evaluation of the Global Road Safety Facility has been carried out in FY09 and concluded positively on the development impact of the program, while suggesting some administrative strengthening which has been implemented in the first half of FY10. (iii) Comprehensive evaluation of experience with SWAPs will be undertaken in FY10. (iv) As per the second long-term development plan of Sub-Saharan Africa Transport Policy Program (SSATP), approved in November 2007, an independent strategic review of the program was planned to be undertaken in CY2010. However, delays in hiring a new Program Manager, who just came on board in April 2009, led to postponement in the launching of the plan’s activities, so the independent review will be postponed accordingly to CY2011.</p>

### IEG Response 2010

<p>IEG agrees that substantial progress has been made with recommendation 2.1. A greater shift away from roads in the transport portfolio in favor of sustainable urban transport will be needed for a high rating. The portfolio is currently skewed by the huge Kazakhstan Road Project, which on its own accounted for 35 percent of the FY09 total transport lending.</p> <p>Recommendation 2.2 has been rated <b>high</b> and is therefore completed.</p>
--

Good progress has been made with recommendation 2.3 during the past year, although there are still some outstanding activities related to SWAps and SSATP. These are a comprehensive evaluation of experience in the sector with SWAps and an independent strategic review of the SSATP program. The level of adoption is currently **substantial**.

### 3. WORLD BANK ASSISTANCE TO AGRICULTURE IN SUB-SAHARAN AFRICA

#### List of Recommendations

- 3.1 Focus attention to achieve improvements in agricultural productivity:**
- Establish realistic goals for expansion of irrigation and recognize the need to increase productivity of rain-fed agriculture through improvements in land quality, as well as water and drought management.
  - Help design efficient mechanisms, including public-private partnerships, to provide farmers with critical inputs, including fertilizers, water, credit, and seeds.
  - Support the development of marketing and transport infrastructure.
- 3.2 Improve its work in agriculture:**
- Increase the quantity and quality of analytical work on agriculture and ensure that policy advice and lending are grounded in its findings.
  - Support public expenditure analyses to assess resource availability for agriculture and to help set Bank priorities.
  - Rebuild its technical skills, based on a comprehensive assessment of current gaps.
- 3.3 Establish benchmarks for measuring progress:**
- Improve data systems to better track activities supported by the Bank.
  - Strengthen M&E to report on project activities in various agro-ecological zones and for different crops and farmer categories, including women.
  - Develop a system to coordinate agriculture activities in a country with road access, market proximity, and soil conditions.

#### Status of Implementation

Recommendations	Level of Adoption	
	Management	IEG

Recommendations	Level of Adoption	
	Management	IEG
<p><b>3.1 Focus attention to achieve improvements in agricultural productivity:</b></p> <ul style="list-style-type: none"> <li>• Establish realistic goals for expansion of irrigation and recognize the need to increase productivity of rain-fed agriculture through improvements in land quality, as well as water and drought management.</li> <li>• Help design efficient mechanisms, including public-private partnerships, to provide farmers with critical inputs, including fertilizers, water, credit, and seeds.</li> <li>• Support the development of marketing and transport infrastructure.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>
<p><b>3.2 Improve its work in agriculture:</b></p> <ul style="list-style-type: none"> <li>• Increase the quantity and quality of analytical work on agriculture and ensure that policy advice and lending are grounded in its findings.</li> <li>• Support public expenditure analyses to assess resource availability for agriculture and to help set Bank priorities.</li> <li>• Rebuild its technical skills, based on a comprehensive assessment of current gaps.</li> </ul>	<b>Substantial</b>	<b>Medium</b>
<p><b>3.3 Establish benchmarks for measuring progress:</b></p> <ul style="list-style-type: none"> <li>• Improve data systems to better track activities supported by the Bank.</li> <li>• Strengthen M&amp;E to report on project activities in various agro-ecological zones and for different crops and farmer categories, including women.</li> <li>• Develop a system to coordinate agriculture activities in a country with road access, market proximity, and soil conditions.</li> </ul>	<b>Substantial</b>	<b>Medium</b>

#### **Management Response 2010**

The Bank continues to scale up support for African agriculture in the manner explained to the IEG team at the time of compilation of the IEG report; that is, through strengthening support for coherent and strategic programs at the national and regional levels, through close harmonization with other partners, through embedding the scale-up in frameworks for management of public spending, and through increased lending. The overarching framework for coherent strategic programs is the Comprehensive African Agricultural Development Program (CAADP), which the Bank has supported since its inception (see <http://www.nepad-caadp.net/> for more information). The Bank hosts the MDTF in technical support of CAADP, to which a number of partners contribute. The ReSAKSS analytical unit tracks public spending on agriculture by

national governments (<http://www.resakss.org/>), and the latest data show modest but significant increases. The Bank has completed an initial round of sectoral public expenditure reviews and has received funding from the Gates Foundation to continue and expand the work. The analysis of sectoral spending is critical to the effort to ground the scale-up in sound budgetary planning and execution. With regard to the PER work and country programming, management would reiterate that the Bank is not acting on its own. In assessing progress, it is necessary to take into account the implications of partnerships for the delivery of agricultural programs. Sectoral PERs form the basis for assessment of the level and composition of spending in the sector and design of plans for investment and expenditure in the future. Development of these plans is assisted by a coalition comprised of DFID, USAID, US Treasury, US State, Global Donor Platform, GTZ, HLTF, WFP, CIDA, AFD, FAO, IFAD, JICA, IFPRI, Spain, Netherlands, EU, AU/NEPAD, and the World Bank. At the end of February 2010 ten African countries and one sub-regional organization (ECOWAS) had early versions of investment plans in preparation for presentation in May and June 2010. Under commitments made in the L'Aquila (G8) process, the partners jointly finance a portion of the proposed plans through co-financing and parallel financing. The Bank has increased its own financing for African agriculture. Commitments of IDA resources in FY09 were US\$1.5 billion, in addition to delivery of trust funded resources; for example, in Sudan and for regional organizations engaged in agricultural research. Commitments of IDA for agriculture in FY10 are estimated to be approximately US\$1 billion. With regard to decentralization and augmentation of staff at the field level, 70 percent of the technical staff of the agricultural unit (AFTAR) is based in the field.

Strengthening of agricultural statistical systems in Africa is a high priority. It will take time, and will have to be accomplished by clients within country systems, and not by the Bank within individual projects. The Bank is improving monitoring and evaluation at the project level, and has made a significant investment in impact evaluation at the project level. The CAADP process has a set of core indicators that will with time improve reporting on sectoral performance. There is substantial evidence that the integration of sectoral units within the SD Department has had an impact on cross-sectoral support for agriculture. The closer linkage of investments in roads, agricultural technology, irrigation, and markets has been a hallmark of the integration. Just to cite a few examples from the portfolio and pipeline of AFTAR only (not including operations mapped to other units in the Africa Region) shows operations in Ethiopia (P113032), Zambia (P070063), Malawi (P084148), Mozambique (P093165), Mozambique (P107598), Uganda (P109224), Tanzania (P120930), Burundi (P107343), Rwanda (P114931), DRC (P092724), Ghana (P114264), Liberia (P113273), Nigeria (P096648), and Mali (P095091), among others, that link efforts of AFTAR (agriculture), AFTWR (water), and AFTTR (transport). Moreover, decentralization creates field-based integrated teams that work together to support implementation. The existence of these operations and the financial resources and the staff time behind them represent strong evidence of the Bank's ability to support clients in Africa with regard to these cross-cutting issues.

Additionally and overall, the issues raised by IEG in its recommendations are now covered comprehensively in the *World Bank Group Agriculture Action Plan, FY10–12*, which contains an inclusive results framework and breaks out priorities for Sub-Saharan Africa (<http://intranet.worldbank.org/WBSITE/INTRANET/SECTORS/INTARD/0,,contentMDK:22349081~pagePK:210082~piPK:210098~theSitePK:335808,00.html>).

### **IEG Response 2010**

IEG recognizes that the Bank has scaled up support for African agriculture and put the dominant focus of this scaled up effort on raising agricultural productivity. IEG also recognizes that the Bank has completed an initial round of sectoral public expenditure reviews and is expanding the work with funding support from the Gates Foundation. IEG agrees with management that the analysis of sectoral spending is critical to ground the scaled-up support in the agriculture sector in sound budgetary planning and execution. It is not clear whether the Bank has undertaken a comprehensive assessment of current skill gaps within the institution to support its scaled-up effort for the development of the agriculture sector. The Agriculture Action Plan notes that the Bank will “decentralize on a country by country basis as the business case dictates” and will continue to draw on the FAO Cooperative Program (CP) to provide specialized expertise. IEG notes that the Bank has been relying on FAO/CP expertise through a long standing arrangement with FAO/CP. It is not clear whether there are plans to increase the collaboration with FAO/CP to underpin the scaled-up support from the Bank in the agriculture sector or whether the Bank plans to augment its own

staff strength at the country level. The fact that strengthening of agricultural statistical systems and improvement of M&E in Bank projects in Africa is being given high priority is an important step forward. Findings from an ongoing evaluation suggest that more effort is still needed to develop a working system for coordinating agriculture activities in a country with road access, market proximity and soil conditions. There is no evidence yet to show that the integration of the Sustainable Development Network (SDN) has strengthened the World Bank's Group capacity to support clients in addressing cross-cutting issues that impact agriculture. Of the 15 projects noted by management 8 are in the pipeline, one was approved in FY09, 2 were approved recently and do not yet have ISRs on file and none of the 4 approved in FY06 have closed.

#### 4. THE DEVELOPMENT POTENTIAL OF REGIONAL PROGRAMS: AN EVALUATION OF WORLD BANK SUPPORT OF MULTICOUNTRY OPERATIONS

##### List of Recommendations

<p><b>4.1</b></p>	<p><b>Establish regional program strategies and integrate them into Country Assistance Strategies</b></p> <ul style="list-style-type: none"> <li>• Develop, in consultation with clients and donor partners, medium-term assistance strategies that identify opportunities for high-priority regional programs and the support they would require.</li> <li>• Integrate regional programs into relevant Country Assistance Strategies.</li> <li>• Provide adequate analytic and advisory assistance to help countries assess the benefits and costs of regional approaches to the achievement of their natural development priorities.</li> </ul>
<p><b>4.2</b></p>	<p><b>Work to strengthen the international architecture for financing regional development programs</b></p> <ul style="list-style-type: none"> <li>• Engage with partners to put together the financing packages required for individual programs based on each partner’s comparative advantage and harmonize assistance processes.</li> <li>• Align the allocation of its loan, credit, and grant resources with the execution of its regional program strategies.</li> </ul>
<p><b>4.3</b></p>	<p><b>Increase the impact of the Bank support for regional partnerships</b></p> <ul style="list-style-type: none"> <li>• Enter in such partnerships only when their program objectives are aligned with its regional strategic plans.</li> <li>• Maintain its support only on the basis of positive findings of periodic evaluations.</li> <li>• Require credible plans for sustaining program activities.</li> </ul>
<p><b>4.4</b></p>	<p><b>Strengthen corporate incentives and capacities to provide effective regional program support</b></p> <ul style="list-style-type: none"> <li>• Build a base of knowledge on regional program experiences and incorporate lessons into program design, implementation, and evaluation.</li> <li>• Develop guidance for staff on legal frameworks for regional programs and determine if changes are warranted in the Bank’s legal and policy frameworks.</li> <li>• Prepare periodic reviews on how the Bank is implementing its regional program strategies and partnering with other donors and the results achieved.</li> </ul>

##### Status of Implementation

Recommendations	Level of Adoption	
	Management	IEG
<p><b>4.1</b></p> <p><b>Establish regional program strategies and integrate them into Country Assistance Strategies</b></p> <ul style="list-style-type: none"> <li>• Develop, in consultation with clients and donor partners, medium-term assistance strategies that identify opportunities for high-priority regional programs and the support they would require.</li> <li>• Integrate regional programs into relevant Country Assistance Strategies.</li> <li>• Provide adequate analytic and advisory assistance to help countries assess the benefits and costs of regional approaches to the achievement of their national development priorities.</li> </ul>	<p>Substantial</p>	<p>Medium</p>

Recommendations		Level of Adoption	
		Management	IEG
<b>4.2 Work to strengthen the international architecture for financing regional development programs</b>	<ul style="list-style-type: none"> <li>Engage with partners to put together the financing packages required for individual programs based on each partner's comparative advantage and harmonize assistance processes.</li> <li>Align the allocation of its loan, credit, and grant resources with the execution of its regional program strategies.</li> </ul>	Substantial	Substantial
<b>4.3 Increase the impact of the Bank support for regional partnerships</b>	<ul style="list-style-type: none"> <li>Enter in such partnerships only when their program objectives are aligned with its regional strategic plans.</li> <li>Maintain its support only on the basis of positive findings of periodic evaluations.</li> <li>Require credible plans for sustaining program activities.</li> </ul>	Substantial	Medium
<b>4.4 Strengthen corporate incentives and capacities to provide effective regional program support</b>	<ul style="list-style-type: none"> <li>Build a base of knowledge on regional program experiences and incorporate lessons into program design, implementation, and evaluation.</li> <li>Develop guidance for staff on legal frameworks for regional programs and determine if changes are warranted in the Bank's legal and policy frameworks.</li> <li>Prepare periodic reviews on how the Bank is implementing its regional program strategies and partnering with other donors and the results achieved.</li> </ul>	Medium	Negligible

#### Management Response 2010

<b>4.1</b>	<p>Regional integration issues and strategies are now substantially mainstreamed into CAS and countries are increasingly requesting Bank support for regional programs. The Regional Integration Assistance Strategy (RIAS) was reviewed and endorsed by the Board in April 2008 and has guided the selection of investments under IDA15. The Africa Region is fully implementing the commitment in RIAS to proactively and systematically work with country management and sector units to ensure incorporation of regional integration issues and solutions in CAS and sector strategies. All CASs for IDA borrowers in the Africa Region thus far in IDA15 have explained how planned regional operations link to the overall country assistance program and discussed how potential obstacles and inter-country differences could be resolved. Demand for IDA15 regional funds remains strong and has already exceeded the total allocation.</p> <p>During the course of the IDA15 period, Regions other than Africa have substantially increased their support for regional integration:</p> <ul style="list-style-type: none"> <li>As committed in the original Management Response, management is using other Regions'</li> </ul>
------------	--

annual strategy discussions with Executive Directors as the tool for conveying and reporting on strategies for supporting regional programs. In their recent strategy updates to the Board in March, both East Asia and Pacific and South Asia highlighted regional collaboration and integration as one of the key elements of their strategy going forward. Europe and Central Asia is preparing a Central Asia Regional Partnership Strategy to be presented to the Board in May 2010.

- There has been a significant ramping up of the project pipeline. Specifically, in Latin America and the Caribbean Region, in addition to the OECS E-Government project just approved by the Board, there are four projects are under preparation supporting integration in power, ICT and financial sector. South Asia is preparing three regional projects in infrastructure and wildlife conservation. East Asia and Pacific is preparing a project to support water resource management of the Mekong river basin. Finally, Europe and Central Asia is developing two regional operations: supporting hydro-meteorological services in Central Asia and a risk insurance facility in southeast Europe.
- The South Asia Region recently named a Director for Regional Integration to oversee the preparation of its regional programs.

**4.2** There has been a substantial focus over the past year on strengthening the international architecture for financing regional integration programs. Nearly all regional programs are now financed with co-financing from multilaterals (for example, AfDB, the EC, EIB, and EBRD) or bilaterals (for example, France, Canada, Germany, Kuwait, Netherlands, Sweden, Switzerland and the United Kingdom). A total of more than US\$1.65 billion in co-financing and parallel financing has been committed from other donors. Key partners (AfDB, EC, DFID and the World Bank Group) have met several times over the past year to review strategic priorities and pipelines. The Bank is also deepening collaboration with non-traditional financing partners, including China and India, as well as private sector. The Africa Region will hold a seminar during the 2010 Spring Meetings on scaling up public-private partnerships in regional operations. Management is also following through on commitments made at the High Level Forum on Aid Effectiveness in Accra to harmonize project preparation and implementation mechanisms to reduce transaction costs and improve effectiveness of aid for regional integration. An example of the new, more harmonized and strategic approach for regional investments is the North South Corridor model of a large umbrella framework based on joint analysis, which was launched at a large client-partner meeting in Zambia in April 2009. In line with the IEG recommendation for increased Bank instrument flexibility, the IDA Deputies approved at the IDA15 MTR the extension of IDA grants to regional organizations to support capacity building priorities in the RIAs.

**4.3** The strategic orientation of regional partnerships has been enhanced this year, with a stronger focus on (1) deepening and redefining partnerships with the African Union, Economic Commission for Africa, and Regional Economic Communities; and (2) increased selective engagement with development partners on two broad themes of regional infrastructure development (with the multi-partner Infrastructure Consortium for Africa providing the lead coordination framework) and regional agricultural development (with the NEPAD/AU Comprehensive Africa Agriculture Development Program providing the lead framework). Key developments this past year include: launch and implementation of a new MOU with the AU signed by the Bank President; decentralization of Bank staff responsible for regional integration to deepen partnership and map out collaboration with RECs; inclusion of AU and RECs in Fall/Spring Annual Meetings and regular participation in their summits and ministerial meetings; completion and dissemination of the flagship Africa Infrastructure Country Diagnostic Report, which is guiding the ICA program and the AU's new prioritized Program for Infrastructure Development in Africa; scale up of donor partnerships for high priority investments in power pools, trade/transport corridors, and regional ICT network in FY09-10; and the launch of the new Multi-Donor Trust Fund for regional agricultural development. All regional integration partnership activity in the Africa Region is now guided by the RIAs and the AU MOU. In line with the IEG recommendation for periodic evaluation of partnerships, QAG is completing a large

review of Global and Regional Programs and Partnerships, based on standard QAG assessment and rating of a selected sample, which will identify lessons in key areas of quality and processes for improving the quality-at-entry and oversight of the Bank's participation in regional partnerships.

- 4.4** Strengthening quality assurance, knowledge sharing and lessons learned, and operational policies for regional operations have remained priorities over the past year. Recent developments include the following: the Africa Region completed in August 2009 a portfolio review of regional operations to identify weak performance of existing operations, and put in place in December 2009 an Action Plan to improve performance. The Africa Region has prepared a regional operations toolkit to identify and disseminate good practices in the design and supervision of regional operations (in line with IEG recommendations, the toolkit includes a detailed chapter on legal aspects for regional programs). The toolkit is under review, including all Regions and OPCS. It will be shared for Bank-wide use when it is completed. OPCS has convened a working group to review and identify possible improvements for the operational policy framework and project documentation requirements for regional operations, as part of the Investment Lending Reform program. As noted above, Regions report annually to the Board through their Strategy Updates.

### IEG Response 2010

The Management Response cites a number of positive trends and initiatives leading to the more effective deployment of regional (multi-country) programs. The great bulk of the concrete achievements cited emanate from the Africa Region, with all the other regions combined accounting for but one approved project and ten under preparation. No progress is cited on the integration of regional strategies in CASs outside of Africa, and only the Africa region has a fully developed Regional Integration Strategy. IEG considers management to be substantially responsive to its recommendations insofar as Africa is concerned, but notes the paucity of concrete steps in other regions. Only very modest Bank-wide effort is cited (the prospective OPCS working group and a review of the Africa region's toolkit). Management's set of ratings therefore overstates the degree to which management has begun to capture the development potential of regional programs for its clients overall.

IEG rates Recommendation 4.1 as **medium**, reflecting the absence of evidence about country-strategic treatment of regional programs outside of Africa and the failure to address the need for upfront analytical work about the advantages of regional approaches.

IEG rates recommendation 4.2 as **substantial**, reflecting primarily the recently agreed availability of IDA15 funds on a grant basis, as well as the cofinancing initiatives made by the Africa region.

Recommendation 4.3 is rated **medium** because (i) only minimal achievements are cited outside of the Africa Region, and (ii) no progress is reported on the recommendations calling for *periodic* evaluation of *each* regional partnership as the basis for the Bank's continued support.

Recommendation 4.4 is rated **negligible** because it calls for changes in aspects of the Bank's business model—such as legal and policy frameworks, partnerships with other donors, and program implementation and evaluation—that can only partly be tackled by individual Regional units and that still appear to be unaddressed at the institutional level. The OPCS working group cited in the management response may eventually generate changes relevant to IEG's recommendations that can be assessed in the 2011 Management Action Record.

Finally, the management response does not address the IEG recommendation to provide periodic reviews on how the Bank is implementing its regional program strategies and the results achieved.

## 5. DEVELOPMENT RESULTS IN MIDDLE-INCOME COUNTRIES: AN EVALUATION OF THE WORLD BANK'S SUPPORT

### List of Recommendations

#### 5.1 Draw on MIC capacity

- To promote greater country ownership of the Bank's work, and to create better opportunities for the Bank to learn from MICs and share their experience with LICs, Bank support needs to more systematically draw upon and develop each country's own expertise. To this end, management should require that country assistance/country partnership strategies and significant analytic and advisory activities (AAA) assignments plan clearly to do this.
- The Bank ought to identify incentives and obstacles to MICs' involvement in the governance of global programs. This could involve producing an inventory of governance arrangements for global programs which it supports, and conducting a formal consultation exercise with MICs (and other developing countries).

#### 5.2 Demonstrate Best Practice

- To deliver the maximum impact from the Bank's limited financial role in MICs, in partnership with clients the Bank's projects and programs must be selected to go beyond conventional approaches and clearly demonstrate how they will add to best practice development activity in the respective country setting. They should also show whether, when, and in what way they are expected to play a catalytic role, being scaled up using resources beyond those initially provided by the Bank.
- Country programs, prepared in full partnership with MIC clients, must pay renewed attention to achieving greater effectiveness in three pressing and complex issues: combating corruption; reducing inequality; and protecting the environment. Programs need to draw on the full range of Bank and other resources available to meet these challenges.
- The Bank could more actively share best practice and encourage arrangements for knowledge transfer across countries, regions, and sectors. Three specific measures to do this would be: (i) giving more weight to this goal in strategically managing staff rotation; (ii) ensuring that research and policy work goes beyond general principles and focuses on specific country-by-country needs; and (iii) reviewing the performance of the networks on this dimension.

#### 5.3 Become More Agile

- To help the Bank more quickly and easily adapt its services and areas of focus for MICs' evolving needs, it needs to set up a program to test new approaches for a selected group of countries. The first element of the program would be a much more decisive push on the existing slow-moving pilot for the use of country systems in the execution of Bank lending, and significantly increasing the number of countries and projects actually implementing the new approach on-the-ground by mid-FY08.
- The trial program would do well to go further and offer the selected MICs, each with strong institutional capacity, a new menu of support incorporating features such as fast-track procedures, faster response times, and more flexible strategies.
- The Bank should continue efforts to expand the choice of services it offers. This can be done by accelerating the development and deployment of: (i) new financial instruments such as those helping countries manage and reduce vulnerability to external shocks; (ii) existing and new products which help tackle subnational challenges; and (iii) new arrangements-with clear, consistent, and user-friendly guidelines-for fee-for-service technical expertise, including that for project design and supervision.

#### 5.4 Make the Most of Bank Group Cooperation

- The Bank Group must develop a more pragmatic approach to cooperation across the Bank,

IFC, and MIGA, to successfully offer clients a more effective package from its combined resources. This approach could include new incentives or channels for cooperation such as piloting single country management arrangements. In cases where joint country strategies are appropriate they should be prepared more rigorously, and followed through with performance monitoring designed to trace through the net gains from cooperation. Any new approach must be communicated to and gain the support of staff, who ultimately determine the extent and success of such cooperation.

**Status of Implementation**

Recommendations	Level of Adoption	
	Management	IEG
<b>5.1 Draw on MIC capacity</b>	<b>High</b>	<b>Substantial</b>
<ul style="list-style-type: none"> <li>To promote greater country ownership of the Bank's work, and to create better opportunities for the Bank to learn from MICs and share their experience with LICs, Bank support needs to more systematically draw upon and develop each country's own expertise. To this end Management should require that country assistance/country partnership strategies and significant AAA assignments plan clearly to do this.</li> </ul>		
<ul style="list-style-type: none"> <li>The Bank ought to identify incentives and obstacles to MICs' involvement in the governance of global programs. This could involve producing an inventory of governance arrangements for global programs which it supports, and conducting a formal consultation exercise with MICs (and other developing countries).</li> </ul>		
<b>5.2 Demonstrate Best Practice</b>	<b>High</b>	<b>Substantial</b>
<ul style="list-style-type: none"> <li>To deliver the maximum impact from the Bank's limited financial role in MICs, in partnership with clients the Bank's projects and programs must be selected to go beyond conventional approaches and clearly demonstrate how they will add to best practice development activity in the respective country setting. They should also show whether, when, and in what way they are expected to play a catalytic role, being scaled up using resources beyond those initially provided by the Bank.</li> </ul>		
<ul style="list-style-type: none"> <li>Country programs, prepared in full partnership with MIC clients, must pay renewed attention to achieving greater effectiveness in three pressing and complex issues: combating corruption; reducing inequality; and protecting the environment. Programs need to draw on the full range of Bank and other resources available to meet these challenges.</li> </ul>		
<ul style="list-style-type: none"> <li>The Bank could more actively share best practice and encourage arrangements for knowledge transfer across countries, regions, and sectors.</li> </ul>		

Recommendations	Level of Adoption	
	Management	IEG
Three specific measures to do this would be: (i) giving more weight to this goal in strategically managing staff rotation; (ii) ensuring that research and policy work goes beyond general principles and focuses on specific country-by-country needs; and (iii) reviewing the performance of the networks on this dimension.		
<b>5.3 Become More Agile</b>		
<ul style="list-style-type: none"> <li>To help the Bank more quickly and easily adapt its services and areas of focus for MICs' evolving needs, it needs to set up a program to test new approaches for a selected group of countries. The first element of the program would be a much more decisive push on the existing slow-moving pilot for the use of country systems in the execution of Bank lending, and significantly increasing the number of countries and projects actually implementing the new approach on-the-ground by mid-FY08.</li> </ul>		
<ul style="list-style-type: none"> <li>The trial program would do well to go further and offer the selected MICs, each with strong institutional capacity, a new menu of support incorporating features such as fast-track procedures, faster response times, and more flexible strategies.</li> </ul>	<b>High</b>	<b>High</b>
<ul style="list-style-type: none"> <li>The Bank should continue efforts to expand the choice of services it offers. This can be done by accelerating the development and deployment of: (i) new financial instruments such as those helping countries manage and reduce vulnerability to external shocks; (ii) existing and new products which help tackle subnational challenges; and (iii) new arrangements-with clear, consistent, and user-friendly guidelines-for fee-for-service technical expertise, including that for project design and supervision.</li> </ul>		
<b>5.4 Make the Most of Bank Group Cooperation</b>		
<ul style="list-style-type: none"> <li>The Bank Group must develop a more pragmatic approach to cooperation across the Bank, IFC, and MIGA, to successfully offer clients a more effective package from its combined resources. This approach could include new incentives or channels for cooperation such as piloting single country managements. In cases where joint country strategies are appropriate they should be prepared more rigorously, and followed through with performance monitoring designed to trace through the net gains from cooperation. Any new</li> </ul>	<b>Substantial</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Management	IEG
approach must be communicated to and gain the support of staff, who ultimately determine the extent and success of such cooperation.		

### Management Response 2010

The Management Response in 2007 indicated that management was in basic agreement with all the IEG recommendations, and outlined the actions to which it committed. Management has continued to fulfill its commitments as follow-up to the Action Plan to Strengthen Bank Engagement with IBRD Partner Countries, which adopted recommendations endorsed by the Development Committee in September 2006. The operational action plan, developed under the chairmanship of a Managing Director and the Chief Financial Officer, incorporated and expanded on the actions that were underway, and has further evolved during the past year. In FY08, management completed the Africa MIC Action Plan, and has been implementing it since. The global financial crisis compelled Management to rethink its relationship with many MIC clients, and the Bank, working with IFC and MIGA, has demonstrated agility, best practice, and ability to draw on MIC capacity in responding to the MICs' immediate and pressing needs, without neglecting their longer term development priorities.

**5.1 Draw on MIC Capacity.** The objectives of the MIC Action Plan call for the Bank to be a center of knowledge and technical expertise on issues for MICs, to build strong partnerships with other institutions, and build south-south cooperation. Work in MICs is an engine for change, reducing the cost of doing business, developing innovative financial instruments and new partnership approaches. The Bank has continued to reorient and strengthen its partner relationship with MICs by drawing extensively upon each country's expertise. Recent CASs and Country Partnership Strategies (CPSs) reflect this, with Mexico, Brazil, Turkey, Russia, Kazakhstan and China being strong examples. As agreed in 2007, management has prepared guidance on country partnership strategies that addresses the issue of drawing on and developing MIC country expertise. The CASs for Chile and Russia are good examples in this regard, both drawing lessons from recent expertise, and responding to client demand in a forward-looking manner. A partnership program is underway to increase even further the use of MIC expertise and institutions, with notable efforts in Latin America and the Caribbean Region and new initiatives in East Asia and Pacific. The Bank's Knowledge Strategy will strive to strengthen partnerships with think tanks and regional/country institutions and expand collaboration with clients in knowledge products and project designs. It also aims for country offices to reinforce local ownership of the knowledge agenda and help to surface innovations and implementation lessons; and for the Bank to open its communities of practice to external partners, and integrate outside partners more closely into Global Expert Teams.

**5.2 Demonstrate Best Practice.** The Bank, as it committed to do, has used strengthened partnership strategies to support countries with best practice approaches. The Bank has continued to produce higher quality, more focused and flexible CPSs, reflecting a flexible portfolio of expertise (best practices) and financing. Through a combination of AAA and knowledge embedded in its lending, the Bank has supported innovations that, when replicated on a broader scale, have provided benefits that far exceed the direct benefits of the individual projects. In China, spillover benefits have included key policy or institutional reforms, upgraded technologies, and stronger human resource capacity in local governments; in Chile, where financing needs can be met economically through other sources, the CAS has taken an innovative approach to knowledge services. Management has also made significant improvements in the range of services offered to MICs, and links between Bank research and MIC needs have been strengthened. Furthermore, with the establishment of the Global Expert Teams and the matrix review and strengthening that is underway, management of the pool of Bank expertise across networks has improved and cross support will be incentivized to ensure timely delivery of cutting edge support where it is needed.

**5.3 Become More Agile.** The MIC Action Plan called for a Bank that works faster, is more responsive to client needs, and is more externally rather than internally focused. As it committed to do in 2007, management has taken a range of actions to increase the Bank's agility in support of partner countries. The Bank now offers a more expanded menu of support to MICs and country teams have been given more flexibility to produce and implement country partnership strategies. The pilot for country systems has been expanded and the use of country systems is the default for financial management. Investment lending reform is being implemented, introducing a simpler and normally faster processing path for lower risk operations. IBRD financial services have evolved beyond traditional lending, including customized financial solutions and market based financial instruments. Subnational lending continues to be expanded. Most importantly, the Bank demonstrated its agility in responding to MIC needs as the global financial crisis evolved into an economic crisis. IBRD commitments and disbursements have increased to unprecedented levels. With expanded CPS flexibility, the rollout of investment lending reform, the successful expansion of the menu for customized financial solutions, greater choice for financial services, and the introduction of the new framework for fee-based services, management considers that it has met its 2007 commitments under this heading.

**5.4 Make the Most of Bank Group Cooperation.** Creating a dynamic organization that brings the best of its public and private sector arms to solving developing problems at the regional, national and sub-national levels is a key objective of the MIC action plan, and management is continuing to develop a more pragmatic approach to cooperation across the World Bank Group, including the integration of knowledge services activities across the World Bank Group. The majority of IBRD CASs are prepared jointly with IFC, and there are good practice of examples of Group-wide collaboration in IBRD-eligible countries, including Brazil, Chile, Peru and Russia. The FY09 IDA-IFC CAS pilot included one blend country (Albania) and one IBRD country (Philippines), among the six country teams. The pilot has been completed and joint Bank/IFC guidance for staff is currently being finalized; the guidance will be widely disseminated and also used in the CAS Academy, thus reaching a key target group. IBRD countries are also increasingly making use of the foreign investment services of the joint IFC-Bank unit, FIAS. Crisis-response cooperation is exemplified by Bank-IFC joint support for Eastern European countries. It was very effective in leveraging wider support and limiting financial sector contraction in these countries.

#### **IEG Response 2010**

**Draw on MIC capacity.** The evaluation called for the Bank to more systematically draw upon and develop each country's own expertise by integrating this objective into country strategies and preparation of analytical work. There are several efforts underway, including the forthcoming knowledge strategy that will seek to fulfill this in part. Recent country strategies in MICs treat clients as partners, and several plan to utilize national expertise. This is a driving factor in only a few cases, mainly in larger and more complex programs (Brazil is an example). Management does not mention, and IEG is unaware, of efforts to integrate the expertise of partner countries directly into its analytical work. Because there has been some real progress but activity on this recommendation remains in its early stages, IEG rates the level of adoption as **substantial**. The Bank should continue to reorient its relationship with MICs to one of a co-equal partnership by drawing extensively on each country's own expertise.

**Demonstrate best practices.** There is little direct evidence that the Bank has shifted its strategy in middle-income countries to greater leveraging of its limited financial role. There are no new guidance notes on how country programs should contribute to good practice in a country, support innovation, or scale-up operations using non-Bank resources. However, a turnaround in the declining share of operations with outcomes rated highly satisfactory and anecdotal evidence of spillover effects in some countries is encouraging, as are efforts underway to develop a new knowledge strategy in the Bank, aimed at more effective and flexible management if Bank expertise in areas of critical importance to MICs (through global expert teams). These initiatives have yet to be fully implemented or evaluated for success but they provide evidence of a **substantial** level of adoption of this recommendation.

**Become more agile.** Management has grappled with meeting the needs of middle-income countries for nearly a decade, with at least three strategies, and multiple strategy updates. The current efforts to further reform investment lending and knowledge management hold promise for improving the Bank’s agility and responsiveness to MIC needs, including more rapid and simpler loan procedures in low risk situations where response time has been an impediment in the past. The recent global financial crisis put Bank agility to the test and for the most part the Bank performed very well, responding quickly to meet new demand by IBRD countries for financial support. The expanded menu of borrowing options and use of country systems has also accelerated after earlier delays. IEG rates the level of adoption of this recommendation **high**.

**Make the most of Bank Group cooperation.** The evaluation called for a more pragmatic approach to cooperation across the Bank Group—focusing on those few areas in a given country where cooperation might have a substantial impact on development and tracing through activities to outcomes. Plans to integrate knowledge services across the Bank Group are encouraging given the rapid expansion in this field by IFC. And additional work at the sub-national level would be welcome. But integrating IFC-WB strategies and implementing joint approaches to country assistance to capture institutional synergies, particularly in cross-cutting areas such as private sector development, environmental sustainability, and agriculture remains challenging for the World Bank Group. The level of adoption of this recommendation is considered **medium**.

## 6. USING TRAINING TO BUILD CAPACITY FOR DEVELOPMENT: AN EVALUATION OF PROJECT-BASED AND WBI TRAINING

### List of Recommendations

- 6.1 The Bank needs to develop guidance and quality criteria for the design and implementation of training, so as to enable quality assurance, and monitoring and evaluation of all its training support. This guidance should be applied to all training financed by the Bank, including training that is directly provided by units such as the WBI. Design guidance should include:**
- Diagnosis and training-needs assessment requirements for training initiation;
  - Participant selection criteria;
  - Standards for the use of practical exercises and other action-learning techniques within training;
  - Use of follow-up support; and
  - Provisions for monitoring and evaluation, including specification of performance-change objectives and key monitorable indicators.
- 6.2 The Bank could improve the quality and impact of training by making available to its Regional staff and borrowers, resource persons with technical expertise in the design, implementation, and monitoring and evaluation of training.**
- 6.3 Management must clarify the WBI’s mandate on provision of training with capacity-building goals. If the WBI is to play a capacity-building role in client countries, its training processes should be substantially reengineered to ensure that training is likely to contribute to sustainable change. New WBI training processes should ensure that all training meets the following criteria:**
- Is based on a comprehensive capacity assessment of the target organization(s)/institution(s)—done in cooperation with clients—identifying (i) clear and specific capacity-building objectives, (ii) the human, institutional, and organizational capacity support that is necessary in order to achieve these objectives, and (iii) measurable

indicators of success;

- Is undertaken after work is done with operations and partners to identify and confirm the resources required to achieve the capacity-building objectives, including, where needed, (i) multiyear training programs, (ii) follow-up technical assistance, and (iii) organizational and institutional support measures, such as policy support and financing of implementation of learning; and
- Is subject to external quality review and evaluation of results.

**Status of Implementation**

Recommendations		Level of Adoption	
		Management	IEG
<b>6.1</b>	<p><b>The Bank needs to develop guidance and quality criteria for the design and implementation of training, so as to enable quality assurance, and monitoring and evaluation of all its training support. This guidance should be applied to all training financed by the Bank, including training that is directly provided by units such as the WBI. Design guidance should include:</b></p> <ul style="list-style-type: none"> <li>• Diagnosis and training-needs assessment requirements for training initiation;</li> <li>• Participant selection criteria;</li> <li>• Standards for the use of practical exercises and other action-learning techniques within training;</li> <li>• Use of follow-up support; and</li> <li>• Provisions for monitoring and evaluation, including specification of performance-change objectives and key monitorable indicators.</li> </ul>	<b>High</b>	<b>Substantial</b>
<b>6.2</b>	<p><b>The Bank could improve the quality and impact of training by making available to its Regional staff and borrowers, resource persons with technical expertise in the design, implementation, and monitoring and evaluation of training.</b></p>	<b>Substantial</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Management	IEG
<p><b>6.3 Management must clarify the WBI’s mandate on provision of training with capacity-building goals. If the WBI is to play a capacity-building role in client countries, its training processes should be substantially reengineered to ensure that training is likely to contribute to sustainable change. New WBI training processes should ensure that all training meets the following criteria:</b></p> <ul style="list-style-type: none"> <li>• Is based on a comprehensive capacity assessment of the target organization(s)/institution(s)—done in cooperation with clients—identifying (i) clear and specific capacity-building objectives, (ii) the human, institutional, and organizational capacity support that is necessary in order to achieve these objectives, and (iii) measurable indicators of success;</li> <li>• Is undertaken after work is done with operations and partners to identify and confirm the resources required to achieve the capacity-building objectives, including, where needed, (i) multiyear training programs, (ii) follow-up technical assistance, and (iii) organizational and institutional support measures, such as policy support and financing of implementation of learning; and</li> <li>• Is subject to external quality review and evaluation of results.</li> </ul>	<b>Not Agreed</b>	<b>Not Agreed</b>

#### Management Response 2010

<p><b>6.1 Guidance.</b> Management’s commitment has been fully implemented. Management issued draft guidance to the regional quality teams on June 30, 2008 entitled “Guidelines for Preparing Training and Technical Assistance Components in Bank Financed Operations.” After positive initial implementation experience with these guidelines, they were released for full implementation via a webpage was created on the OPCS Web site for use by all operational staff. That Web page can be accessed as follows: <a href="http://go.worldbank.org/61YMMH05C0">http://go.worldbank.org/61YMMH05C0</a>.</p>
<p><b>6.2 Resource Persons.</b> WBI has developed a web-based <i>capacity development (CD) expert roster</i> and fulfilled the management commitment related to this recommendation. The roster is available round the clock to World Bank Group users across the globe. It includes the following features: (1) prospective candidates (including individual STCs, firms, and World Bank Group staff CD experts) complete a rigorous application which is then reviewed by a WBI team for inclusion/exclusion; (2) basic and advanced search functions, for example for language, professional experience, education, sector experience information, to enable Bank Group employees to search for CD experts; (3) easy downloading and forwarding features to enable Bank Group employees to share candidate profiles and CVs with client counterparts; (4) an updating feature that requires accepted candidates to renew and update their profiles annually; and (5) a “concierge” type of advisory service that will enable World Bank Group staff to receive more detailed guidance on such issues as writing terms of reference for capacity development projects and providing sample monitoring tools to monitor capacity development results. The roster system is currently being tested, and candidates are being sought and data entered and vetted. World Bank Group staff members should expect to be able to find CD experts through the roster by March 2010. The roster will continue to grow and we expect that keeping the size of the candidate population at a manageable level will be an administrative burden and challenge for WBI.</p>

**6.3 WBI.** As made clear in the original Management Response, management did not agree and made no commitments with respect to this recommendation.

As noted at the CODE meeting on this IEG review, management conducted its own comprehensive strategic review of WBI. With the appointment of a new Vice President for WBI in October 2008, WBI developed a renewal strategy that builds on the findings of the IEG evaluation along with other assessments and extensive consultations. The renewal strategy was strongly endorsed by the Board and management in April 2009. The renewal strategy addresses many of the key points raised in the IEG review, including a much stronger strategic focus on capacity development, greater attention to results, and stronger integration of WBI in the Bank's operational work, including support with capacity assessments and results management for capacity development operations.

### **IEG Response 2010**

**6.1 Guidance.** Management launched its final guidelines for training and technical assistance in March 2009. These guidelines, similar to those shared in draft in June 2008, continue to provide a pragmatic overview for the nonspecialist task team leader. The guidelines helpfully include good and bad practice examples, but do not include specific quality standards for the design and implementation of capacity building activities, nor do they contain models or samples for key tools such as specification of performance change objectives and corresponding monitoring indicators, or training needs assessment.

Because the guidelines are fully launched and respond to the IEG recommendation for guidance (but not for “quality criteria for the design and implementation of training, so as to enable quality assurance, and monitoring and evaluation”), the level of adoption is rated as **substantial**.

**6.2 Resource Persons.** WBI appears to be making progress in developing its very ambitious capacity development expert roster, expected to be up and running this spring. A fully implemented web-based system of the type described above will comply with the IEG recommendation. There are several challenges. Regularly keeping the database up-to-date and user-friendly is an administrative burden, and its sustainability is a challenge. The best remedy for this problem is to build in incentives—demand from Bank staff and clients—to encourage the system’s upkeep. A visible launch and regular direct outreach to users is likely to be important for the system’s success. Because this system has been designed but not yet launched, its level of adoption is rated as **medium** but expected to improve in the coming year.

**6.3 Clarification of WBI’s mandate.** As described above, management did not agree with this recommendation. IEG notes that the strategy does not indicate whether WBI’s structured learning activities will be based on capacity assessments of the target organization(s).

## **7. PUBLIC SECTOR REFORM: WHAT WORKS AND WHY? – AN EVALUATION OF WORLD BANK SUPPORT**

### **List of Recommendations**

**7.1 Design PSR projects and allocate Bank resources to them with recognition that PSR has especially complex political and sequencing issues.**

- Be realistic about the time it takes to get significant results, understand the political context, identify prerequisites to achieve the objectives, and focus first on the basic reforms that a country needs in its initial situation.
- Reconsider the balance between development policy and investment lending, because institutional change usually needs the sustained support of investment projects, although development policy lending can help secure the enabling policy changes.

7.2	<p><b>Within country PSR strategies, set priorities for anticorruption efforts based on assessments of which types of corruption are most harmful to poverty reduction and growth.</b></p> <ul style="list-style-type: none"> <li>• Only when the country has both strong political will and an adequate judiciary system should the Bank put primary emphasis on support for anticorruption laws and commissions. Given that reducing corruption will be a long-term effort, the Bank should emphasize (i) building country systems that reduce the opportunities for corruption that is most costly to development and (ii) making information public in ways that stimulate popular demand for more efficient and less corrupt service delivery.</li> <li>• Provide operational clarification to the country team about how the Bank’s anticorruption efforts fit within the overall country strategy.</li> </ul>
7.3	<p><b>Strengthen the CSA components of PSR, providing them with a better framework and indicator set, and give more attention to the budget execution phases of financial management.</b></p> <ul style="list-style-type: none"> <li>• This will require PEFA-like actionable indicators for civil service and administrative performance and more linkage between the implementation of reforms for civil service and for financial management.</li> </ul>

**Status of Implementation**

Recommendations		Level of Adoption	
		Management	IEG
7.1	<p><b>Design PSR projects and allocate Bank resources to them with recognition that PSR has especially complex political and sequencing issues.</b></p> <ul style="list-style-type: none"> <li>• Be realistic about the time it takes to get significant results, understand the political context, identify prerequisites to achieve the objectives, and focus first on the basic reforms that a country needs in its initial situation.</li> <li>• Reconsider the balance between development policy and investment lending, because institutional change usually needs the sustained support of investment projects, although development policy lending can help secure the enabling policy changes.</li> </ul>	<b>Medium</b>	<b>Medium</b>
7.2	<p><b>Within country PSR strategies, set priorities for anticorruption efforts based on assessments of which types of corruption are most harmful to poverty reduction and growth.</b></p> <ul style="list-style-type: none"> <li>• Only when the country has both strong political will and an adequate judiciary system should the Bank put primary emphasis on support for anticorruption laws and commissions. Given that reducing corruption will be a long-term effort, the Bank should emphasize (i) building country systems that reduce the opportunities for corruption that is most costly to development and (ii) making information public in ways that stimulate popular demand for more efficient and less corrupt service delivery.</li> </ul>	<b>Substantial</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Management	IEG
<ul style="list-style-type: none"> <li>Provide operational clarification to the country team about how the Bank’s anticorruption efforts fit within the overall country strategy.</li> </ul>		
<p><b>7.3 Strengthen the CSA components of PSR, providing them with a better framework and indicator set, and give more attention to the budget execution phases of financial management.</b></p> <ul style="list-style-type: none"> <li>This will require PEFA-like actionable indicators for civil service and administrative performance and more linkage between the implementation of reforms for civil service and for financial management.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>

### Management Response 2010

Management has taken a broad number of actions in response to IEG’s recommendations since the time of the IEG evaluation, particularly over the last year. The Second Year Progress Report of the Bank’s Governance and Anticorruption (GAC) Strategy (October 2009) outlines many of these measures, inclusive of the establishment of a high-level GAC Council which meets monthly and is chaired by the Managing Directors on a rotating basis. The Report also notes that there have been steady gains in both the development of GAC tools and their mainstreaming in the work of the World Bank Group, from upstream CAS strategies to downstream design and implementation of lending operations. A central focus of the first two years of GAC implementation has been on designing and implementing programs of development support in ways that are more responsive to the incentives of relevant stakeholders, incentives that are influenced by institutional and political realities. This has been consistent with objectives of enhancing development effectiveness and poverty reduction, and managing risk.

Related work has included deepening the understanding of, and incorporating into CASs, the governance, institutional and political drivers of decision making in specific country settings. A key step in bringing consistency to operational practice has been the provision of guidance on how to address the governance and anticorruption dimensions of the Bank Group’s work. The Bank has issued a number of guidance notes, including on *Emerging Good Practices in GAC in Projects*, an *Audit and Assurance Toolkit* (designed to enhance the effective use of audit in preventing fraud and corruption), a note on the *Most Common “Red Flags” of Fraud and Corruption in Bank-Financed Projects*, and a *Good Practice Note on GAC for Financial Management Specialists*. A *Governance and Political Economy Problem Driven Framework* was published in September 2009, designed to promote operationally-relevant recommendations which can improve project and development outcomes. The Bank has increasingly focused on improving core country systems, including through strengthening country procurement systems and helping build country capacity and investing more systematically in public sector reform approaches tailored to different types of countries. The Bank is increasingly supporting efforts towards transparency in a number of countries, including support for Right to Information (RTI) reforms, both through DPLs (for example, Ghana) and through technical assistance (for example, South Asia, Thailand, Kyrgyz, Mexico, Zambia). Many of these initiatives are being supported by the Governance Partnership Facility. Many projects also include mechanisms for information disclosure, to elicit better civil society participation and oversight.

In October 2009, the Bank formally launched the *Actionable Governance Indicators (AGI) Portal* that includes data from 13 separate sources (including, among others, Global Integrity Index, PEFA, CPIA, Afrobarometer-Governance in Social Sectors, Open Budget Index, International Budget Practices and Procedures Survey, Polity IV Project, Press Freedom Index, Public Accountability Mechanisms, Statistical Capacity, Enterprise Surveys, and Doing Business) and provides tools that teams and public

sector experts can use to help implement civil service and administrative reforms. One example is the *Public Accountability Mechanisms (PAM)* initiative that now covers 87 countries and has developed a draft set of ‘in practice’ indicators for asset declaration mechanisms. In addition, the Bank has developed a *Human Resource Management (HRM) AGI instrument* that has been piloted in 10 countries (Ghana, Guatemala, Kyrgyz Republic, Lao PDR, Paraguay, Peru, Tajikistan, Tanzania, Uganda and Zimbabwe). The number of Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework assessments that are available publically has risen from 38 in mid-2008 to 56 by mid-2009. These assessments cover all phases of the budget process, from budget formulation, through execution and reporting.

The Public Sector and Governance Board (PSGB) has examined the state of the PS portfolio to investigate how initiatives in the areas of design and supervision may assist improving the performance of the portfolio. Initiatives at two levels are expected to follow: general initiatives applicable across the entire portfolio; and specific initiatives applicable to individual operations. This will be a major aspect of the PSGB’s work plan during 2010. Investment lending reform is also advancing and will be especially relevant for strengthening Bank support for PSR. PRMPS is working closely with OPCS on the development of results-oriented investment lending, as early versions of this instrument have proven effective in addressing public sector issues. The new risk-based approach to investment lending, fully operational at the beginning of FY11, explicitly takes into account issues of institutional capacity and ownership that are key to PSR. The risk-based funding of implementation support under investment lending reform is designed to allocate a higher level of Bank resources to operations involving complex and sequenced reforms that are often features of PSR.

### **IEG Response 2010**

IEG agrees that the Bank has invested significant resources in providing guidance and tools to support Governance and Anti-Corruption agenda over the past year. These cover GAC efforts at the country, sector, and project level, and include an updated approach to assessment of country and project level risks *inter alia* through wider use of political economy analysis. While GAC initiatives -- which will be the subject of an FY2010 IEG evaluation – do in principle dovetail with efforts to improve Bank support for public sector reform (PSR), they are not one and the same. As such, the Management Response could further clarify the impact of GAC (and other initiatives) on the PSR portfolio itself and, in particular, management efforts to implement IEG’s recommendations on PSR. Comments on the specific IEG recommendations and management responses are provided below:

- 7.1** IEG agrees with management’s view that considerable resources have been provided under the *Governance Partnership Facility* to support upstream political economy analyses across a wide variety of countries and sectors. Based on the recent QAG baseline survey of GAC-in-projects, early evidence suggests that PSG operations fared better than the Bank-wide average in terms of the use of PE analysis. Whether these inputs translate into “smart design” and better project performance, however, remains to be seen. Further benchmarking of FY09 operations, as well as an analysis of operational budgets (inclusive of BB and trust funds) will be needed to determine whether complex PSR operations have been adequately resourced.

Unlike the 2009 Management Action Record on PSR, the current response does not provide any evidence on the balance between development policy and investment lending in the PSR portfolio. It is important to note that aggregate data on the share of DPL and IL-based commitments alone may not help in evaluating the instrument mix for PSR. This is due to the increase in development policy lending with PSR content in response to the crisis. Management should consider even qualitative assessments of instrument mix in support for PSR (for example, the use of TALs that support integrated financial management systems as a basis for satisfactory achievement of FMIS-related benchmarks in DPLs).

*IEG agrees with management’s rating of level of adoption of (7.1) as **medium**.*

**7.2** The Management Response highlights unprecedented Bank-wide efforts to provide guidance and training on anti-corruption issues in country strategy and projects, as well as demand-side and transparency measures. It could also usefully highlight the PSR portfolio's higher-than-average responsiveness to GAC issues including upstream efforts to incorporate GAC-in-fiduciary aspects and demand-side measure in FY08 approved operations (QAG Baseline Survey of GAC-in-Projects).

Notwithstanding these positive developments, the Management Response does not explain the apparently marginal short-term impact of these efforts on ongoing PSR operations themselves. Specifically, the 2009 QALP notes that procurement ratings on PSR operations show considerable scope for improvement. It noted, "typical procurement weaknesses stem from unrealistic assessment at entry of executing entities, excessive focus on a few experts, inadequate attention to strengthening capacity of decentralized agencies, and failure to adopt strong risk mitigation measures when potential GAC weaknesses had been identified." (QALP 2009, p. 24). Nor does the Management Action Record 2010 confirm whether the Bank's approach to supporting anti-corruption laws and commissions has indeed become more selective (that is, supported in countries with strong political will and judicial institutions).

One of the most important challenges in reducing the opportunities for corruption is accelerating the *Use of Country Systems*. There is considerable evidence pointing to slow progress on the Bank's use of country procurement systems (for instance, the recent *Progress Report on the Use of Country Systems for Procurement*). Furthermore, recent reports in the context of IDA15 and the IDA15 Mid-Term Review note the considerable challenges in phasing out PIUs while strengthening civil service systems.

*While the progress of the numerous ongoing initiatives may become increasingly evident in the coming year, IEG rates the current level of adoption of (7.2) as **medium**.*

**7.3** With regards to civil service and administrative reform, IEG agrees with management's summary of critical efforts to launch AGIs, and in particular HR-related AGIs. No evidence was provided on the linkages between financial management and civil service interventions in PSR operations, although IEG has determined that there has been no significant change in operations that contain both PFM and civil service components since 2006. Going forward, management should explain how these reforms have been better linked and leveraged. *IEG rates the level of adoption of (7.3) as **substantial**.*

## **8. DOING BUSINESS: AN INDEPENDENT EVALUATION – TAKING THE MEASURE OF THE WORLD BANK-IFC DOING BUSINESS INDICATORS**

### **List of Recommendations**

**8.1 To improve the credibility and quality of the rankings, the Doing Business team should:**

- (a) Take a strategic approach to selecting and increasing the number of informants:
  - Establish and disclose selection criteria for informants.
  - Focus on the indicators with fewest informants and countries with the least reliable information.
  - Formalize the contributions of the supplemental informants by having them fill out the questionnaire.
  - Involve Bank Group staff more actively to help identify informants.
- (b) Be more transparent on the following issues of process:
  - *Informant base*: Disclose the number of informants for each indicator at the country level,

<p>differentiating between those who complete questionnaires and those who provide “supplemental” information.</p> <ul style="list-style-type: none"> <li>– <i>Changes in data</i>: Disclose all data corrections and changes as they are made. Explain their effect on the rankings, and, to facilitate research, make available all previously published data sets.</li> <li>– <i>Use of the indicators</i>: Be clear about the limitations in the use of the indicators for a broader policy dialogue on a country’s development priorities.</li> </ul> <p>(c) Revise the <i>paying taxes</i> indicator to include only measures of administrative burden. Since the tax rate is an important part of the business climate, Doing Business should continue to collect and present simple information on corporate tax rates, but exclude it from the rankings (as it does for information on nonwage labor costs in the <i>employing workers</i> indicator). A wider range of informants should also be engaged for the <i>paying taxes</i> indicator.</p> <p><b>8.2 To make its reform analysis more meaningful, the Doing Business team should:</b></p> <p>(a) Make clear that Doing Business measures improvements to regulatory costs and burdens, which is only one dimension of any overall reform of the investment climate.</p> <p>(b) Trace the impact of Doing Business reforms at the country level. The Doing Business team should work with country units to analyze the effects of implementing the reforms measured by the Doing Business Indicators (such as revised legislation or streamlined process) on: (i) firm performance, (ii) perceptions of businessmen on related regulatory burdens, and (iii) the efficiency of the regulatory environment in the country.</p> <p><b>8.3 To plan future additions to or modifications of the indicators, the Doing Business team should:</b></p> <p>(a) Use Bank analyses to drive the choice of Doing Business Indicators. Business Enterprise Surveys, Investment Climate Assessments, and other work can help determine stakeholders’ priorities for domestic private sector growth. The Doing Business team should use such analyses to determine the choice of new indicators, and periodically assess its current set of indicators.</p> <p>(b) Pilot and stabilize the methodology before including new indicators in rankings. Frequent changes in methodology make comparison across time less meaningful. New indicators should be piloted (that is, data collected and published for comment, but not factored into the rankings) until the methodology is validated and stabilized.</p>
--

**Status of Implementation**

Recommendations		Level of Adoption	
		Management	IEG
<p><b>8.1 To improve the credibility and quality of the rankings, the Doing Business team should:</b></p> <p>(a) Take a strategic approach to selecting and increasing the number of informants:</p> <ul style="list-style-type: none"> <li>– Establish and disclose selection criteria for informants.</li> <li>– Focus on the indicators with fewest informants and countries with the least reliable information.</li> <li>– Formalize the contributions of the supplemental informants by having them fill out the questionnaire.</li> <li>– Involve Bank Group staff more actively to help identify informants.</li> </ul> <p>(b) Be more transparent on the following issues of process:</p>	<p><b>High</b></p> <p><b>(High 8.1.a High 8.1.b Medium 8.1.c)</b></p>	<p><b>Medium</b></p>	

Recommendations	Level of Adoption	
	Management	IEG
<p>– <i>Informant base</i>: Disclose the number of informants for each indicator at the country level, differentiating between those who complete questionnaires and those who provide “supplemental” information.</p> <p>– <i>Changes in data</i>: Disclose all data corrections and changes as they are made. Explain their effect on the rankings, and, to facilitate research, make available all previously published data sets.</p> <p>– <i>Use of the indicators</i>: Be clear about the limitations in the use of the indicators for a broader policy dialogue on a country’s development priorities.</p> <p>(c) Revise the <i>paying taxes</i> indicator to include only measures of administrative burden. Since the tax rate is an important part of the business climate, Doing Business should continue to collect and present simple information on corporate tax rates, but exclude it from the rankings (as it does for information on nonwage labor costs in the <i>employing workers</i> indicator). A wider range of informants should also be engaged for the <i>paying taxes</i> indicator.</p>		
<p><b>8.2 To make its reform analysis more meaningful, the Doing Business team should:</b></p> <p>(a) Make clear that Doing Business measures improvements to regulatory costs and burdens, which is only one dimension of any overall reform of the investment climate.</p> <p>(b) Trace the impact of Doing Business reforms at the country level. The Doing Business team should work with country units to analyze the effects of implementing the reforms measured by the Doing Business Indicators (such as revised legislation or streamlined process) on: (i) firm performance, (ii) perceptions of businessmen on related regulatory burdens, and (iii) the efficiency of the regulatory environment in the country.</p>	<p><b>Substantial</b></p> <p><b>(High 8.2.a Substantial 8.2.b)</b></p>	<p><b>Medium</b></p> <p><b>(Substantial 8.2a, Negligible 8.2b)</b></p>
<p><b>8.3 To plan future additions to or modifications of the indicators, the Doing Business team should:</b></p> <p>(a) Use Bank analyses to drive the choice of Doing Business Indicators. Business Enterprise Surveys, Investment Climate Assessments, and other work can help determine stakeholders’ priorities for domestic private sector growth. The Doing Business team should use such analyses to determine the choice of new indicators, and periodically assess its current set of indicators.</p> <p>(b) Pilot and stabilize the methodology before including new indicators in rankings. Frequent changes in methodology make comparison across time less meaningful. New indicators should be piloted (that is, data collected and published for comment, but not factored into</p>	<p><b>High</b></p>	<p><b>High</b></p>

Recommendations	Level of Adoption	
	Management	IEG
the rankings) until the methodology is validated and stabilized.		

### Management Response 2010

#### 8.1 To improve the credibility and quality of the rankings, the Doing Business team should:

##### 8.1a Take a strategic approach to selecting and increasing the number of contributors:

***Increase the overall number of contributors for Doing Business 2010:*** Management continued to increase the respondent pool with each new report. The number of contributors was increased from 5,540 in the Doing Business 2008 report (published September 2007), to 6,773 in the Doing Business 2009 report (September 2008), and to 8,040 in the Doing Business 2010 report (September 2009). In 2009, a new online client relationship management software called “sales force” was introduced to better organize the global database of over 8,000 local partners. In addition to an assigned contributors’ manager, initiatives, such as contributor awards and a newsletter, have been launched to sustain and increase the number of contributors.

The Doing Business contributors’ manager, with the help from Doing Business team and, increasingly, in collaboration with other units in the World Bank Group, selects and works to increase the number of contributors. Last year, particular focus was paid to the poorest countries and economies with the fewest contributors. Efforts were also made to recruit new global and regional contributors.

With the success in recruiting ever-increasing numbers of contributors, management recognizes that such rates of increase cannot be maintained due to the reality of the finite pool of possible recruits. The next stage of respondent development will have to focus on retention. For 2011, the focus has been on retention of existing contributors who have completed Doing Business surveys for several years.

***Establish and disclose selection criteria for contributors:*** To ensure accurate interpretation of regulations and reliable time estimates, Doing Business works with local experts who routinely administer or advise on legal and regulatory requirements. Given the nature of the Doing Business methodology, the objective has always been to find the most knowledgeable and experienced contributors in each area of business regulation. Doing Business targets professionals in various areas of expertise in line with the topics covered by Doing Business and ensures that they are fully familiar with Doing Business methodology and relevant case study assumptions. Accordingly, Doing Business contributors are selected based on specific criteria such as their area of expertise and practice specialty in the case of lawyers. Doing Business encourages stakeholders including governments to nominate local contributors and invites local experts to contribute to the project through its Web site. Selection is finalized once this criterion is ascertained to the best of the team’s ability and available information. The selection criteria and profile of contributors is explained in the Doing Business reports and on the Web site, and management shall include the percentage of contributors by type. In Doing Business 2010, for example, page 77 in the “Data Notes” chapter presents the criteria for selection, and also included a table (table 14.1) on the number of contributors per indicator. Data on contributors by country by indicator are available on the Doing Business Web site.

***Focus on economies with fewest contributors:*** Special efforts and attention continue to be accorded to economies and indicators with the lowest numbers of contributors. Contributor recruitment and data collection missions were conducted in 43 countries for Doing Business 2010. New contributors were recruited in all countries visited in 2009, including in economies

such as Vanuatu, PNG, and Solomon Islands (visited in November 2008); Ethiopia and Guinea-Bissau (visited in December 2008); and Honduras, Liberia, Iran, and St Lucia (visited in June 2009).

As part of the overall strategy to retain and increase contributors in 2010 for Doing Business 2011, a number of countries, including Qatar, Venezuela, Chad, Bhutan, Guyana, Lesotho, and Swaziland, have been selected for travel with the specific objective to recruit new contributors.

***Focus on indicators with fewest contributors:*** The number of contributors per indicator in Doing Business 2010 ranged from 863 globally (for Closing a Business) to 1,403 globally (for Starting a Business). Among the 11 existing indicators (credit bureaus and legal rights- both part of the access to credit indicator- have a different contributors pool), we have continued to focus on the indicators with the lowest number of contributors. In the case of Trading across borders, there was a 78 percent increase in the number of contributors between Doing Business 2009 (817 contributors) and Doing Business 2010 (1,455 contributors). Protecting investors experienced a 34 percent increase in contributors between Doing Business 2009 (653) and Doing Business 2010 (877). For the Paying Taxes indicator, where local staff of PwC serve as contributors in 154 of the 183 Doing Business countries, we have expanded the number of countries with non-PwC contributors to 170.

***Focus on retaining and recruiting new global and regional contributors:*** Over the past year, efforts have been made to retain the existing and recruit new global and regional contributors. The number of global contributors went up from 13 in Doing Business 2009 to 16 on Doing Business 2010. The number of regional contributors went up from 9 in Doing Business 2009 to 15 in Doing Business 2010. One example of a new global contributor is the Law Society of England and Wales, who provided not less than 125 completed surveys from lawyers in 24 countries. New regional contributors include the Consortium of European Building Control, Grata law firm (ECA), Talal Abu-Ghazaleh Legal (Tag legal, Middle East), and the International Union of Notaries (UINL).

***Formalize contributions of supplemental contributors:*** Management maintains a database of contributor responses in the form of self-filled surveys for the great majority of contributors. On relatively limited occasions, these surveys are elaborated or supplemented by team-filled surveys after conference calls and country visits, usually because of language barriers or technological constraints (such as lack of access to computers or facsimile machines). Moreover, Doing Business consults contributors who have knowledge or expertise in a particular area of a survey and thus offer partial survey responses, for example consulting utility companies to respond to the relevant section of the “dealing with construction permits” survey. In these cases, Doing Business maintains either the self-filled relevant portion of the survey or other formal documentation of the interaction. All people who provide a substantial contribution are included and recognized in the contributor list, both in the published report and on the Doing Business Web site: <http://www.doingbusiness.org/LocalPartner/>.

***Involve Bank Group staff to help identify contributors:*** For Doing Business 2010, the Doing Business team and its management have continued to consistently invite World Bank Group staff, as well as Executive Directors and their staff, to nominate contributors. Special effort has been made to encourage staff (both World Bank and IFC) based in country offices to nominate contributors. These invitations and efforts have been made in meetings, country visits, and other communications, and they continue to be a source of new contributors. For example, country staff in Indonesia, Malaysia, and Egypt, in consultation with counterpart government officials, provided an extensive list of nominations to be contacted for the Doing Business 10 report. Some ED offices have also been active sources of advice on potential contributors.

**8.1b Be more transparent on the following issues of process:**

***Informant base:*** Contributor lists continue to be routinely published in Doing Business reports

and on the Web site. (Contributors are only excluded from this list upon their own request.) Management makes available on the Doing Business Web site the number of contributors by indicator at the country level. This information is available by selecting a country from this webpage: <http://www.doingbusiness.org/economyrankings/>

**Changes in data:** The approach to methodology changes and data corrections has been set out in the Doing Business report; this was made part of the new “About Doing Business” section in Doing Business 2009 (p. viii, p.62), which continues to be a feature of the report in Doing Business 2010. Data correction rates are published annually, and, for Doing Business 2010, is found on page 78. Details on data corrections/changes and methodology are available on the Doing Business Web site, along with original datasets. See <http://www.doingbusiness.org/CustomQuery/> and <http://www.doingbusiness.org/MethodologySurveys/>, as well as <http://www.doingbusiness.org/documents/DB10corrections.pdf> for all data corrections implemented between the Doing Business 2009 and Doing Business 2010 reports. The Doing Business Web site offers users all relevant information regarding changes to the data at one glance (one subfolder of the Web page). On this page users can find all relevant methodology changes since 2004, in addition to information on data corrections by country and indicator (even by sub-indicator) made as of the last Doing Business report. While methodology changes and data corrections are a necessary aspect of any data collection exercise, management considers Doing Business a pioneer in this area, as no other data exercise or published dataset offers such a high degree of transparency.

**Use of the indicators:** The IEG evaluation noted that, while effective in catalyzing reform debates and dialogue, the Doing Business indicators did not appear to have distorted policy priorities or encouraged policy makers to make superficial changes to improve rankings. Doing Business reports have consistently noted that Doing Business measures only a subset of the broader business environment. The “About Doing Business” section introduced in Doing Business 2009, and maintained in Doing Business 2010, includes a subsection “Doing Business—A Users Guide,” which notes key findings about the use of Doing Business data for research and reform, and emphasizes that “World Bank Group support to [DB-inspired] reform processes is designed to encourage critical use of the data, sharpening judgment and avoiding a narrow focus on improving Doing Business rankings” (p. viii). Moreover, Doing Business 2010 notes, “Seven years of Doing Business data have enabled a growing body of research on how performance on Doing Business Indicators—and reforms relevant to those indicators—relate to desired social and economic outcomes. Some 405 articles have been published in peer-reviewed academic journals, and about 1,143 working papers are available through Google Scholar.” (See p. vii.) Companion Doing Business publications (such as *Celebrating Reform 2007* and *2008*) also emphasize the use of Doing Business by governments in a broader reform context.

#### **8.1c Revise the *paying taxes* indicator to include only measures of administrative burden**

Management’s difference of opinion on this recommendation was noted in our original Management Response. We note that the IEG recommendation to revise the paying taxes indicator to include only measures of administrative burden, and excluding taxes and other mandatory payments to government, is at odds with the separate recommendation (see 8.3.a) on the use of the other World Bank analyses to determine the priorities for regulatory reform. In the World Bank Enterprise Surveys ([www.enterprisesurveys.org](http://www.enterprisesurveys.org)), for example, tax rates are considered a top obstacle in twice as many countries as tax administration. Doing Business records the time and cost related to paying taxes and mandatory contributions from the perspective of a local SME, for whom tax and mandatory payment burdens are an important consideration. (The expert reviewers who participated in a Colloquium with the Board on Doing Business in October 2008 concurred on this point, noting the strong finding in the economic literature that corporate income tax should be kept minimal.)

In recognition of divergent perspectives on this point, and as part of its commitment to engage

with key stakeholder groups, the Doing Business team has been engaged in a consultation process with the International Tax Dialogue (ITD), which includes the OECD, IMF, IDB, EC and World Bank Group. In addition to a workshop on tax indicators organized by the ITD and hosted by DFID in November 2008 (reported on in 2009), Doing Business was in discussions throughout 2009 and most recently held a roundtable discussion with the ITD in December 2009. These constructive discussions led to additional questions being added to both the Doing Business 2010 and, more recently, Doing Business 2011 Paying Taxes surveys regarding tax administration, in addition to recommendations that are in the process of being considered. The Doing Business team is also working to expand the consultation to include representatives of developing economies, and will be participating in tax practitioner workshops during the course of 2010.

## **8.2 To make its reform analysis more meaningful:**

### **8.2a Make clear what Doing Business measures and what it does not:**

Doing Business 2009 introduced a new “About Doing Business” section that gathers and elaborates on text from earlier reports to explain the philosophy, limitations, and strengths of Doing Business. This section has been maintained in Doing Business 2010 and shall continue to be a feature and will be updated as appropriate in future reports. Moreover, the “About Doing Business” addition is also found on the Doing Business Web site by clicking on the “learn more” text at the top of the webpage. This preface makes clear what Doing Business measures and what it does not. To quote pages “v–vi” of Doing Business 2010:

“Doing Business focuses on 10 topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm. Accordingly:

- Doing Business does not measure all aspects of the business environment that matter to firms or investors—or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, the labor skills of the population, the underlying strength of institutions or the quality of infrastructure. Nor does it focus on regulations specific to foreign investment.
- Doing Business does not cover all regulations, or all regulatory goals, in any economy. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union’s body of laws (*acquis*) has now grown to no fewer than 14,500 rule sets. Doing Business measures regulation affecting just 10 phases of a company’s life cycle, through 10 specific sets of indicators.”

Appropriate phrasing was adopted in all relevant press materials supporting the launch of Doing Business 2010.

### **8.2b Trace the impact of Doing Business reforms at the country level:**

Doing Business is a relatively young dataset. Collecting and making available these data to policymakers, academia, and other stakeholders is the primary function of the Doing Business team. A key outcome of this dataset is to inform reform policy decisions and policy advice where appropriate. A number of efforts are underway to track the direct impact of such reforms, and to trace the linkages to desired economic outcomes. Doing Business is collaborating with other World Bank Group departments in this regard. First, as governments implement reforms related to Doing Business, in particular in the context of advisory support by Bank and IFC units, efforts are made to track impacts (for example, increases in business registration associated with the streamlining of registration procedures). One example of this is current efforts by DEC to trace the impacts of reforms on countries in the Europe and Central Asia Region, the fastest reforming region over the past 6 years as measured by Doing Business in addition to the recently completed research tracing the impact of entry and bankruptcy reforms in Mexico and Colombia. In addition, as panel data become available from Enterprise Surveys in countries that have implemented reforms, we will begin to assess firms’ perspectives on the impact of reforms. (Panel data only became possible with the standardization of core ES questions; we now have 47 panels available.) At the same time, building on the already substantial body of research (some 1,140+ papers) utilizing Doing Business data, there are efforts to expand substantive research on

the linkages between Doing Business reforms and broader developmental outcomes, including using data from the Enterprise Surveys. Doing Business 2010 continued to report on some of the findings of this research, both in the overview chapter, and in topic chapters. As the body of research expands, this reporting will be enhanced. In parallel the annual Doing Business *Celebrating Reforms* publication provides case studies of reform processes and their impacts to date.

**8.3 To plan future additions to or modifications of the indicators, the Doing Business team should:**

**8.3a Use Bank analyses to drive the choice of Doing Business Indicators:**

Management agrees with the recommendation to use other World Bank analyses, most importantly the Enterprise Surveys and Investment Climate Assessments, to inform the choice of topics in Doing Business and enrich the analysis in future reports. The current work on a pilot indicator on getting electricity was derived from the results of Enterprise Surveys. Infrastructure and, particularly electricity, has been rated as a priority concern for businesses in the Enterprise Surveys; 34 percent of firms worldwide rate infrastructure as a major obstacle for doing business. Ratings vary from 6 percent in OECD high-income countries to 50 percent in Sub-Saharan African countries.

**8.3b Pilot and stabilize the methodology before including new indicators in rankings:**

For new indicators, management's approach is to first publish new indicators for comment, not factoring them into rankings until their methodology is validated by academic research. The work on a new indicator on "getting electricity" illustrates this approach. In 2009, initial results and methodology of the pilot indicator on getting electricity were published in Doing Business 2010, and further presented in a working paper. Over the course of the year, the indicator is being presented to experts (such as at the Conference of the European Regulators Group or to the Public Utility Research Center) to allow assessments of the methodology and initial data findings. A background working paper is under development and a draft was presented at the International Conference on Infrastructure and Economics in January.

## **IEG Response 2010**

### Recent Developments

IEG notes the significant changes made to the methodology for the **Employing Workers** indicator for the 2010 Doing Business, posted on the Doing Business Web site. The IEG evaluation did not include a formal recommendation about Employing Workers, but the changes partially address the evaluation's finding that the indicator "gives lower scores to countries that have opted for policies of greater job protection."

On **Paying Taxes**, IEG recommended that the indicator measure only administrative burden, and not the tax rate. The original management response recorded a difference of opinion. The 2010 management response lists a series of consultations with tax organizations, but does not state whether and how they are salient to the IEG recommendation. The 2010 management response's reference to colloquium participants' views on corporate income tax is irrelevant, since Paying Taxes measures numerous taxes and fees in addition to corporate income tax. In summary, management's current direction on this important indicator appears unclear.

### Management Response 2010

Management is not fully responsive to IEG's recommendations in the following areas:

- Number of Contributors and Transparency about the Informant base

Doing Business recruited 1267 new informants between Doing Business 2009 and Doing Business 2010. This averages less than one new informant per indicator per country, (since there are 183 countries and 11 indicators [one indicator involves two informant groups]) The average number of informants per country, which is not disclosed, ranges from 3.5 (for Dealing with Construction Permits) to 7.9 (for Trading across Borders). For Rwanda, a “top reformer” for 2010, three indicators each had only a single informant. The share of current informants who are lawyers – 70 percent at the time of the IEG evaluation – is not disclosed. In short, despite Doing Business’s efforts, the information base underlying each indicator remains limited in number, narrow in scope, and inadequately disclosed.

- Selection Criteria for informants

Doing Business has not disclosed its selection criteria for informants; the Data Notes section lists only some occupational categories (“...local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements”).

- Transparency about data changes

Doing Business does not adequately disclose the changes made to previously published data. It does not disclose at all the effect of these changes on the country rankings.

When users consult the data set for an individual country, they are provided no indication of which data points have been changed from previously published or posted versions, nor of the reasons for such changes, nor their implications for that country’s ranking. The user must separately consult the summary table of data changes.

The summary table of data changes contains neither title nor explanatory material and does not juxtapose the original and corrected figures. (By way of illustration, the summary corrections table indicates that for India, the number of procedures to obtain a licence (sic) was changed by “-17” and the number of days was changed by “29”. The data set for India, however, does not reveal that any changes were made to either 2009 or 2010 data. )

In short, the Doing Business Web site makes it difficult for users to detect changes in previously published data and does not reveal the reasons for changes.

Finally, the Doing Business Web site’s links to data underlying the research papers that influenced Doing Business initial design are irrelevant to the IEG recommendation, as noted in the 2009 Management Action Record.

- Impact of Doing Business reforms at the country level

Management’s original response to the IEG evaluation “commits to a measurement and evaluation agenda...to document the effect of Doing Business reforms on a set of economic and social indicators.” The 2010 management response does not report on the execution of such an agenda, and indeed implies that it is no longer planned. The existence of papers that cite or refer to the Doing Business Indicators is not germane to the recommendation, which addresses the economic and business outcomes of Doing Business reforms.

Doing Business continues to make claims about the indicators’ explanatory power for which research support has not been adduced. For example, the press release launching the 2010 report stated: “Business regulation can affect how well small and midsize firms cope with the crisis and seize opportunities when recovery begins... The quality of business regulation helps determine how easy it is to reorganize troubled firms to help them survive difficult times, to rebuild when demand rebounds, and to get new businesses started.” Evidence to support this claim has not been provided.

## 9. THE WORLD BANK GROUP GUARANTEE INSTRUMENTS 1990–2007

### List of Recommendations

- 9.1 Take a strategic approach and make a decision whether to maintain the existing organizational structure while addressing some of the important problems, or develop and propose an alternative organizational structure to the Board.**
- 9.2 Under any scenario, take action to introduce greater flexibility in the use of guarantee instruments in response to dynamic country and client needs and market developments by**
- Revising existing policies and regulations on guarantees to minimize supply-driven product restrictions where most needed and to allow product differentiation on the basis of value added.
  - Ensuring that adequate incentives exist for staff to offer the full array of World Bank Group guarantees and PRM products to private sector clients within a single menu of options.
  - Establishing more systematic links between advisory services and the deployment of Bank Group PRM instruments and other products, particularly in infrastructure.
  - Following a consistent approach to pricing of PRM across its guarantee instruments to avoid potential distortions.
  - Strengthening internal awareness of the guarantee instruments and the incentives and skills for their use and reducing transaction costs where possible, keeping in mind the importance of maintaining adequate processes and regulations for risk management.
- 9.3 If a new organizational structure is developed and proposed, consider at least three alternative perspectives for organizational realignment: the client perspective, the country perspective, and the product perspective.**
- Under the client approach, all products for private sector clients, including guarantees and PRM instruments, would be offered through a single window.
  - Under the country approach, the deployment of World Bank Group guarantee and PRM products would be made according to country needs, under a management arrangement common for all the three institutions.
  - Under the product approach, the bulk of guarantee/insurance products would be managed under one institutional roof.
- 9.4 If the current organizational structure is maintained, direct management of each individual World Bank Group institution to improve the delivery of its own guarantee/insurance products by**
- MIGA management**
- Proposing to MIGA’s shareholders amendments to its Convention to remain relevant and meet its market potential. Considering, in the meantime, alleviating several constraints derived from its operational regulations and policies.
  - Increasing its responsiveness to market demand by addressing internal weaknesses that reduce efficiency and slow responsiveness without lowering MIGA’s financial, social, or environmental standards.
  - Improving its client relationship management, including aftercare, to enhance the value MIGA adds and increase its client retention.

### Bank management

- Maintaining and promoting the partial credit guarantee instrument as a potential effective countercyclical tool to leverage government access to commercial funds and extending such access to IDA countries.
- Creating awareness among Bank staff of the potential use and benefits of partial risk guarantees and building necessary skills.
- Developing a marketing strategy that encompasses both governments and the private sector to better identify situations in which the role of a partial risk guarantee can make a difference.
- Streamlining processing steps to reduce both internal disincentives to working on partial risk guarantees and transaction costs for private sector clients while ensuring that crucial measures for social and environmental safeguards and risk management are maintained.

#### **IFC management**

- Mainstreaming its guarantee products through its operations departments in the same manner that its equity and loan products are deployed.
- Assessing the extent to which it can bring its guarantee products closer to meeting Basel II and regulatory requirements in general, so that the guarantee beneficiaries can use IFC products more effectively for capital, provisioning, and exposure relief.
- Revisiting its approach to RSFs to increase flexibility and improve the attractiveness of the product.
- Scaling up successful models in energy efficiency, education, and capital market development based on the use of guarantee structures.

#### **Status of Implementation**

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>9.1</b>	<b>Take a strategic approach and make a decision whether to maintain the existing organizational structure while addressing some of the important problems, or develop and propose an alternative organizational structure to the Board.</b>	<b>Not Agreed</b>	
<b>9.2</b>	<b>Under any scenario, take action to introduce greater flexibility in the use of guarantee instruments in response to dynamic country and client needs and market developments by</b> <ul style="list-style-type: none"> <li>• Revising existing policies and regulations on guarantees to minimize supply-driven product restrictions where most needed and to allow product differentiation on the basis of value added.</li> <li>• Ensuring that adequate incentives exist for staff to offer the full array of World Bank Group guarantees and PRM products to private sector clients within a single menu of options.</li> <li>• Establishing more systematic links between advisory services and the deployment of World Bank Group PRM instruments and other products, particularly in infrastructure.</li> <li>• Following a consistent approach to pricing of PRM across its guarantee instruments to avoid potential distortions.</li> <li>• Strengthening internal awareness of the guarantee instruments and the incentives and skills for their use</li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
and reducing transaction costs where possible, keeping in mind the importance of maintaining adequate processes and regulations for risk management.		
<p><b>9.3 If a new organizational structure is developed and proposed, consider at least three alternative perspectives for organizational realignment: the client perspective, the country perspective, and the product perspective.</b></p> <ul style="list-style-type: none"> <li>• Under the client approach, all products for private sector clients, including guarantees and PRM instruments, would be offered through a single window.</li> <li>• Under the country approach, the deployment of World Bank Group guarantee and PRM products would be made according to country needs, under a management arrangement common for all the three institutions.</li> <li>• Under the product approach, the bulk of guarantee/insurance products would be managed under one institutional roof.</li> </ul>	<b>Not Agreed</b>	
<p><b>9.4 If the current organizational structure is maintained, direct management of each individual World Bank Group institution to improve the delivery of its own guarantee/insurance products by</b></p> <p><b>Bank management</b></p> <ul style="list-style-type: none"> <li>• Maintaining and promoting the partial credit guarantee instrument as a potential effective countercyclical tool to leverage government access to commercial funds and extending such access to IDA countries.</li> <li>• Creating awareness among Bank staff of the potential use and benefits of partial risk guarantees and building necessary skills.</li> <li>• Developing a marketing strategy that encompasses both governments and the private sector to better identify situations in which the role of a partial risk guarantee can make a difference.</li> <li>• Streamlining processing steps to reduce both internal disincentives to working on partial risk guarantees and transaction costs for private sector clients while ensuring that crucial measures for social and environmental safeguards and risk management are maintained.</li> </ul>	<b>Medium</b>	<b>Medium</b>

## Management Response 2010

The following responses refer to World Bank actions on guarantee issues. IFC and MIGA responses are covered in their respective Management Action Record processes with IEG.

**9.1 and 9.3 Organizational Structure.** As management noted in its original response, the World Bank Group institutions have complementary but differing mandates that are defined in their respective charters. Under these mandates, each member of the group has developed different products serving the different needs of the clients of each. Management continues to believe that the current institutional arrangements are adequate, and issues of coordination and marketing are being addressed without a change in institutional structure. There are no agreed actions under these recommendations. Executive Directors have already been informed, through the original Management Action Record. Therefore, these two recommendations need to be dropped from the Management Action Record.

**9.2 Flexibility.** The Bank Group-wide Working Group on Bank Guarantees, which includes IFC and MIGA, has compiled action plans to address issues to realize the potential of guarantees. Management agreed with the recommendations and committed to take action. An informal Senior Management working group was formed across the Bank, IFC and MIGA in August 2009 to enhance World Bank Group collaboration and seminars and presentation on guarantees were conducted jointly by Bank, IFC and MIGA, including the IFC unit in charge of advisory services. Product differentiation, comparative advantages of instruments of each institution, circumstances appropriate for joint implementation and complementarily are being better communicated to clients for Bank Group products. This in turn enhances complementarily and facilitates joint operations, with better knowledge of the values of different guarantee instruments by both government and private sector clients.

The Bank has introduced an incentive for IBRD Guarantees, whereby only 25 percent of guarantee exposure will be counted against the IBRD country exposure limit, while 75 percent would be counted against a dedicated and centralized pool. A threshold of US\$1.5 billion was established for additional IBRD Guarantees, which if achieved will prompt a review of the incentive policy.

The Review of the IDA Guarantees Pilot Program was presented to the Board in May 2009, whereby IDA Partial Risk Guarantees were mainstreamed with a risk management envelope of US\$1.5 billion.

As discussed with Executive Directors in January 2010, further guarantee flexibility is under consideration, notably regarding possible revisions to Policy-based Guarantees.

**9.4 Improve Delivery.** In the Review of the IDA Guarantees Pilot Program presented to the Board in May 2009, Bank management informed the Board that it would be exploring a possible future expansion of the spectrum of IDA guarantee instruments, with a view to offering partial credit guarantees on sovereign debt, either through Partial Credit Guarantees for investment operations or Policy Based Guarantees for fiscal support, or both, as in the case of IBRD. This may be structured as a pilot program of limited duration and volume and be considered as part of IDA's response to the global financial crisis, offering IDA countries access to lower-cost and longer-maturity debt financing than otherwise available to them in the markets. Further analysis is required to establish the possible parameters of such a program. Management may bring this forward to Executive Directors and IDA Deputies in FY10 for their consideration.

Training on Bank guarantees is being enhanced, including training outreach not only to potential task team leaders but also to Country Directors and Sector Directors to improve the understanding of the guarantee products at all levels and its more integral consideration in the process of country and sector strategy. The training activities are organized by BDM with technical support from FEU staff with specialized guarantee expertise. FEU has committed to maintain adequate capacity,

as the center of expertise, to provide support to Regions' guarantee work.

FEU (through the SDN Network) and BDM work to ensure that the potential use of guarantees is discussed in CASs as appropriate. The Bank's product brochure references prominently IBRD/IDA guarantees.

#### **IEG Response 2010**

IEG agrees with the level of adoption ratings provided by management. The Bank has taken several positive steps in response to IEG's recommendations, including better communication of World Bank Group guarantee products to private and public sector clients, improving incentives for the use of IBRD guarantees, and plans for expansion of PCGs to IDA countries. The Bank's responses have been somewhat slow in being realized, however, with several initiatives still in the preparation stage. There is also no indication that IEG's recommendation on rationalizing the pricing of the Bank's PRGs is under consideration. The Bank continues to price its political risk insurance for private corporations according to its government loan pricing structure, rather than according to practices in the political risk insurance industry.

## 10. DECENTRALIZATION IN CLIENT COUNTRIES: AN EVALUATION OF WORLD BANK SUPPORT 1990-2007

### List of Recommendations

<b>10.1</b>	<b>Ensure that Bank support—particularly lending—is underpinned by genuine client commitment to decentralized service delivery, given its importance to the success of Bank interventions. Occasionally, a role for the Bank may be justified in the absence of client commitment (for example, to forestall potentially adverse measures), although the evaluation finds that Bank interventions under such circumstances are not usually effective.</b>
<b>10.2</b>	<b>Encourage the adoption of a more results-based approach to decentralization by helping to develop in-country and Bank capacity for monitoring and evaluation (M&amp;E) that focuses on local outcomes (such as enhanced accountability, greater citizen participation, and improved service delivery) rather than on just the process of decentralization.</b>
<b>10.3</b>	<b>Ensure that Bank support at the country level is (among other things):</b> <ul style="list-style-type: none"> <li>• <b>Founded on a clear analytical framework based on an integrative understanding of economic, political, and institutional factors at different levels of government and across sectors affected by decentralization</b></li> <li>• <b>Accompanied by support (from the Bank or others) to develop and maintain local government capacity to the extent feasible.</b></li> </ul>
<b>10.4</b>	<b>Strengthen institutional arrangements within the Bank to ensure that an integrative view underpins Bank interventions, particularly those based on sector-specific entry points.</b>

### Status of Implementation

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>10.1</b>	<b>Ensure that Bank support—particularly lending—is underpinned by genuine client commitment to decentralized service delivery, given its importance to the success of Bank interventions. Occasionally, a role for the Bank may be justified in the absence of client commitment (for example, to forestall potentially adverse measures), although the evaluation finds that Bank interventions under such circumstances are not usually effective.</b>	<b>Medium</b>	<b>Medium</b>
<b>10.2</b>	<b>Encourage the adoption of a more results-based approach to decentralization by helping to develop in-country and Bank capacity for monitoring and evaluation (M&amp;E) that focuses on local outcomes (such as enhanced accountability, greater citizen participation, and improved service delivery) rather than on just the process of decentralization.</b>	<b>Substantial</b>	<b>Medium</b>
<b>10.3</b>	<b>Ensure that Bank support at the country level is (among other things):</b> <ul style="list-style-type: none"> <li>• <b>Founded on a clear analytical framework based on an integrative understanding of economic, political, and institutional factors at different levels of government and across sectors affected by decentralization</b></li> <li>• <b>Accompanied by support (from the Bank or others) to develop and maintain local government capacity to the extent feasible.</b></li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<b>10.4 Strengthen institutional arrangements within the Bank to ensure that an integrative view underpins Bank interventions, particularly those based on sector-specific entry points.</b>	<b>Medium</b>	<b>Medium</b>

### Management Response 2010

Since the IEG report on decentralization a variety of tools have been put in place to help assess the degree of real client engagement on decentralization issues. These include, in the context of the 2007 GAC Strategy, work on understanding the political economy of Bank interventions and the role of public sector and governance drivers in sectors such as health, education and roads (which typically raise decentralization issues). Decentralization is also a frequent focal point in countries undergoing Country Governance and Anti-Corruption (CGACs) processes and those that have received window 1 resources from the Governance Partnership Fund. SD's active Demand-side Community of Practice has advanced a Bank-wide emphasis on front-line interventions that strengthen the citizen-provider/local government nexus.

A group of recent projects focused on service delivery at the subnational level suggest an increasing focus on results-based performance and the use of monitoring and evaluation to address critical issues of decentralized service delivery. These include projects such as the Argentina's *Plan Nacer* (now in its third phase); *Bolsa Familia*, Ceara Social and Poverty Inclusion I and II, and the Second Minas Gerais Development Partnership in Brazil; as well as the Sindh Education Project in Pakistan. Each of these and many other projects use a results-oriented method and system of monitoring and evaluation in country to validate the results achieved and improve service delivery at a decentralized level. Teams around the Bank are working on the development of a results-based investment lending model that will be well-matched to supporting Bank support to results based approaches in decentralized settings.

The analytical basis for engagement by the Bank has been strengthened through the integration of institutional and political-economy analysis. A recent systematic analysis of CGACs, however, reveals that analytical underpinnings for Bank-engagement could have been better. Key bottlenecks include timely availability of specialized staff capacity in this area to support country teams. A wide range of projects aim to support local capacity building, but work is still needed on the sustainability of these efforts.

The Decentralization and Subnational Regional Economics Thematic Group remains active as a forum to help bring about a more informed, consistent, and comprehensive approach to decentralization and subnational development in Bank-supported country programs. A proposal for a cross-sectoral Decentralization Global Excellence Practice (GET) is under preparation.

### IEG Response 2010

**10.1, 10.3, and 10.4** No comments

**10.2** IEG understands that a results-based investment lending model is under preparation, but will leave the adoption level as "Medium," until such a model is adopted.

## 11. ENVIRONMENTAL SUSTAINABILITY – AN EVALUATION OF WORLD BANK GROUP SUPPORT

### List of Recommendations

#### 11.1 Increase the attention to environmental sustainability in the World Bank Group by ensuring that environmental issues enter fully into discussions of its strategic directions and Regional and country assistance programs.

- Jointly reformulate and update the 2001 Environment Strategy to reflect new realities— including the increasingly important role of the private sector, technology transfer to developing countries, global public goods, and transnational environmental footprints—and emerging Bank Group corporate priorities.
- Consider both medium- term (5–10 year) and longer- term (10–20 year) approaches to strengthening environmental sustainability at the Regional and national levels and incorporate short- term (3–5 year) environmental programs into country assistance and partnership strategies.
- Identify opportunities for intra- Bank Group cooperation in helping clients address key national and global environmental challenges, including pollution reduction and long- term goals (up to 50 years) for greenhouse gas abatement and adaptation to climate change.
- Work with development partners to help countries address environmental problems. Use Country Environmental Analyses (CEAs) and Strategic Environmental Assessments (SEAs) for this purpose at the national, policy, sectoral, and subnational levels. Treat institutional capacity building as a means rather than an end and link it to attainment of observable environmental outcomes. Give greater attention to improving the performance of projects that focus primarily on environmental policy and institutions.
- Encourage the adoption and use of the Equator Principles as global environmental standards in private sector investments in the developing world and IFC Policy and Performance Standards on Environmental and Social Sustainability by multilateral development banks.
- Continue to develop IFC’s systems to improve accountability and transparency among Equator Principles signatories. Focus IFC Advisory Services and capacity building on Regions and sectors with low environmental performance, especially on Sub- Saharan Africa and the textile, food and beverage, tourism, and agriculture sectors, and continue supporting market transformation toward sustainability, emphasizing technology transfer and development in clean production, energy efficiency, and sustainable supply chain management.
- Expand MIGA’s environment- related technical assistance to clients.

#### 11.2 Move to more cross- sectoral and spatially oriented approaches to environmental support and strengthen staff skills.

- Be more proactive on environmental concerns, including adaptation to, as well as mitigation of, climate change, but not neglecting other local and global environmental priorities. Better integrate environmental, health, and labor issues under the Bank Group’s sustainability agenda in the short and longer terms.
- Give greater analytical and operational attention to addressing problems that cross national and regional boundaries as well as to increasingly serious environmental and carbon footprint concerns. In analytic work, increase emphasis on linkages between poverty and the environment. Strengthen collaboration on environmental health issues among those responsible for health, water supply and sanitation, energy, transport, urban development, and environment.
- Strengthen staff skills in such areas as adaptation to climate change, carbon finance, and the ability to deliver environment-related investment and policy reform projects.
- Improve IFC- Bank coordination on policy dialogue with governments to enhance structural reforms aimed at public- private partnerships in water, wastewater, and waste management, reuse, and recycling sectors, and ensure that industry views are present in the national and sectoral policy dialogues.
- Stress the need for IFC and MIGA clients, especially financial intermediaries, to develop and implement solid environmental and social management systems, ensure that engineering and pollution control system design and community engagement is integrated in the early project

stage, and use more independent environmental audits as part of project completion tests. In IFC's project selection and marketing, emphasize the potential for environmental benefits. In MIGA's engagement with projects, provide advice on environmental (and social) issues to help bring clients closer to industry best practices.

**11.3 Improve the Bank Group's ability to assess its support for the environment and to monitor and evaluate the results of its environment- related interventions.**

- Improve World Bank monitoring, evaluation, and reporting of environmental performance and results of lending operations. Give greater attention to improving baseline environmental assessments in IFC and MIGA— and measure more fully the aggregate effects of projects with large environmental impacts—for example, in energy and agribusiness. Work with partners such as UNDP and UNEP to help quantify progress toward the achievement of Millennium Development Goal 7 for environmental sustainability.
- Improve the way the World Bank determines how much of its total financing has supported environmental improvement and revise preparation guidelines for Implementation Completion Reports (ICRs) to require a more systematic review of environmental dimensions and results. A mechanism to track the influence of Bank nonlending services on environment- related policies and institutions in client countries would also be desirable.
- For environmentally sensitive IFC agriculture and forestry projects, especially in areas of high biodiversity, undertake carefully designed baseline studies to identify indirect, induced, and cumulative (as well as direct) environmental and social impacts. Design, implement, and monitor adequate plans to mitigate any negative effects. Enhance sustainability of supply chains with certification schemes and third- party monitoring. Measure specific emissions and mass flows in advance of relevant projects and assess them afterward to gauge project impact on the abatement of effluent discharges and dust and greenhouse gas emissions.
- Improve the performance of projects on MIGA's environmental and social policies on a timely basis, as appropriate in a project cycle. Require investor-clients to establish environmental and social project management systems at a sufficiently early stage to effectively monitor impacts. Consistently incorporate provisions for regular reporting of safeguard performance during project implementation in MIGA's Contracts of Guarantee.

**11.4 Improve coordination among the Bank, IFC, and MIGA and between the World Bank Group and external partners (public and private) in relation to the Bank Group's environmental mission and ensure consistent and effective implementation at the corporate and country levels.**

- Establish mechanisms to promote and monitor coordination across the Bank, IFC, and MIGA with respect to environment-related policies, strategies, and instruments. In particular:
  - Actively involve IFC and MIGA in updating the 2001 Environment Strategy and in monitoring and evaluating its implementation.
  - Jointly identify environmental aspects of World Bank Group country assistance and partnership strategies and jointly plan, monitor, evaluate, and report on mitigation of adverse impacts.
  - Increase efforts to share experience with assessment, monitoring, evaluation, and reporting on environmental aspects, results, and impacts of activities.
  - Systematically monitor and evaluate the application and results of environmental due diligence policies and procedures (safeguards and performance standards).
- Make strengthening external partnerships a central theme in an updated World Bank Group environmental strategy.
- Improve MIGA's coordination with global programs, such as the Global Environment Facility and the Bank's Carbon Financing Group, and identify potential partners whose clients might benefit from MIGA guarantee support.

## Status of Implementation

Recommendations	Level of Adoption	
	Mgmt	IEG
<p><b>11.1 Increase the attention to environmental sustainability in the World Bank Group by ensuring that environmental issues enter fully into discussions of its strategic directions and Regional and country assistance programs.</b></p> <ul style="list-style-type: none"> <li>• Jointly reformulate and update the 2001 Environment Strategy to reflect new realities— including the increasingly important role of the private sector, technology transfer to developing countries, global public goods, and transnational environmental footprints—and emerging Bank Group corporate priorities.</li> <li>• Consider both medium- term (5–10 year) and longer- term (10–20 year) approaches to strengthening environmental sustainability at the Regional and national levels and incorporate short- term (3–5 year) environmental programs into country assistance and partnership strategies.</li> <li>• Identify opportunities for intra- Bank Group cooperation in helping clients address key national and global environmental challenges, including pollution reduction and long- term goals (up to 50 years) for greenhouse gas abatement and adaptation to climate change.</li> <li>• Work with development partners to help countries address environmental problems. Use Country Environmental Analyses (CEAs) and Strategic Environmental Assessments (SEAs) for this purpose at the national, policy, sectoral, and subnational levels. Treat institutional capacity building as a means rather than an end and link it to attainment of observable environmental outcomes. Give greater attention to improving the performance of projects that focus primarily on environmental policy and institutions.</li> <li>• Encourage the adoption and use of the Equator Principles as global environmental standards in private sector investments in the developing world and IFC Policy and Performance Standards on Environmental and Social Sustainability by multilateral development banks.</li> <li>• Continue to develop IFC’s systems to improve accountability and transparency among Equator Principles signatories. Focus IFC Advisory Services and capacity building on Regions and sectors with low environmental performance, especially on Sub- Saharan Africa and the textile, food and beverage, tourism, and agriculture sectors, and continue supporting market transformation toward sustainability, emphasizing technology transfer and development in clean production, energy efficiency, and sustainable supply chain management.</li> <li>• Expand MIGA’s environment- related technical assistance to clients.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>
<p><b>11.2 Move to more cross-sectoral and spatially oriented approaches to environmental support and strengthen staff skills.</b></p> <ul style="list-style-type: none"> <li>• Be more proactive on environmental concerns, including</li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<p>adaptation to, as well as mitigation of, climate change, but not neglecting other local and global environmental priorities. Better integrate environmental, health, and labor issues under the Bank Group’s sustainability agenda in the short and longer terms.</p> <ul style="list-style-type: none"> <li>• Give greater analytical and operational attention to addressing problems that cross national and regional boundaries as well as to increasingly serious environmental and carbon footprint concerns. In analytic work, increase emphasis on linkages between poverty and the environment. Strengthen collaboration on environmental health issues among those responsible for health, water supply and sanitation, energy, transport, urban development, and environment.</li> <li>• Strengthen staff skills in such areas as adaptation to climate change, carbon finance, and the ability to deliver environment-related investment and policy reform projects.</li> <li>• Improve IFC- Bank coordination on policy dialogue with governments to enhance structural reforms aimed at public-private partnerships in water, wastewater, and waste management, reuse, and recycling sectors, and ensure that industry views are present in the national and sectoral policy dialogues.</li> <li>• Stress the need for IFC and MIGA clients, especially financial intermediaries, to develop and implement solid environmental and social management systems, ensure that engineering and pollution control system design and community engagement is integrated in the early project stage, and use more independent environmental audits as part of project completion tests. In IFC’s project selection and marketing, emphasize the potential for environmental benefits. In MIGA’s engagement with projects, provide advice on environmental (and social) issues to help bring clients closer to industry best practices.</li> </ul>		
<p><b>11.3 Improve the Bank Group’s ability to assess its support for the environment and to monitor and evaluate the results of its environment- related interventions.</b></p> <ul style="list-style-type: none"> <li>• Improve World Bank monitoring, evaluation, and reporting of environmental performance and results of lending operations. Give greater attention to improving baseline environmental assessments in IFC and MIGA— and measure more fully the aggregate effects of projects with large environmental impacts—for example, in energy and agribusiness. Work with partners such as UNDP and UNEP to help quantify progress toward the achievement of Millennium Development Goal 7 for environmental sustainability.</li> <li>• Improve the way the World Bank determines how much of its total financing has supported environmental improvement and revise preparation guidelines for Implementation Completion Reports (ICRs) to require a more systematic</li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<p>review of environmental dimensions and results. A mechanism to track the influence of Bank nonlending services on environment- related policies and institutions in client countries would also be desirable.</p> <ul style="list-style-type: none"> <li>• For environmentally sensitive IFC agriculture and forestry projects, especially in areas of high biodiversity, undertake carefully designed baseline studies to identify indirect, induced, and cumulative (as well as direct) environmental and social impacts. Design, implement, and monitor adequate plans to mitigate any negative effects. Enhance sustainability of supply chains with certification schemes and third- party monitoring. Measure specific emissions and mass flows in advance of relevant projects and assess them afterward to gauge project impact on the abatement of effluent discharges and dust and greenhouse gas emissions.</li> <li>• Improve the performance of projects on MIGA’s environmental and social policies on a timely basis, as appropriate in a project cycle. Require investor-clients to establish environmental and social project management systems at a sufficiently early stage to effectively monitor impacts. Consistently incorporate provisions for regular reporting of safeguard performance during project implementation in MIGA’s Contracts of Guarantee.</li> </ul>		
<p><b>11.4 Improve coordination among the Bank, IFC, and MIGA and between the World Bank Group and external partners (public and private) in relation to the Bank Group’s environmental mission and ensure consistent and effective implementation at the corporate and country levels.</b></p> <ul style="list-style-type: none"> <li>• Establish mechanisms to promote and monitor coordination across the Bank, IFC, and MIGA with respect to environment-related policies, strategies, and instruments. In particular: <ul style="list-style-type: none"> <li>– Actively involve IFC and MIGA in updating the 2001 Environment Strategy and in monitoring and evaluating its implementation.</li> <li>– Jointly identify environmental aspects of World Bank Group country assistance and partnership strategies and jointly plan, monitor, evaluate, and report on mitigation of adverse impacts.</li> <li>– Increase efforts to share experience with assessment, monitoring, evaluation, and reporting on environmental aspects, results, and impacts of activities.</li> <li>– Systematically monitor and evaluate the application and results of environmental due diligence policies and procedures (safeguards and performance standards).</li> </ul> </li> <li>• Make strengthening external partnerships a central theme in an updated World Bank Group environmental strategy.</li> <li>• Improve MIGA’s coordination with global programs, such as the Global Environment Facility and the Bank’s Carbon Financing Group, and identify potential partners whose clients might benefit from MIGA guarantee support.</li> </ul>	<b>Medium</b>	<b>Medium</b>

## Management Response 2010

The following responses refer to World Bank actions. IFC and MIGA responses are covered in their respective Management Action Record processes with IEG.

- **Attention to Environmental Sustainability.** As noted in the original Management Response, Bank management has committed to one specific action beyond those already underway, that is, to promote environmental sustainability through a new World Bank Group Environment Strategy. As part of the analytical work to underpin the new Strategy, three background papers are examining environmental sustainability, including one on the *Role of Environmental DPLs in supporting Environmental Sustainability* and, a second on *Environmental Mainstreaming and Sustainability* and a third on *Monitoring Environmental Sustainability*. The new strategy is on schedule, justifying the “substantial” rating. The Concept Note for the Strategy was discussed by CODE in May 2009 and consultations have been underway since October 1, 2009. The first phase of consultations was completed on April 2, 2010. Management did not commit to formally establish new medium-term and long-term approaches, citing the need for flexibility, given the importance of customization and country ownership. Instead, to strengthen intra-Bank collaboration and knowledge sharing, a climate change management group has been established with regional and sectoral climate change coordinators and IFC. Recent analysis also reveals that climate change has been integrated in 63 percent of all new FY09 Country Assistance/Partnership Strategies. Further, the INFRA (SDN specifics for supporting financial crisis investments) platform places an emphasis on sustaining funding of operations and maintenance of current infrastructure, which is of environment and social benefit, placing sustainability squarely at the core of financial crisis related financing.
- **11.2. Cross-Sectoral and Spatial Issues.** As noted in the original Management Response, management agreed with parts of this recommendation but did not commit to new actions, noting that work was already ongoing on these issues. The Climate Change Strategic Framework highlights adaptation; implementation is ongoing, and an initial review of results has started. Analytical work to develop methodologies for greenhouse gas analysis is underway jointly in IFC and the Bank’s Environment Department. The Climate Change Strategic Framework includes a commitment to identifying climate change interventions in the World Bank Group portfolio, Bank Group-wide indicators for measuring adaptation and mitigation are now developed and are being applied. Distributional analysis continues to be emphasized in CEAs and SEAs. There are many examples of collaboration on environmental health issues, including the Joint Environment, Agriculture, Water and Sanitation, and Health workshop on “Getting the Most from Food: Synergies between Environmental Health, Climate Change, and Human Nutrition” conducted on March 5, 2009. Similarly, ENV has helped frame the dialogue on the agenda, through the publication of books on Environmental Health and Child Survival and Poverty, Health and Environment, the latter with 18 other partners. In addition, HNP and ENV have been jointly exploring with WBI how these aspects will be strengthened in their course material and training support. There are similar multi-sectoral efforts launched specific to Ecosystem-Based Adaptation and through the Climate Change Management Team dialogue. There are several examples of integrated health-environment BNPP-funded pilots to develop strong methodological links. However, as measurement of health impacts of improved water quality is a challenge, many WSS projects that integrate improved health and environmental practices are still economically justified as and labeled as traditional ‘increased access to water’ projects. Trust funds in the Water Anchor provide technical assistance in sanitation and hygiene in rural water supply in twenty plus countries, already availing themselves of this opportunity to apply integrated approaches. All of these cross-sectoral issues will be further developed and advanced in the context of the Environment Strategy, which places much emphasis on strengthening environmental sustainability. Trust funds (including BNPP, TFESSD, DGF, and GEF) have continued to support ‘traditional environmental priorities,’ incorporating the global food crisis and climate change methodological advances as new concerns, thus smoothing rebalancing of the portfolio in the context of climate change. Similarly, the concept note for the Environmental Strategy highlights the balance between long-term and short-term environmental issues given the context of development. Lastly, the Sustainable Development Leadership Program (SDLP) and the Climate Change for Development Professionals (CCDP) learning program are under implementation. To-date, over 350 senior staff have participated in the SDLP. The CCDP program has been rapidly expanding over the past two years, with 5,700 participant hours delivered in training sessions and over 3,000 in knowledge sharing events.

**11.3. Assessment.** As noted in the original Management Response, management partially agreed with this recommendation. Management noted that it has been reviewing sector and thematic coding, and would undertake a review of ESW following the completion of IEG's ESW and technical assistance evaluation. Investment lending reform is in process; social and environmental departments have submitted a joint proposal for safeguards-related reform within this process. . Better results monitoring is a key expected outcome of the reform. As part of the OPCS-led IDA15 Core Results Indicators exercise, standardized indicators have been developed for Environmental sub-theme "Environmental Policies and Institutions." Additionally, ENV and ARD collaborated with the Land Administration and Policy Thematic Group to develop standardized indicators for the sub-theme "Land Administration and Management" and ENV and Water are collaborating on indicators for the "Pollution Management and Environmental Health" sub-theme. All Core Results Indicators will be finalized in parallel with the completion of the Environment Strategy 2010. These indicators will allow for aggregation of environmental outputs and outcomes across the Bank portfolio, strengthening results-reporting tied to the existing sector and thematic coding framework. With regard to thematic coding, it is planned to have a system in place by the end of this fiscal year that better captures the volume of lending, credit, and grant support for the environment. The ESW review has been launched and will be completed in FY2010, meeting the management commitment (see the Management Action Record for the IEG AAA review). With regard to the MDGs, management reiterates that Executive Directors have been very clear from the start that the UN is mandated with monitoring the achievement of the MDGs, not the Bank, and that the Bank and Fund are charged with monitoring policies and actions needed to meet the MDGs, notably from donors. That said, of course, the Bank continues to strongly support UN agencies, programs, and funds in their work in monitoring progress toward all the MDGs. (Management would ask IEG to assess progress against actions to which management committed to take, and not reopen issues on which management did not agree.)

**11.4. Coordination.** As noted in the original Management Response, management agreed with most of the recommendations but not all. (As noted above, management would ask IEG to assess progress against actions to which management committed to take, and not reopen issues on which management did not agree.) In terms of commitments, management committed to actively involve IFC and MIGA in the environment strategy preparation and is meeting that commitment. The new Environment Strategy under preparation is a World Bank Group Strategy, with active involvement of all Bank Group institutions. The process of consultation process on the Strategy is extensive, reaching out to different external partners, to better define the Bank's role, as well as to ensure harmonization and coordination on specific themes. In addition, it should be noted that "Environment and Social Policy and Procedural Guidelines for projects financed jointly by Bank, IFC, and/or MIGA" have been finalized as of January 2009. The original Management Response also noted that other issues were dependent on the country context and that monitoring and evaluation can only take place within the project context, rather than at a broader level, so that the sovereignty principle is respected. ENV is supporting GEF Focal Areas programmatic-level results reporting. Often these programmatic results frameworks assist the funding agency more than the individual projects, as the results reporting demands aggregating projects-to-program rather than projects-to-country. However, the programmatic exercises are expanding aggregating methodologies in multisectoral areas (like nutrient pollution reduction), which can then lead to improved indicators for country-level aggregation. See examples in Georgia, Romania, and Turkey. Programmatic interventions have also been associated with demand for subsequent scale-up loans at the national levels. The "Environmental Policies and Institutions" subtheme within the IDA15 Core Results Indicators will have an indicator specific to identifying budget support for strengthened institutions and improved effectiveness of environmental regulatory frameworks.

## IEG Response 2010

**Attention to Environmental Sustainability.** IEG acknowledges that the preparation of the new World Bank Group Environment Strategy is underway and acknowledges also the ongoing dialogue between the World Bank Group Environment Strategy team and IEG on certain key facets of the strategy process. As noted in the Management Response, the Concept Note for the Strategy was discussed by CODE in May 2009 and public consultations have been underway since October 1, 2009.

IEG has been consulted over the past year on certain key findings – related to environmental mainstreaming, for example— that were highlighted in the IEG Review and further analyzed in the 2009 Annual Review of Development Effectiveness (ARDE). IEG also notes the emphasis that has been put on soliciting well researched background papers on key elements required to construct a sound new strategy, such as the ongoing analytical work related to the *Role of Environmental DPLs in supporting Environmental Sustainability*. Going forward, synergies have been identified between the Environment Anchor and IEG related to the development and implementation of more specific and robust monitoring and evaluating methods related to DPLS in general, as well as the evaluation of environmental outcomes.

IEG recommended that management identify opportunities for intra -Bank Group cooperation in helping clients address key national and global environmental challenges, including pollution reduction. IEG acknowledges the recent establishment of the climate change management group with regional and sectoral climate change coordinators and IFC. IEG also acknowledges the work of the *World Bank Group core team for the Smart Growth, Firm Competitiveness and Pollution Management report* that has been conducted to update and ultimately supersede Parts I and II of the Pollution Prevention and Abatement Handbook. IEG notes the completion of several guidance notes, including on Strategic environment assessment, Green public procurement, Public Access to Information for an active citizenry, Advocacy and Participation in Decision-Making for an active citizenry and Ability to Complain and Access to Legal Recourse (Public Interest Litigation Cases) for an active citizenry. However, IEG also notes with caution the need to build and implement tools to help clients work through a multi-sectoral approach to apply the guidance developed above. Although not referred to in management’s comments, IEG would also like to draw attention to the work underway on the Low Carbon Growth studies ongoing in several countries, the upcoming World Development Report on Climate Change, and the implementation of the Clean Technology Fund which in part responds to IEG’s call to work collaboratively to establish new medium-term and long-term approaches to strengthen environmental sustainability at the Regional and national levels, citing the need for flexibility, given the importance of customization and country ownership.

**15.2. Cross-Sectoral and Spatial Issues.** IEG acknowledges the strong efforts of the Environment Anchor and other sectorally focused working groups that have advanced the Bank’s analytical contributions to overcoming cross- sectoral and spatially oriented challenges to environmental support but continues to urge greater operationalization of the agenda. As noted by management, the Climate Change Strategic Framework highlights adaptation, the plan is in place and implementation is ongoing. It includes a commitment to identifying climate change interventions in the World Bank Group portfolio and developing Bank Group-wide indicators for measuring adaptation and mitigation results and as such an active group has been put in place to develop these indicators. IEG recognizes the launch of the framework for monitoring and reporting on investments with climate change co-benefits. IEG is concerned that portfolio monitoring be aimed at more than reporting the aggregate proportion of climate-related projects. It should facilitate insightful monitoring of progress on different kinds of approaches to climate mitigation and adaptation.

While IEG agrees that there are many examples of analytical work and dialogue on the issue of environmental health (such as the Workshop on “Getting the Most from Food: Synergies between Environmental Health, Climate Change, and Human Nutrition” March 5, 2009.) and the Environmental Health and Child Survival and Poverty, Health and Environment series, it continues to stress the need for greater diagnostic work and reporting of environmental health outcomes in its portfolio. The health-environment BNPP-funded pilots have been under implementation for some time; IEG looks forward to both learning from operations and reviewing these pilots from the perspective of how to integrate or link these methodologies into the Bank’s operations. IEG does not agree that the measurement of health impacts

of improved water quality projects is too large of a challenge to overcome. Rather, this is an issue of ensuring that environmental health indicators are included in the monitoring and reporting frameworks of WSS projects at preparation, that resources are allocated for monitoring and measuring results, and that the right incentives are in place to do this. The environmental health outcomes could be considered, for example, as a part of the overall economic justification of traditional ‘increased access to water’ projects whereby the Bank would be performing an enhanced service of assisting the client government enhance its rate of return and allow for reporting on both water and environmentally related health outcomes. Meanwhile, IEG acknowledges the support for training that has been provided by the Climate Change for Development Professionals (CCDP) learning program and the Sustainable Development Leadership Program (SDLP) that have provided advanced training for some 350 senior staff.

**15.3. Assessment.** While work is underway in the area of *improving* the monitoring, evaluation, and reporting of environmental performance and results of lending operations, it is progressing slowly. With regard to thematic coding, IEG acknowledges the work underway update environmentally related sector and thematic coding and that as part of the OPCS-led IDA15 Core Results Indicators exercise however while this work represents a good start, IEG would require greater clarification on how the core IDA indicator work would allow for a full “aggregation of environmental outputs and outcomes across the Bank portfolio.” Regarding the residual issues with the Bank’s sector and thematic coding, IEG looks forward to the development of a new system that management has indicated will be put in place by the end of FY2010 that better captures the volume of lending, credit, and grant support for the environment. IEG had recommended that management pay attention to the way the World Bank determines how much of its total financing has supported environmental improvement. However IEG also recommended that management revise preparation guidelines for Implementation Completion Reports (ICRs) to require a more systematic review of environmental dimensions and results yet so far no action has been taken to implement this recommendation. IEG also recommended the development of a mechanism to track the influence of Bank nonlending services on environment- related policies and institutions in client countries. IEG’s Report on the World Bank’s economic and sector work (ESW) and technical assistance (TA) was launched in September 2008 and as management has iterated, IEG looks forward to management’s report to the Board on its ESW Review scheduled to be completed in FY2010. However, IEG notes that this report to the Board should in some way respond to the specific recommendation of IEG’s Review of Environmental Sustainability to track the influence of Bank nonlending services on environment-related policies and institutions in client countries.

**15.4. Coordination** IEG continues to disagree with the original Management Response that monitoring and evaluation can only take place within the project context, rather than at a broader level, so that the sovereignty principle is respected. IEG wishes to continue to draw management’s attention to the strong demand for M&E skills at the country level and the IEG response through its Evaluation Capacity Development Program which is scheduled to roll out support for its first regional center in Africa this year. Monitoring and Evaluation should be a very consultative and participatory and transparent process and developing national level skills for better M&E is key to achieving this. The Sustainable Development Network, in partnership with the Operations Policy and Country Services Network, Poverty Reduction and Economic Management Network just launched a new US\$16 million Multi-Donor Trust Fund to Support Poverty and Social Impact Analysis whereby funding will go directly to the Bank’s six regional VPUs to fund Bank-led and country-led poverty, social and distributional analysis and capacity building. With an increasing level of World Bank support (including for the environment) directed towards development policy lending and budget support – mechanisms that are designed to work within a multi-donor framework – the need to increase efforts to share experience with assessment, monitoring, evaluation, and reporting on environmental aspects, results, and impacts of activities heightens. IEG continues to urge management to make strengthening external partnerships a central theme in the updated World Bank Group environmental strategy.

## 12. CLIMATE CHANGE AND THE WORLD BANK GROUP PHASE I—AN EVALUATION OF WORLD BANK WIN-WIN ENERGY POLICY REFORMS

### List of Recommendations

**12.1 Systematically promote the removal of energy subsidies, easing social and political economy concerns by providing technical assistance and policy advice to help reforming client countries find effective solutions, and analytical work demonstrating the cost and distributional impact of removal of such subsidies and of building effective, broad-based safety nets.**

- Energy price reform, never easy or painless, can pose social and political economy risks in client countries. But the Bank can help provoke and promote reforms by providing clients with assistance in charting and financing adjustment paths that are politically, socially, and environmentally sustainable.
- One way to do this is for the Bank to continue to develop and share knowledge on the use of cash transfer systems or other social protection programs as potentially superior alternatives to fuel subsidies in assisting the poor. This would include systematic analyses of the distributional impact of energy subsidies. Timely monitoring and analysis of energy use and expenditure, at the household and firm levels, will also be important in policy design, in securing public support, and in detecting and repairing holes in the safety net.

**12.2 Emphasize policies that induce improvement in energy efficiency as a way of reducing the burden of transition to market-based energy prices.**

- Cost-reflective prices for energy boost the returns to efficiency, but the Bank should support country policies that allow households and firms to exploit efficiency opportunities. Conversely, the deployment of energy-efficient equipment such as compact fluorescent lights can be used as a device for cushioning the impact of price increases. The Bank should explore innovative ways to finance efficiency (and renewable energy) investments in the face of fuel price volatility.
- In order to strengthen internal incentives toward promotion of energy efficiency, the Bank should develop appropriate metrics, such as indicators that more directly reflect energy savings, instead of dollar growth targets in lending for energy efficiency (which may distort effort away from the high-leverage, low-cost interventions). These indicators, in turn, need to be harnessed to country strategies and project decisions. All of these efforts are likely to call for increased funding for preparation, policy dialogue, analysis, and technical assistance rather than lending.

**12.3 Promote a systems approach by providing incentives to address climate change issues through cross-sectoral approaches, teams at the country level, and structured interaction between the Energy and Environment Sector Boards.**

- Helping clients reform will require a systems view, such as looking at the power system as a whole; looking at energy subsidies as just one, undesirable, part of a social protection system; and looking at the connections between water and power management.
- To be effective the Bank needs to break down sectoral silos and encourage cross-sector approaches and teams. This will require championship by country directors and vice presidents, to promote incentives such as supporting capacity building for power system regulators in integrated resource planning, and using the Clean Technology Fund to support public systems that will catalyze widespread investments.
- Structured interaction of the Energy and Environment Sector Boards, initiated with ad hoc groups to address specific cross-sectoral challenges, could move the Bank closer toward

mainstreaming sustainable development.

**12.4 Invest more in improving metrics and monitoring for motivation and learning at the global, country, and project levels.**

- Good information can motivate and guide action. One particularly useful global initiative for the World Bank would be to collaborate with the International Energy Agency or other partners to set up an Energy Scorecard that would compile up-to-date and regular standardized information on efficiency indicators, energy prices, policies, and subsidies at the national and sectoral levels. Indicators could be used by borrowers for benchmarking; in the design and implementation of country strategies, including sectoral and cross-sectoral policies; and in assessing Bank performance in assisting countries.
- At the national level, the Bank should support integration of household and firm surveys with energy consumption and access information to lay the foundation for assessing impacts of price rises and mitigatory measures, as well as planning for improved access.
- At the project level, the Bank should invest in rapid-feedback monitoring and impact evaluation of efficiency projects and policies.

**Status of Implementation**

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>12.1</b>	<p><b>Systematically promote the removal of energy subsidies, easing social and political economy concerns by providing technical assistance and policy advice to help reforming client countries find effective solutions, and analytical work demonstrating the cost and distributional impact of removal of such subsidies and of building effective, broad-based safety nets.</b></p> <ul style="list-style-type: none"> <li>• Energy price reform, never easy or painless, can pose social and political economy risks in client countries. But the Bank can help provoke and promote reforms by providing clients with assistance in charting and financing adjustment paths that are politically, socially, and environmentally sustainable.</li> <li>• One way to do this is for the Bank to continue to develop and share knowledge on the use of cash transfer systems or other social protection programs as potentially superior alternatives to fuel subsidies in assisting the poor. This would include systematic analyses of the distributional impact of energy subsidies. Timely monitoring and analysis of energy use and expenditure, at the household and firm levels, will also be important in policy design, in securing public support, and in detecting and repairing holes in the safety net.</li> </ul>	<b>Substantial</b>	<b>Substantial</b>
<b>12.2</b>	<p><b>Emphasize policies that induce improvement in energy efficiency as a way of reducing the burden of transition to market-based energy prices.</b></p> <ul style="list-style-type: none"> <li>• Cost-reflective prices for energy boost the returns to</li> </ul>	<b>Substantial</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<p>efficiency, but the Bank should support country policies that allow households and firms to exploit efficiency opportunities. Conversely, the deployment of energy- efficient equipment such as compact fluorescent lights can be used as a device for cushioning the impact of price increases. The Bank should explore innovative ways to finance efficiency (and renewable energy) investments in the face of fuel price volatility.</p> <ul style="list-style-type: none"> <li>• In order to strengthen internal incentives toward promotion of energy efficiency, the Bank should develop appropriate metrics, such as indicators that more directly reflect energy savings, instead of dollar growth targets in lending for energy efficiency (which may distort effort away from the high-leverage, low- cost interventions). These indicators, in turn, need to be harnessed to country strategies and project decisions. All of these efforts are likely to call for increased funding for preparation, policy dialogue, analysis, and technical assistance rather than lending.</li> </ul>		
<p><b>12.3 Promote a systems approach by providing incentives to address climate change issues through cross-sectoral approaches, teams at the country level, and structured interaction between the Energy and Environment Sector Boards.</b></p> <ul style="list-style-type: none"> <li>• Helping clients reform will require a systems view, such as looking at the power system as a whole; looking at energy subsidies as just one, undesirable, part of a social protection system; and looking at the connections between water and power management.</li> <li>• To be effective the Bank needs to break down sectoral silos and encourage cross- sector approaches and teams. This will require championship by country directors and vice presidents, to promote incentives such as supporting capacity building for power system regulators in integrated resource planning, and using the Clean Technology Fund to support public systems that will catalyze widespread investments.</li> <li>• Structured interaction of the Energy and Environment Sector Boards, initiated with ad hoc groups to address specific cross-sectoral challenges, could move the Bank closer toward mainstreaming sustainable development.</li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>12.4</b>	<p><b>Invest more in improving metrics and monitoring for motivation and learning at the global, country, and project levels.</b></p> <ul style="list-style-type: none"> <li>• Good information can motivate and guide action. One particularly useful global initiative for the World Bank would be to collaborate with the International Energy Agency or other partners to set up an Energy Scorecard that would compile up-to-date and regular standardized information on efficiency indicators, energy prices, policies, and subsidies at the national and sectoral levels. Indicators could be used by borrowers for benchmarking; in the design and implementation of country strategies, including sectoral and cross-sectoral policies; and in assessing Bank performance in assisting countries.</li> <li>• At the national level, the Bank should support integration of household and firm surveys with energy consumption and access information to lay the foundation for assessing impacts of price rises and mitigatory measures, as well as planning for improved access.</li> <li>• At the project level, the Bank should invest in rapid-feedback monitoring and impact evaluation of efficiency projects and policies.</li> </ul>	<b>Substantial</b>	<b>Medium</b>

### Management Response 2010

The World Bank Group Energy Strategy, currently under preparation, addresses these key issues in the context of the broader energy sector development and the climate change agenda. The strategy is expected to enable developing countries improve the access and reliability of energy while helping facilitate the shift to a more environmentally sustainable energy development path. The ongoing energy strategy consultations (<http://www.worldbank.org/energyconsultations>) will help in further distilling the specific and operational recommendations during the preparation process. Regarding the specific IEG recommendations and agreed Bank actions, progress in several areas has been made in the past year, as outlined below.

**12.1 Promote the Removal of Energy Subsidies.** The Bank continues to work with client countries to address energy subsidies, through technical assistance and policy advice as requested by client countries. Towards this effort and as requested by the G20 in their communiqué of the September 2009 Summit, the Bank has been collaborating with the IEA, OECD, OPEC in preparing a joint report on phasing out energy subsidies to be submitted at the next G20 Summit in Canada. The report plans to examine the challenges and options for providing targeted assistance to the poor, including what has worked in the past, drawing on the Bank and other institutions' experience. The long-term work program includes the development of a rigorous analytical framework and methodology for modeling energy subsidies that will allow drawing lessons on the implementation of removal of subsidies and developing effective ways to mitigate political economy obstacles. A detailed modeling exercise will be conducted on how revenues saved from removed subsidies may be used (a) to protect vulnerable customers, taking fully into account the challenges and options for providing targeted assistance to the poor, and (b) to move toward a more sustainable low carbon path, addressing climate change challenges.

- 12.2 1.2. Promote Improvements in Energy Efficiency.** The Bank continues to expand its non-lending (policy, institutional, and advisory) and lending portfolio in the areas of supply-side and demand-side energy, supported with a gradual increase in staffing and strengthening of the learning program through its energy efficiency thematic group and other broad-based SDN and Bank-wide learning initiatives. The Bank Group's FY09 commitments for energy efficiency and renewable energy were \$3.3 billion, including \$1.7 billion for energy efficiency alone, which exceeded the previous year's commitments by 42 percent. The process of screening new energy projects in the Bank for potential energy efficiency opportunities has been launched in 2010 and will contribute towards the scale up. The new Energy Efficient Cities Initiative launched in 2009 is helping cities reduce operating costs, free resources for improved services, enhance competitiveness and reduce the environmental footprint through the design and implementation of energy efficiency opportunities. Operational toolkits, such as the one for energy efficient lighting programs (replacement of inefficient incandescent lamps with efficient compact fluorescent lamps) have been prepared, which allows to synthesize the experiences and standardize the templates for replicating projects and programs, which have been successful in helping client countries address electric power shortages, offset the impact of energy price increases, and mitigate GHG emissions in the past several years. As a part of its analytical efforts associated with further scale up of the energy efficiency portfolio, particularly on the demand side, ESMAP completed work on public procurement of energy efficiency service which looks at a largely untapped public sector energy efficiency market and alternative structures as a means of overcoming implementation barriers in public facilities. The ongoing analytical work also includes enhancing understanding of energy efficiency institutional governance mechanisms, additional cost of addressing the barriers to energy efficiency implementation, country level energy efficiency assessments, integrating building energy efficiency into carbon finance, etc. The energy efficiency consultant database which was established to help facilitate Bank scale-up efforts in the area of energy efficiency is being updated regularly and is used extensively across various regions within the Bank and also by some external partners. Cross-sectoral collaboration, particularly with Urban and Transport sectors, and in partnership with GEF, Carbon Finance, Clean Investment Funds, WBI, ICT, and others has strengthened the operational synergies and has helped leverage several innovative projects, programs and activities in the area of energy efficiency.
- 12.3 A Systems Approach.** Various practices and regions of the Bank continue to collaborate using a system-wide approach in reviewing projects and programs aimed towards climate change mitigation. In the past year, cooperation has continued between sectors at both strategic (such as through the Sector Boards) and operational levels (such as through the Climate Change Management Group), as for example between the energy and environment units, for tapping into the synergies. Examples of such collaboration include: developing the investment plans under the clean technology fund (CTF), preparing low-carbon growth country studies, formulating the governance structures for the Scaling Up Renewable Energy for Low Income Countries Program, establishing the Carbon Capture and Storage Trust Fund, and preparing the Energy and Environment strategies. Staff from the two practices are also working together on the implementation, monitoring and results management related to the Strategic Framework for Development and Climate Change (SFDCC), particularly designing the system of low carbon tagging for energy projects, for developing GHG accounting methodologies, and in efforts to improve knowledge and capacity of clients and World Bank Group's staff to analyze GHG emissions and scale up climate change mitigation activities.
- 12.4 Invest in Improving Metrics.** The Bank's work with International Energy Agency on collecting energy efficiency related information in pilot countries and building capacity to undertake collection of energy efficiency-related data for developing indicators has revealed the limitation and problems of developing a practical, yet harmonized system of energy efficiency performance indicators in certain sectors in developing countries. At the same time, as the Bank does not have a comparative advantage in this area, nor resources to maintain a comprehensive database system, it continues to draw from the work and reports of other agencies involved in this area. In addition to IEA, the Bank is following the work of other agencies, notably the IAEA, APEC and World

Energy Council, and has distilled the information and experience from these sources in enhancing the understanding for preparing Bank's own programs, including the targets under the clean investment plans for the CTF, the analytical projections for potential improvements in energy efficiency associated with the country low carbon strategies, and the new renewable energy and energy efficiency indicators being proposed for future IDA reporting. In the area of energy efficiency indicators and associated metrics, the Bank through ESMAP, has launched in 2010 a study for reviewing different practices and inter-linkages for evaluating energy efficiency performance at national, sectoral, activity, end-use and policy levels, and for gaining more understanding of the underlying resource requirements and the roles of international partner agencies, including that of the Bank, in facilitating the expanded use and ownership of appropriate metrics in developing countries.

### **IEG Response 2010**

- 12.1** IEG acknowledges increased attention to energy subsidies, and progress despite the sensitivity and complexity of the issue. World Bank Group participation in the G20 study on energy subsidies is a potentially important step forward. IEG notes also attention to this issue in the preparation of the forthcoming energy strategy, an ESMAP study of subsidies in Egypt including options for their mitigation; and incorporation of subsidy reduction in the results framework for the new Morocco CPS, for instance.
- 12.2** IEG wishes to clarify that the recommendation in question was not to “promote improvements in energy efficiency.” Indeed, the World Bank Group reported dramatically scaled up commitments for energy efficiency in FY 2009, a positive development that deserves recognition. However, the recommendations in question were more specific. The Evaluation noted an apparent underemphasis on energy efficiency policies relative to investments in engineering and in financial intermediation. It suggested greater engagement in the efficiency policy arena, and specifically the coordinated introduction of efficiency devices and measures as a way of easing the adjustment to cost-reflective energy prices. The recent Vietnam Power Sector Reform DPO, which complements prior work in demand side management, is a promising example which could be replicated. The evaluation also urged moving away from dollar volume of commitments as a measure of attention to energy efficiency, since impacts might be poorly related to commitments. IEG acknowledges that work is underway, but does not believe that these efforts have yet been mainstreamed.
- 12.4** IEG recognizes recent and ongoing work related to measurement and metrics, including the subsidy work noted in 12.1, a study planned in connection with the new energy strategy, a study of energy efficiency in the Balkans, and a study of energy efficiency in the Chinese cement industry. The Balkan study emphasized the critical importance of building up national systems for measuring energy efficiency, and the Chinese study showed that benchmarks could be used to assess opportunities for cost-effective efficiency investments in the cement industry, a major consumer of energy and emitter of CO<sub>2</sub>. These examples point to both the need for metrics, and the feasibility of implementing them. While there is increasing attention to the issues since the last Management Action Record, widespread mainstreaming has not yet occurred. IEG again emphasizes the need to incorporate informative, real time monitoring and evaluation in energy efficiency projects.

**13. USING KNOWLEDGE TO IMPROVE DEVELOPMENT EFFECTIVENESS – AN EVALUATION OF WORLD BANK ECONOMIC AND SECTOR WORK AND TECHNICAL ASSISTANCE, 2000-2006**

**List of Recommendations**

- 13.1 Reinvalidate the mandate—which underpinned the fiscal 1999 ESW reforms—for country teams to maintain a strong knowledge base on countries and sectors where the Bank is providing or planning to provide funds.**
- Bank country strategies and lending activities need to continue to be supported by requisite analysis, although a return to strictly defined “core diagnostic” ESW is unnecessary.
- 13.2 Ensure ESW tasks in IDA countries are adequately resourced, even if it means fewer ESW in some countries.**
- This will help to address the lower level of resources for individual ESW tasks in IDA countries than those in International Bank for Reconstruction and Development countries and is supported by the finding that cost matters for quality and quality matters for effectiveness. Greater selectivity will also help to reduce the burden on limited government capacity in some IDA countries and will free resources for more collaboration and follow-up needed to enhance the effectiveness of ESW. Selectivity could be enhanced by giving priority to ESW that informs Bank lending and strategy or that is clearly desired and needed by the client.
- 13.3 Enhance the institutional arrangements for undertaking ESW and TA.**
- To the extent allowed by budget, ensure substantive task team presence in country offices, particularly in countries with low institutional capacity. This will facilitate closer collaboration with clients from task initiation through follow-up. In addition, formulate a dissemination and implementation strategy for ESW and TA at the concept paper stage. Such a strategy should identify the target audience, the mode of dissemination, and the follow-up arrangements after dissemination, all of which should be explicitly budgeted for as integral to the task.
- 13.4 Recognize and build on client preferences, whether for nonlending versus lending services or for TA versus ESW.**
- Institute a mechanism to obtain client feedback on a periodic basis on delivered ESW and TA products. Such feedback should include clients’ views on collaboration, follow-up, and usefulness of the tasks (including specifics of how the tasks were used). The client feedback should be requested at a set period (for instance, around 1 year) after the delivery of the task to the client to allow time for follow-up, and it should be the last milestone for ESW and TA. Obtaining client feedback would encourage a stronger results focus for ESW and TA and would help counterbalance current Bank incentives for lending over nonlending and for ESW over TA.
- 13.5 Take the results tracking framework seriously, including by incorporating systematic client feedback, as noted in the above recommendation.**

### Status of Implementation

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>13.1</b>	<p><b>Reinvigorate the mandate—which underpinned the fiscal 1999 ESW reforms—for country teams to maintain a strong knowledge base on countries and sectors where the Bank is providing or planning to provide funds.</b></p> <ul style="list-style-type: none"> <li>Bank country strategies and lending activities need to continue to be supported by requisite analysis, although a return to strictly defined “core diagnostic” ESW is unnecessary.</li> </ul>	<b>Substantial</b>	<b>Medium</b>
<b>13.2</b>	<p><b>Ensure ESW tasks in IDA countries are adequately resourced, even if it means fewer ESW in some countries.</b></p> <ul style="list-style-type: none"> <li>This will help to address the lower level of resources for individual ESW tasks in IDA countries than those in International Bank for Reconstruction and Development countries and is supported by the finding that cost matters for quality and quality matters for effectiveness. Greater selectivity will also help to reduce the burden on limited government capacity in some IDA countries and will free resources for more collaboration and follow-up needed to enhance the effectiveness of ESW. Selectivity could be enhanced by giving priority to ESW that informs Bank lending and strategy or that is clearly desired and needed by the client.</li> </ul>	<b>Medium</b>	<b>Medium</b>
<b>13.3</b>	<p><b>Enhance the institutional arrangements for undertaking ESW and TA.</b></p> <ul style="list-style-type: none"> <li>To the extent allowed by budget, ensure substantive task team presence in country offices, particularly in countries with low institutional capacity. This will facilitate closer collaboration with clients from task initiation through follow-up. In addition, formulate a dissemination and implementation strategy for ESW and TA at the concept paper stage. Such a strategy should identify the target audience, the mode of dissemination, and the follow-up arrangements after dissemination, all of which should be explicitly budgeted for as integral to the task.</li> </ul>	<b>Medium</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<p><b>13.4 Recognize and build on client preferences, whether for nonlending versus lending services or for TA versus ESW.</b></p> <ul style="list-style-type: none"> <li>Institute a mechanism to obtain client feedback on a periodic basis on delivered ESW and TA products. Such feedback should include clients' views on collaboration, follow-up, and usefulness of the tasks (including specifics of how the tasks were used). The client feedback should be requested at a set period (for instance, around 1 year) after the delivery of the task to the client to allow time for follow-up, and it should be the last milestone for ESW and TA. Obtaining client feedback would encourage a stronger results focus for ESW and TA and would help counterbalance current Bank incentives for lending over nonlending and for ESW over TA.</li> </ul>	<b>Negligible</b>	<b>Negligible</b>
<p><b>13.5 Take the results tracking framework seriously, including by incorporating systematic client feedback, as noted in the above recommendation.</b></p>	<b>Substantial</b>	<b>Medium</b>

### Management Response 2010

As indicated in the 2009 Management Response, OPCS is undertaking a major Review of ESW and TA which addresses the actions recommended by the IEG Evaluation. Over the past year, this work has increased in both momentum and importance, as strengthening ESW/TA forms a core element of the Bank's new Knowledge Strategy. The Knowledge Strategy is one of the Bank's major internal reforms (to be discussed with CODE/Board in Q3 of FY10) and as such also provides a "strategic umbrella" for the ESW/TA review. The renewed emphasis on the Knowledge Bank has given a much higher profile for and urgency to actions to address such IEG ESW/TA recommendations as "reinvigorate the mandate for strong knowledge base for countries" and "take results tracking more seriously." In fact, improving the impact of ESW/TA was the major focus of the Knowledge Strategy Working Group on Knowledge Products, for which OPCDR took the lead.

As well as feeding into the broad strategic directions for the Knowledge Strategy, the ESW/TA Review is also progressing on fleshing out the details of what this would mean in terms of revised procedures for implementation. A Bank-wide Workshop was held on the Review in November 2009, which successfully validated key directions. In addition, the Bank-wide IT Governing Group approved a request from the capital budget to enable ISG to revise the systems necessary to support the implementation of the final decisions. Finally, other elements of the Bank's Internal Reform agenda are also addressing IEG concerns (see details below). The recommendations of the ESW/TA Review will be presented to CODE in Q3 of FY10, hence consistent with the 2009 Management Action Record commitment to complete the review in FY10.

**13.1 Reinvigorate the mandate for country teams to maintain strong knowledge base on countries where the Bank is providing or planning to provide funds.** As mentioned above,

this is a key element of the new Knowledge Strategy.

- 13.2 Ensure ESW tasks in IDA are adequately resourced, even if it means fewer ESW in some countries.** As noted in last year's Management Action Record, the Regions have been applying greater selectivity along the lines of IEG recommendations. There is continued consolidation of ESW tasks, with numbers of tasks declining without a drop in overall expenditure levels. OPCS is also refining an existing portfolio results monitoring and management tool that supports country teams to also incorporate AAA products. This will strengthen efforts to enhance strategic selectivity for AAA.
- 13.3 Enhance institutional arrangements for undertaking ESW and TA.** In addition to progress mentioned in the IDA15 Midterm Review Implementation Report on staffing in low capacity countries, the question of task team presence in country offices is being addressed through the work on the Global Bank (one of the major internal reforms).
- In terms of "dissemination," this work is continuing under the AAA Review, with a particular emphasis on how best to bolster impact through upfront consideration of, and budgeting for, communications strategies with specific target audiences in mind.
- 13.4 Recognize and build on client preferences whether for nonlending versus lending or for TA versus ESW.** Client preferences are increasingly being taken into account regarding the nature of AAA as well as choice between TA and ESW. Of TA delivered in FY09 in IDA countries, close to two-thirds was initiated at the recipient's request, with about half for ESW, both of which show an increase over prior years. In addition, the ESW/TA review is also looking at ways to assist teams in responding to client demands more flexibly and quickly (notably in order to respond with "just-in-time" ESW/TA products, which have also been on the increase).
- 13.5 Take the results tracking framework seriously, including by incorporating systematic client feedback.** The focus on getting the most impact from the resources spent on key knowledge products such as ESW/TA is a key message of the Knowledge Strategy and a core element of the ongoing AAA Review. As such, management believes that there has been substantial progress in "taking results tracking" for ESW/TA more seriously. The review also noted that there is a system in place which will be modified and improved. The tracking system will build on the existing results-tracking framework for ESW and TA and strengthen the specification of task-specific objectives against which impact/results can be tracked. As reflected in 2009 Management Action Record, the AAA Review is also considering how to best obtain client feedback. Not only can this feedback be valuable after completion of the activity, but so is increased involvement of clients during the planning/initiation and execution phases of AAA activities.

#### **IEG Response 2010**

IEG appreciates management's serious attention to the knowledge agenda in the form of the ESW/TA Review which management will present to CODE in Q3 of FY10, and which is feeding into the Bank's Knowledge Strategy. Since the ESW/TA Review is still in progress in terms of fleshing out details in terms of revised procedures for implementation, IEG rates the level of adoption of all but one of the recommendations (specifically recommendations 13.1, 13.2, 13.3, and 13.5) as medium.

IEG rates the adoption of recommendation 13.4 negligible, as the intent of the recommendation is to institute a mechanism to seek client feedback on ESW/TA delivered, not that ESW/TA products need to be demand-driven (the Management Response to this recommendation). Indeed, one of the evaluation findings is that the impact of ESW/TA products did not differ according to their origination (that is, whether they were client demanded or not). Management has not provided indication on how they are going forward with this recommendation, except that they are considering how best to obtain client feedback.

## 14. THE WORLD BANK'S COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT (CPIA)

### List of Recommendations

<b>14.1</b>	<b>Disclose ratings for IBRD countries.</b>
<b>14.2</b>	<b>Remove accounting for the stage of development in the CPIA rating exercise.</b>
<b>14.3</b>	<b>Undertake in-depth review of each CPIA criterion and revise as necessary.</b> This should entail a detailed review of the literature for each criterion and should reflect the latest thinking on development and lessons learned. It should also take into account the recommendations of IEG on specific changes to the criteria that were derived from the evaluation.
<b>14.4</b>	<b>Consider not producing an overall CPIA index while continuing to produce and publish the separate CPIA components.</b>

### Status of Implementation

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>14.1</b>	<b>Disclose ratings for IBRD countries.</b>	<b>Not Agreed</b>	
<b>14.2</b>	<b>Remove accounting for the stage of development in the CPIA rating exercise.</b>	<b>Not Agreed</b>	
<b>14.3</b>	<b>Undertake in-depth review of each CPIA criterion and revise as necessary.</b> This should entail a detailed review of the literature for each criterion and should reflect the latest thinking on development and lessons learned. It should also take into account the recommendations of IEG on specific changes to the criteria that were derived from the evaluation.	<b>Substantial</b>	<b>Medium</b>
<b>14.4</b>	<b>Consider not producing an overall CPIA index while continuing to produce and publish the separate CPIA components.</b>	<b>Substantial</b>	<b>Medium</b>

### Management Response 2010

14.1	Management disagreed with the disclosure of the IBRD scores. Management agreed in the context of a review of the CPIA that is being initiated to further explore the value added and the costs of preparing the CPIA scores for the IBRD countries. The conclusions of this work will inform management's decision on next steps. The review will be completed by the time IDA16 is launched (July 2011).
14.2	Management disagreed with the removal of the stage of development accounting. Management agreed to clarify in the CPIA guidelines in which criteria and how the stage of development should be accounted for. This will be done in the context of the aforementioned CPIA review.
14.3	Management agreed to undertake a review of the CPIA (see above).
14.4	Management agreed to take this IEG recommendation into consideration in the context of the

aforementioned CPIA review

The last two ratings above are based on management's commitment to undertake the review and the fact that the review remains on schedule for delivery and decision by the time of the launch of IDA16. The review process has been initiated. Discussions have taken place with the Networks and Regions to plan the work and to elicit their views on specific areas that deserve special attention. Work has started and will gather intensity once the ongoing CPIA exercise is completed. Because the CPIA is used by both the AfDB and the AsDB in their country assessments we also intend to consult the two institutions on their views of regarding the CPIA review. This will take place during the Sixth Annual MDB-MFI PBA Technical Workshop to be organized by the AsDB in June.

### **IEG Response 2010**

In light of the work initiated by management to review the CPIA with regards to recommendations 14.3 and 14.4, IEG rates the management response to those two recommendations as medium.

## **15. HOW EFFECTIVE HAVE POVERTY AND SOCIAL IMPACT ANALYSES BEEN? AN IEG STUDY OF WORLD BANK SUPPORT TO PSIAS**

### **List of Recommendations**

- 15.1 Ensure that staff understand what the PSIA approach is and when to use it by providing clear guidance (perhaps through updating of the 2008 PSIA Good Practice Note) and actively disseminating this guidance, particularly on—**
- Whether and how the PSIA approach differs from other distributional analyses, including whether the inclusion of the word “social” in Poverty and Social Impact Analysis suggests the need to include a different type of analysis
  - Whether or not PSIAS should be linked to specific reforms and identify beneficiaries and those adversely affected by the reform
  - What criteria should be used to determine when the PSIA approach is appropriate for a particular operation in a country program.
- 15.2 Clarify the operational objectives of each PSIA with regard to its intended effect and tailor the approach to those objectives, ensuring that the concept note**
- Contains a clear statement of the operational objectives of the PSIA with respect to the intended effect (not just the topics/issues to be analyzed)
  - Indicates how its approach, in particular stakeholder engagement, team composition, partner institutions, budget, and time frame, have been tailored to meet the operational objectives, and provided the rationale for the choices made
  - Shows how any tensions and trade-offs among the operational objectives will be reconciled
  - Discusses if the intended dissemination audience and strategy are consistent with the stated operational objectives.
- 15.3 Improve integration of the PSIA into the Bank's country assistance program by—**
- Shifting decision-making and funding authority to the Regions to ensure that the PSIA topics, scope, and approach are consistent with the country assistance program and that PSIAS ask policy-relevant questions
  - Requiring that *all* earmarked funding for PSIAS be matched by a substantial contribution

from the country unit budget.

- 15.4 Strengthen PSIA effectiveness through enhanced quality assurance, including—**
- Subjecting PSIAs to systematic review by Regional management at the concept and completion stages to ensure relevance and fit of the PSIA to the country assistance program and consistency of the proposed approach with operational objectives, in addition to ensuring technical quality
  - Ensuring that the Bank establishes a monitoring and self-evaluation system designed to assess if PSIAs are being undertaken where appropriate and are achieving their stated operational objectives.

**Status of Implementation**

Recommendations		Level of Adoption	
		Mgmt	IEG
<b>15.1</b>	<p><b>Ensure that staff understand what the PSIA approach is and when to use it by providing clear guidance (perhaps through updating of the 2008 PSIA Good Practice Note) and actively disseminating this guidance, particularly on—</b></p> <ul style="list-style-type: none"> <li>• Whether and how the PSIA approach differs from other distributional analyses, including whether the inclusion of the word “social” in Poverty and Social Impact Analysis suggests the need to include a different type of analysis</li> <li>• Whether or not PSIAs should be linked to specific reforms and identify beneficiaries and those adversely affected by the reform</li> <li>• What criteria should be used to determine when the PSIA approach is appropriate for a particular operation in a country program.</li> </ul>	<b>High</b>	<b>Medium</b>
<b>15.2</b>	<p><b>Clarify the operational objectives of each PSIA with regard to its intended effect and tailor the approach to those objectives, ensuring that the concept note</b></p> <ul style="list-style-type: none"> <li>• Contains a clear statement of the operational objectives of the PSIA with respect to the intended effect (not just the topics/issues to be analyzed)</li> <li>• Indicates how its approach, in particular stakeholder engagement, team composition, partner institutions, budget, and time frame, have been tailored to meet the operational objectives, and provided the rationale for the choices made</li> <li>• Shows how any tensions and trade-offs among the operational objectives will be reconciled</li> <li>• Discusses if the intended dissemination audience and strategy are consistent with the stated operational objectives.</li> </ul>	<b>High</b>	<b>Medium</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<p><b>15.3 Improve integration of the PSIA into the Bank’s country assistance program by—</b></p> <ul style="list-style-type: none"> <li>Shifting decision-making and funding authority to the Regions to ensure that the PSIA topics, scope, and approach are consistent with the country assistance program and that PSIAs ask policy-relevant questions</li> <li>Requiring that <i>all</i> earmarked funding for PSIAs be matched by a substantial contribution from the country unit budget.</li> </ul>	<b>High</b>	<b>Substantial</b>
<p><b>15.4 Strengthen PSIA effectiveness through enhanced quality assurance, including:</b></p> <ul style="list-style-type: none"> <li>Subjecting PSIAs to systematic review by regional management at concept and completion stages to ensure relevance and fit of the PSIA to the country assistance program, and consistency of the proposed approach with operational objectives, in addition to ensuring technical quality; and</li> <li>Ensuring that the Bank establishes a monitoring and self-evaluation system designed to assess if PSIAs are being undertaken where appropriate and are achieving their stated operational objectives.</li> </ul>	<b>Substantial</b>	<b>Medium</b>

#### Management Response 2010

<p><b>15.1</b> PREM and SDV have incorporated the revised Good Practice Note into their PSIA related learning programs (Fundamentals of Bank Operations, PSIA e-learning, PSIA Course) and OPCS’s DPL Academy already has a specific and dedicated session on PSIA. In addition, the PSIA Web site hosted by PREM has been improved to enhance the outreach use of these materials and more frequent and accessible learning activities have been offered to staff. Management rates the adoption of this recommendation as <i>High</i>.</p>
<p><b>15.2</b> Management agreed with this recommendation and considers that it has been completed. In addition to the actions listed above, the Bank has set up a new Multi-Donor Trust Fund (MDTF) to support PSIA work in FY10. The MDTF assigns responsibility to the Regions, in terms of allocating funds, monitoring and quality review of the analytical work funded by the Trust Fund. Most importantly, the new PSIA MDTF requires that the Regions detail in their concept notes how they will ensure that poverty, social and distributional impact analysis (supported by the TF) is treated as an ESW, TA, or a FTD. Management rates the adoption of this recommendation as <i>High</i>.</p>
<p><b>15.3</b> Management agreed with this recommendation and considers that it has been completed. The revised Good Practice Note explicitly urges poverty, social and distributional impact analysis to be anchored in the CAS. Under the revised policy for poverty reduction (OP1.00) the CAS is expected to summarize existing knowledge on poverty, identify analytical gaps and present the work program by the Bank and others to fill these gaps. In addition, the new PSIA MDTF has decentralized the management of resources for poverty, social and distributional impact analysis carried out as ESW, TA and FTD to the Regions, which are required to provide matching resources from the country unit budget. Management rates the adoption of this recommendation as <i>High</i>.</p>

**15.4** Management had agreed to implement this recommendation through the following actions: (a) the completion of the FY10 AAA review broadly covering ESW/TA products and the implementation of changes coming out of that process, (b) the issuance of its DPL Retrospective early in FY10; and (c) the implementation of the PSIA MDTF reporting system. Actions (b) and (c) have been completed, while action (a) is expected to be completed in FY10. As indicated in the 2009 Management Response, OPCS is undertaking a review of ESW and TA, linked to the Knowledge Strategy, to strengthen monitoring and impact of ESW/TA, in line with the earlier recommendations of the IEG Evaluation of ESW and TA. The recommendations of the ESW/TA Review will be presented to CODE in Q4 of FY10, hence consistent with 2009 Management Action Record commitment to complete the Review in FY10. Management rates, therefore, the implementation of this recommendation as *Substantial*.

### **IEG Response 2010**

The Bank has taken several important steps to improve PSIA effectiveness, in particular, making PSIA guidance more user-friendly, giving more prominence to PSIA in operational training, placing responsibility for managing the MDTF with the Regions, and undertaking a review of AAA to be completed this fiscal year. Follow-up is needed to demonstrate evidence of enhanced staff understanding of what the PSIA approach is and when to use that approach versus other forms of distributional analysis; that PSIA are clear about their intended effect and the approach is tailored to achieve those effects; that PSIA are integrated with the Bank's country assistance programs and ask policy relevant questions including by ensuring that all earmarked funding for PSIA is matched by a substantial contribution from the country unit budget; that review by Regional management focuses on the intended effects of the PSIA in addition to its technical quality; and that there is a well functioning monitoring and self evaluation system to assess if PSIA are being undertaken where appropriate and are achieving their intended effects.

## **16. IMPROVING EFFECTIVENESS AND OUTCOMES FOR THE POOR IN HEALTH, NUTRITION, AND POPULATION - AN EVALUATION OF WORLD BANK GROUP SUPPORT SINCE 1997**

### **List of Recommendations**

#### **16.1 Intensify efforts to improve the performance of the World Bank's health, nutrition, and population support.**

- a. Match project design to country context and capacity and reduce the complexity of projects in low-capacity settings through greater selectivity, prioritization, and sequencing of activities, particularly in Sub-Saharan Africa.
- b. Thoroughly and carefully assess the risks of proposed HNP support and strategies to mitigate them, particularly the political risks and the interests of different stakeholders, and how they will be addressed.
- c. Phase reforms to maximize the probability of success.
- d. Undertake thorough institutional analysis, including an assessment of alternatives, as an input into more realistic project design.
- e. Support intensified supervision in the field by the Bank and the borrower to ensure that civil works, equipment, and other outputs have been delivered as specified, are functioning, and are being maintained.

#### **16.2 Renew the commitment to health, nutrition, and population outcomes among the poor.**

- a. Boost population and family planning support in the form of analytic work, policy dialogue, and financing to high-fertility countries and countries with pockets of high fertility.
- b. Incorporate the poverty dimension into project objectives to increase accountability for health,

	<p>nutrition, and population outcomes among the poor.</p> <p>c. Increase support to reduce malnutrition among the poor, whether originating in the HNP sector or other sectors.</p> <p>d. Monitor health, nutrition, and population outcomes among the poor, however defined.</p> <p>e. Bring the health and nutrition of the poor and the links between high fertility, poor health, and poverty back into poverty assessments in countries where this has been neglected.</p>
<b>16.3</b>	<p><b>Strengthen the World Bank Group’s ability to help countries to improve the efficiency of their health systems.</b></p> <p>a. Better define the efficiency objectives of its support and how efficiency improvements will be improved and monitored.</p> <p>b. Carefully assess decisions to finance additional earmarked communicable disease activities in countries where other donors are contributing large amounts of earmarked disease funding and additional funds could result in distortion in allocations and inefficiencies in the rest of the health system.</p> <p>c. Support improved health information systems and more frequent and vigorous evaluation of specific reforms or program innovations to provide timely information for improving efficiency and efficacy.</p>
<b>16.4</b>	<p><b>Enhance the contribution of support from other sectors to health, nutrition, and population outcomes.</b></p> <p>a. When the benefits are potentially great in relation to the marginal costs, incorporate health objectives into non-health projects, for which they are accountable.</p> <p>b. Improve the complementarity of investment operations in health and other sectors to achieve health, nutrition, and population outcomes, particularly between health and water supply and sanitation.</p> <p>c. Prioritize sectoral participation in multisectoral HNP projects according to the comparative advantages and institutional mandates, to reduce complexity.</p> <p>d. Identify new incentives for Bank staff to work cross-sectorally for improving HNP outcomes.</p> <p>e. Develop mechanisms to ensure that the implementation and results for small health components retrofitted into projects are properly documented and evaluated.</p>
<b>16.5</b>	<p><b>Implement the results agenda and improve governance by boosting investment in and incentives for evaluation.</b></p> <p>a. Create new incentives for monitoring and evaluation for both the Bank and the borrower linked to the project approval process and the midterm review. This would include requirements for baseline data, explicit evaluation designs for pilot activities in project appraisal documents, and periodic evaluation of main project activities as a management tool.</p>

**Status of Implementation**

Recommendations	Level of Adoption	
	Mgmt	IEG
<b>1. Intensify efforts to improve the performance of the World Bank’s health, nutrition, and population support.</b>	<b>Substantial</b>	<b>Substantial</b>
<b>2. Renew the commitment to health, nutrition, and population outcomes among the poor.</b>	<b>Substantial</b>	<b>Medium</b>
<b>3. Strengthen the World Bank Group’s ability to help countries to improve the efficiency of their health systems.</b>	<b>Substantial</b>	<b>Substantial</b>
<b>4. Enhance the contribution of support from other sectors to</b>	<b>Medium</b>	<b>Negligible</b>

Recommendations	Level of Adoption	
	Mgmt	IEG
<b>health, nutrition, and population outcomes.</b>		
<b>5. Implement the results agenda and improve governance by boosting investment in and incentives for evaluation.</b>	<b>Substantial</b>	<b>Substantial</b>

### **Management Response 2010**

**Please note:** The actions and progress documented here correspond to commitments made in the Management Action Plan prepared in the context of the IEG Report.

#### **1. Intensify efforts to improve the performance of the World Bank's health, nutrition, and population support.**

HNP continues to focus on improving portfolio quality, including emphasizing improved prioritization based on country needs and capacity. Improvement of the portfolio is an ongoing effort at all levels within.

- All Regions continue to review their existing portfolio and the HNP Sector Board (SB) reviews, on a quarterly basis, the Portfolio Improvement Action Plan (PIAP). These reviews evaluate the reasons for an operation being at risk, actions being taken, major remaining constraints to improving performance and a realistic estimate of when the project is likely to emerge from at-risk status.
- The HNP SB Quality Sub-committee regularly reviews portfolio performance. Recent Regional reviews have shown that more guidance on ISR ratings would be helpful to regional sector management in ensuring consistency across projects and regions. The Sub-committee is planning on having such a guidance note/checklist prepared to assist sector managers and cluster leaders in their assessment of ISRs.

Risks related to proposed HNP support are assessed and strategies to mitigate them are developed on case by case basis, and we are working towards adopting approaches in line with the use of the new comprehensive Operational Risk Assessment Framework, including any training programs.

Phased project reform is an integral part of portfolio improvement. HDNHE has taken an active role in assessing project quality and supporting health systems strengthening and reform of existing projects on an as-needed basis.

- QERs are organized by the Anchor and Region based on the request of the task team leader/Sector Management. In this context, the Anchor organized 7 QERs for projects in the preparation stage in FY09 and 7 so far in FY10.
- In Africa, an extensive program of portfolio actions continued in FY09 with 7 supervision QERs completed, 2 projects upgraded, 2 projects closed, 1 restructured and 1 special mission. In FY10, the Africa Region identified projects that are performing below par, and recently downgraded 5 projects to reflect their actual performance.
- The Africa Health Unit is conducting a desk review of M&E quality (design, implementation and use) of the full AFTH portfolio.
- As a result of these actions, HNP portfolio quality and proactivity indicators are now better than Bank averages. At the end of January 2010, HNP projects at risk were at 24.4 percent, better than the Bank average of 24.6 percent. Proactivity (a measure of remedial action on projects in problem status) for the HNP portfolio reached 76.2 percent, above the Bank average of 71 percent. All new IBRD/IDA projects go through a QER, where issues of technical preparation, realism of design, M&E, and institutional and risk assessments and mitigation measures are reviewed.

Significant progress has been made in increasing the analytical work up front for projects focusing on HNP reform.. Of 14 new operations, 10 projects include grounding in analytical work to support the HSS focus or components, as well as the risk assessment analysis as per action plan recommendation; 1 has a project appraisal document (PAD) under development; and 3 are additional financing projects. For reference see: P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 14-16); P113341 – Indonesia Health Professional Education Quality Project (for example, PAD p. 11); P095275 – Vietnam Central North Region Health Support Project (for example, PAD pp. 1-4); P080228 – Egypt Health Insurance Systems Development Project (for example, PAD p.13); P113102 – Yemen Schistosomiasis Project (for example, PAD p.18, 20); P113896 – Argentina San Juan SWAP (for example, PAD p. 21); P106619 – Dominican Republic Health Sector Reform Second Phase APL (for example, PAD p. 17); P116226 – Mexico Support to the Social Protection System in Health (for example, PAD p. 21-22); P116965 – Mexico Influenza Prevention and Control (for example, EPP, p. 4-5); P112906 – Nicaragua Health System Strengthening and Response to Epidemiological Emergencies Project (for example, EPP p. 17). Institutional analysis has also been strengthened. Of the 10 applicable projects mentioned above, 8 projects include the above inputs in project design: P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 16-22); P113341 – Indonesia Health Professional Education Quality Project (for example, PAD p. 1-3); P095275 – Vietnam Central North Region Health Support Project; P080228 – Egypt Health Insurance Systems Development Project (for example, PAD pp. 2-5); P113102 – Yemen Schistosomiasis Project (for example, PAD p. 6); P116226 – Mexico Support to the Social Protection System in Health (for example, PAD p. 22); P116965 – Mexico Influenza Prevention and Control (for example, EPP, p. 1-8); P112906 – Nicaragua Health System Strengthening and Response to Epidemiological Emergencies Project (for example, EPP p. 6-9), while the remaining 2 have leveraged such inputs to some extent. In addition, a new course – Flagship Course on Health Sector Reform and Sustainable Financing – started in FY10, with stakeholder analysis (in the context of the politics of health systems reform) as a core component and institutional analysis included in the sections on organization. In regions, institutional analysis is a part of the preparation work. For example, in the Africa region, most of the Country Status Reports include some type of institutional analysis, and our recent review of health system analyses conducted also indicates similar approaches being adopted in other regions as part of HSAs.

The Bank continues to be a leader in bringing together resources and efforts to implement coherent, country-led health sector programs. In order to respond to country needs and priorities, the Bank is now providing additional support for analytical and policy work, as well as implementation, notably for low-income countries even when IDA may not be lending for health in a given country.

- Under the Health Systems for Outcomes (HSO) Program, two new health systems strengthening hubs are fully operational (in Dakar and Nairobi); the Bank is better positioned to provide non-lending assistance to countries. Much work has been completed including on results-based financing, pharmaceuticals, health care financing including community insurance, and support to the development of International Health Partnerships and Related Initiatives (IHP+) compacts with a focus on IHP+ countries. Six technical staff were hired and are fully operational in both Dakar and Nairobi.
- HSO missions took place in twelve countries and the dialogue on Health Systems Strengthening (HSS) initiated. Health system analyses of countries to produce Country Status Reports (CSRs) were completed in two countries and initiated in five others. An IHP+ Compact was developed in two countries and signed in one (Mali). Results-Oriented Medium-Term Expenditure Frameworks were developed in three countries. Results Based Financing (RBF) pilots were initiated in six countries and RBF is planned to be implemented at national scale in two countries. Five Communities of Practice (CoP) have been established and are operational, having developed a structured environment where requests for technical assistance and documents and tools can be made and responded to, and where expert knowledge related the specific CoP topics can be shared with relevant counterparts.

Bottlenecks to implementation have been identified and are proactively being addressed in order

to improve efficiency and maximize positive outputs. HDNHE is supporting ongoing analytical work in priority areas and has established a diverse network of experts to provide technical and analytical support as needed.

- A consultant has reviewed and analyzed procurement documents under Bank-financed HNP sector projects across all Bank Regions, from 2004-2008 that have been subject to the prior review, to create a master list of the most frequently purchased HNP sector project health inputs (notably health facility medical equipment and supplies, other medical and health supplies, drugs and pharmaceuticals, and vehicles). Based on that work, the Bank has developed standards and technical specifications to promote the broadest possible competition, while assuring the critical performance and other key requirements for the goods and works under procurement.
- The groundwork is therefore in place, and the ability to demonstrate further progress is linked to the rate at which applicable operations are prepared and approved. Out of 7 projects where this recommendation might be applicable, 5 projects include some relevant provisions in design/risk mitigation and/or supervision to a varying degree depending on the nature of the operation, such as for example: P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 21, 60, 70); P113341 – Indonesia Health Professional Education Quality Project (for example, PAD p. 15); P095275 – Vietnam Central North Region Health Support Project (for example, PAD p. 17, 11-13, 48, 53, 70, 81-86); P116965 – Mexico Influenza Prevention and Control (for example, EPP, p. 20-21, 54-57); P112906 – Nicaragua Health System Strengthening and Response to Epidemiological Emergencies Project (for example, EPP p. 18, 34-38).
- The Bank established a Health Systems Global Expert Team (HSGET), comprised of 16 World Bank technical experts and active in providing technical and analytical support on a demand-driven basis to Regional task teams and client countries.

Improvements in HNP have been achieved in the context of a growing portfolio.

- As of December 2009 (FY10), HNP sectoral commitments projected for FY10 totaled \$4.49 billion, up from projections of \$3.84 billion in early September 2009. A total of \$4.98 billion in new HNP thematic commitments is projected for FY10, significantly larger than last year's record \$3.1 billion.

## **2. Renew the commitment to health, nutrition, and population outcomes among the poor.**

The Bank continues to be a leader in reproductive health, championing efforts to renew the focus on the health of women and children both internally and externally.

- HNP developed the World Bank Reproductive Health Action Plan; it is going to the Bank's Board of Directors in FY10 Q4
- The Sub-Saharan Africa Strategic Plan on Population and Reproductive Health (Pop/RH) will be finalized in FY10.
- The Africa Region completed three ESW reports on Population (Niger, Ethiopia, and Mali) and one ESW report on maternal health (covering Eritrea, Malawi, and Niger).
- Staff have prepared background chapters on Pop/RH as inputs to a number of CASs and CEMs.
- Staff are working with clients to prepare free-standing Pop/RH projects in Niger and Burkina Faso.
- Family planning supply-driven approaches have been effective in Madagascar, Ethiopia, and Rwanda, to name a few.
- Four reports on Pop/RH have been completed: 1) Determinants of high fertility; 2) Implications of high fertility; 3) Portfolio review of Bank assistance to population and reproductive health 1994-2008; and 4) Five country example case studies (Algeria, Botswana, Iran, Nicaragua, and Pakistan).
- The H4 (World Bank, UNICEF, UNFPA, and WHO) are currently developing an operational plan for strengthening maternal health outcomes in 60 countries, with an immediate focus on 25 high burden countries. Mapping in 25 countries on constraints to scaling-up maternal

health services has been completed, and work started in several other countries (Ethiopia, Bangladesh, DRC, and Nigeria).

- There has been a robust and growing activity on this action plan item, expected to be further increased following the adoption of the World Bank Reproductive Health (RH) Action Plan (Board Discussion planned for May 2010). Relevant examples of ongoing or planned operations in this area, including those in high fertility countries that incorporate population and family planning (FP), include the planned Uganda HSS project with an RH/FP project component and a recently approved Nepal HNP and HIV/AIDS support project (both high fertility, high maternal mortality countries); Swaziland RH assessment and the launched MNH project; as well as a number of FY10-FY11 pipeline operations with RH/FP components such as in Sierra Leone, DR Congo, Rwanda, Afghanistan, India's Tamil Nadu state, Burkina Faso, Kenya Health Swap with RH outcome indicators, Nigeria State program Investment Credit with RH outcome indicator, India UP HSS with RH (FP and maternal health) component, and a planned nutritional multi-sectoral project which includes RH. Additional examples of recent or ongoing work include country-based work for Phase II of the AAA focused on fertility which includes assessment and planning for maternal health services in Swaziland and in Papua New Guinea (both high fertility, high maternal mortality countries); population/RH study focusing on the 8 UEMOA West African countries, as well as Nigeria and Ghana, with support from French Development Agency; and an AAA on high fertility in Mali (the report has been translated in French and widely disseminated within the government and a high level Government Seminar on the population issue is being organized in Mali). In addition, PREM is launching three studies on high fertility and its economic impact in Uganda, Kenya, and Tanzania; and CSRs with a dedicated chapter on high fertility were completed for Madagascar and Benin (included dissemination meeting held in Benin).

HDNHE ramped up its support to nutrition, leveraging partner resources and supporting field support for multisectoral nutrition projects to improve health outcomes and reduce malnutrition, particularly amongst the poorest and most vulnerable.

- Six additional Bank staff have been hired for nutrition work—one in HQ and five in the Regions.
- A new multi-donor trust fund established by Japan to scale up nutrition solutions has been secured and is operational; a proposal for the next phase of the work is currently being discussed.
- Strong commitment from many partners including BMGF, DFID-UK; EC, FA, HKI, IRD-France, MSF, MI-Canada, REACH; Save the Children-UK; SECI-Spain, AECID, UNICEF, WFP, USAID and WHO resulted in a draft Nutrition Global Action Plan and policy brief. The Global Action Plan is on track for delivery in FY10.
- A number of new Analytic and Advisory Activities (AAAs) are ongoing and on track for completion by FY11. Nutrition AAA in Afghanistan has been completed.

Poverty targeting and monitoring has been strengthened. Of the 10 applicable projects mentioned above, 8 projects incorporate poverty targeting and/or monitoring into their objectives and/or design: Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 5, 97-99); P113341 – Indonesia Health Professional Education Quality Project (for example, PAD p. 63, 69); P095275 – Vietnam Central North Region Health Support Project; P080228 – Egypt Health Insurance Systems Development Project (for example, PAD, p. 22); P113896 – Argentina San Juan SWAP (for example, PAD p. 87); P106619 – Dominican Republic Health Sector Reform Second Phase APL (for example, PAD p. 17, 19, 21); P116226 – Mexico Support to the Social Protection System in Health (for example, PAD p. 17, 47); and to an extent P116965 – Mexico Influenza Prevention and Control (for example, EPP, p. 17, 29, 66). The “Poverty and Health Monitoring Report 2010”, tracking health outcomes and coverage of interventions by publishing an annual review of health indicators among the poor will be issued in FY10 as planned in the Action Plan: Further, an increasing number of operations are monitoring HNP outcomes among the poor; for reference see, for example, P095275 – Vietnam Central North Region Health Support Project; P113896 – Argentina San Juan SWAP (for example, PAD p. 39, 45); P106619 –

Dominican Republic Health Sector Reform Second Phase APL (for example, PAD p. 39, 42); P116226 – Mexico Support to the Social Protection System in Health (for example, PAD p. 17. As agreed, the work on the action plan item aiming to increase the inclusion of HNP in poverty assessments starting with FY10 (as per the action plan, the targets are not expected to be achieved in FY10) has started. Examples include: Health Equity Monitoring reports are under preparation; seminar series Making Health Systems Work for the Poor disseminate evidence from health reforms and interventions that have had a measurable impact on the poor; a relevant chapter on equity will be included in Zambia CSR; two equity analyses have been undertaken in Zambia and Ethiopia under the auspices of IHP+, with two more planned in Mali and Nepal.

HDNHE continues to explicitly emphasize the need for increased focus on poverty and equity within the health sector by supporting country studies and leveraging existing and additional resources for continued analysis of country health strategies.

- The Bank will be producing standardized country Health Equity Monitoring Reports using the Adept Health data tool ([www.worldbank.org/adept](http://www.worldbank.org/adept)); data preparation underway.
- The ongoing seminar series *Making Health Systems Work for the Poor* highlights evidence from health reforms/interventions that have had a measurable impact on the poor.
- The revamped Poverty and Health Web site was publicly launched in mid-February 2010.
- Two equity analyses have been undertaken in Zambia and Ethiopia under the auspices of the IHP+; forthcoming analyses expected in Mali, and Nepal; and a chapter on equity is to be included in the Zambia CSR.

### **3. Strengthen the World Bank Group's ability to help countries to improve the efficiency of their health systems.**

HNP is a global leader in ensuring that partners, including the Bank, uphold commitments to deliver improved results in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

- Under the auspices of the IHP+, global partners are taking forward the Joint Assessment of National Strategies (JANS)—a single assessment process involving multiple stakeholders (government, civil society, development partners/donors), which is country-led and aligned with existing in-country processes. Scoping missions have been carried out in Nepal, Ethiopia, and Rwanda; further missions will be carried out based on Ministry of Health requests. JANS work will get underway in FY10 Q3.
- At the request of the high-level Taskforce on Innovative International Financing for Health Systems, the GAVI Alliance, the Global Fund, the World Bank and the World Health Organization have been working, with input from country partners and key stakeholders, to develop the Joint Health Systems Funding Platform since May, 2009. The Platform will support country progress towards national health goals and the MDGs by helping to coordinate mobilize and streamline the flow of existing and new international resources to support health systems components of national health plans and reduce transaction costs borne by countries.
- Results-based Financing (RBF) is used increasingly by national health programs as a tool to strengthen delivery systems and accelerate progress towards national health objectives, particularly those linked to MDGs 4 and 5. RBF can help focus government and donor attention on outputs and outcomes. RBF mechanisms may reinforce efforts to improve the timeliness, credibility and accuracy of national reporting and monitoring.
- Under the IHP+, global health partners have developed a common monitoring and evaluation framework.
- It should be noted that of 10 applicable projects, 7 incorporate the recommendations around efficiency. For examples see P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 100-101); P113341 – Indonesia Health Professional Education Quality Project (for example, PAD p. 15, 49); P080228 – Egypt Health Insurance Systems Development Project (for example, PAD, p. 2, 6-7, 12); P113896 – Argentina San Juan SWAp (for example, PAD p. 5, 8-9, 10).
- The Bank has been very active in coordinating action and funding on communicable disease

projects, for example, IHP+ and Joint Assessment on national Strategies efforts, Joint Health Systems Funding Platform, RBF and M&E efforts and joint partnership frameworks and coordinated action. GAVI has just agreed the first co-financing under the Join Health Systems Funding Platform in Nepal, and the full agreement with GAVI, GFATM, and WHO is expected in FY11. For operational examples, see P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 11-12, 23-30); P080228 – Egypt Health Insurance Systems Development Project (for example, PAD, p. 26-27); P113102 – Yemen Schistosomiasis Project (for example, PAD p. 34-38); P106619 – Dominican Republic Health Sector Reform Second Phase APL (for example, PAD p. 4, 12, 38, 63).

Ensuring adequate monitoring and evaluation of health results continues to be a high priority.

- In partnership with the Health Metrics Network, the Bank has supported country assessments of health information systems in over 80 countries.
- The Bank is among the largest financiers of HIS, providing support to 19 countries totaling over \$100 million.<sup>2</sup>

Health information systems is an area of focus, and due to the scale of the task ahead and the number of stakeholders that are typically involved in the adoption, full adoption will take some time. However, adoption is well underway and 9 out of 10 applicable operations have adopted this recommendation: P107375 – Lesotho HIV and AIDS Technical Assistance Project (for example, PAD p. 13); P095275 – Vietnam Central North Region Health Support Project; P080228 – Egypt Health Insurance Systems Development Project (for example, PAD p. 12); P113102 – Yemen Schistosomiasis Project (for example, PAD p. 14); P113896 – Argentina San Juan SWAp (for example, PAD p. 48-49); P106619 – Dominican Republic Health Sector Reform Second Phase APL; P116226 – Mexico Support to the Social Protection System in Health; P116965 – Mexico Influenza Prevention and Control (for example, EPP, p. 14); P112906 – Nicaragua Health System Strengthening and Response to Epidemiological Emergencies Project (for example, EPP p. 22).

The Bank is a leader in global efforts to hasten progress against the health-related MDGs and continues to move towards this goal through supporting investments in health systems strengthening, strengthened partnership and coordination, and improved knowledge management and learning.

- Of the 43 new projects in FY10 (approved and pipeline), only 8 are for disease-specific activities.
- Among HNP themes, commitments under the Health System Performance theme continue to be the highest and are expected to rise dramatically, to a projected \$3 billion in FY10 from \$1.4 billion in FY09. The next largest theme is Other Communicable Diseases with commitments totaling \$632 million in FY09.
- HNP is in the process of developing the Bank's first Knowledge Resource Center (KRC) based on guidance received from the corporate Knowledge Strategy Group (KSG) working with McKinsey consultants. The KRC, which will be launched in March 2010, will be fully functional in FY11.

#### **4. Enhance the contribution of support from other sectors to health, nutrition, and population outcomes.**

Multisectorality is critical to delivering HNP results. The following are examples recent multisectoral work.

- HDNHE has worked with the Environment and Water and Sanitation units to develop joint capacity building exercises for Bank staff.
- In conjunction with Agriculture and Rural Development (ARD), HDNHE jointly produced an ESW on operationalizing the 'One Health' approach to controlling zoonotic diseases. In the series of interrelated actions to detect, prevent and respond to zoonotic diseases, this

<sup>2</sup> This is a very conservative estimate based on responses from World Bank task team leaders.

report emphasizes institutional responses. A second volume, currently under preparation, is aimed at actions on the detection and prevention side - the drivers of zoonotic disease outbreaks.

- A summit on mHealth (mobile health) took place to raise awareness of the possibilities for mobile-enabled innovations for improving health care and health care outcomes in developing countries. Over 600 individuals participated in this summit, which was a product of collaboration between HDNHE and the Africa Region, as well as with FNIH/NIH and UNF/mHealth Alliance.
- The Science, Technology, and Innovation and Health Systems Global Expert Teams are currently working together on issues related to the integration of several key topics of global concern such as Emerging and Persistent Infectious Diseases, Energy, Food Security and Cyber-security and have jointly participated in international events, including the Science and Technology in Society Forum in Kyoto, and hosted events including the Science and Technology Forum in Washington DC.
- HNP regularly solicits the participation of other sectors in QERs, as is needed given the focus of the project. In FY10, eleven anchor-supported QERs were undertaken, four of which included inputs from other sectors.
- In response to the triple wave of food, fuel and financial crises, the World Bank has now established the Rapid Social Response (RSR) program. The successful establishment of the RSR program required extensive collaboration across sectors as well as the re-prioritization of staff time during a period of unprecedented demand. Collaboration occurred across staff in Washington in multiple sectors (especially SP with HNP-nutrition, PRM, ARD, and ETW), as well as with key designates from country offices, particularly Russia.
- During FY 2009, the World Bank greatly increased lending through regular channels for the themes covered by the RSR. While FY08 lending under RSR themes was US\$1.2 billion in 70 projects, it was US\$4.3 billion in 68 projects in FY09. Current projections for FY10 are US\$3.2 billion in 80 projects.
- Over \$60 million worth of funding is now in place to facilitate progressive capacity building and support for safety nets and basic services in low income contexts.
- Dedicated staff and support mechanisms are now established for the rollout of the program for response under RSR.
- Management has created mechanisms to ensure timely monitoring and reporting for all RSR related priority themes.
- The Bank's leadership in safety nets, nutrition and basic services is placed front and center of the international agenda, responding to increased demands, notably reflecting requests in the G8 and G20 Summit Declarations.
- The Bank's new emerging education strategy for the first time focuses on early childhood development and nutrition as key inputs for ensuring education outcomes.
- In FY10, the South Asia regional team developed a multi-sectoral South Asia Food Security and Nutrition Initiative (SAFSNI) with trust fund support from DfID.
- In response to the H1N1 threat, the Bank assembled a multifaceted team with careful coordination across multiple networks and vice presidencies, to support the Bank's operational response, including: HDNHE, the Agriculture and Rural Development (ARD) Network, the Latin America and the Caribbean Region's HNP Unit, the Operations Policy and Country Services Vice Presidency, the Global Program for Avian Influenza (GPAI), and the Poverty Reduction and Economic Management Network (PREM).
- HDNHE provide technical and operational coordination and support on the human health aspects of H1N1 and produced a gap analysis of the Bank's HNP/ARD/AHIF/GPAI portfolios, focusing on operations that could be restructured/reallocated to support H1N1, as well as countries that were potentially 'exposed' given a lack of ongoing Bank support in related sectors.

The action plan calls for HNP to invite other sectors' participation to HNP project design reviews where appropriate and this recommendation has been applied to HNP projects starting in FY10. To illustrate, of 11 anchor-supported QERs in FY10, 4 included input from other sectors, as

appropriate.

Incentives for improved intersectoral work are part of the ongoing Bank-wide knowledge strategy and implementation and as a result a separate HNP initiative is not being pursued.

#### **5. Implement the results agenda and improve governance by boosting investment in and incentives for evaluation.**

The Bank prioritizes documentation of lessons learned and best practices through implementation of performance-based projects, including RBF and other like activities, and has leveraged partner resources for sustained support of this work at the country level.

- The World Bank, through the Health Results Innovation Trust Fund (HRITF), currently supports eight governments in designing, implementing, and learning from RBF. These programs complement larger development efforts (by partners), including concessional IDA credits. All eight RBF program-supported projects target the poorest segments of the population. They also target reproductive and child health—the “neglected” MDGs 4 & 5—increasing the attention on interventions such as assisted deliveries and family planning services.
- Additional contributions for RBF have been secured by the Bank from the Government of Norway and have become formalized under the new HRITF Trust Fund Agreement and associated joint declaration with donors. Additional contributions by the Government of United Kingdom are under negotiation and expected to be formalized in March 2010.
  - o The RBF program in Rwanda is funding the continuation of the Rwanda Poverty Support Grants Phase III (PRSG 3), a development lending operation to improve service delivery and governance through scaling-up of health insurance and RBF for health services.
  - o The Zambia RBF project provides incentives at district health management, facility, and community levels to stimulate increased supply and demand of maternal and child health services. It targets the poor by focusing on rural districts where over 95 percent of the population is below the poverty line.
- Rigorous impact evaluations are built into each pilot design from the outset. To date, eight RBF pilots are being designed and implemented in: Afghanistan, Kyrgyz Republic, Rwanda, Eritrea, Benin, Ghana, DRC, and Zambia. Knowledge development and learning are important strategies for the HRITF, particularly dissemination of impact evaluation results.

Improved governance and incentives for evaluation are critical for ensuring a sustained focus on delivering results.

- All active projects (35 projects) prior to mid-term review were assessed for monitoring and evaluation and lessons learned; the results were shared through the Quality Subcommittee with Regional colleagues.
- HNP SB members provide a quarterly report on number of recently approved projects with baseline data for SB discussion. In the latest report, all Regions reported 100 percent baseline data in first ISRs.
- The Results Framework and monitoring and evaluation arrangements of all Preparation and Supervision QERs supported by the Anchor are reviewed by the monitoring and evaluation specialist in the Anchor.
- During FY09 and FY10, HNP has reviewed 10 major national HSS AAA products undertaken by Bank in last 5 years. These reviews look at frameworks, methods, types and sources of data, analytical basis of conclusions, and feedback on policy process/dialogue with clients. During FY10, HNP is producing policy notes on this review, which will be basis for follow up on HSS support, including technical guidelines for task team leaders as elements of a toolkit, and a possible training course for task team leaders and others. Following up on tasks initiated in FY09, a report will be completed based on the analysis of 5 health facility surveys in Africa last FY. Several new activities are ongoing: (i) review of determinants of organizational performance in health care delivery; (2) work with RBF team to piggy-back on baseline evaluation surveys to gather facility survey data on determinants of organization performance to analyze predictive impact of these determinants; (3) work

with IHP+/HHA working group and “community of practice” on service delivery in collaboration with UNICEF, UNFPA, WHO; and (4) prepare a guidance note on facility surveys.

### IEG Response 2010

IEG’s response is based on the evidence provided by management (above) in light of the specific actions and commitments in the World Bank Management Action Plan for the HNP evaluation (pp. 161-164), in addition to statements of intent from the text of management’s original response – in cases in which the Action Plan itself does not seem to include actions reflecting those commitments.

#### 1. Intensify efforts to improve the performance of the World Bank’s health, nutrition, and population support: **Substantial.**

- a) “Match project design to country context and capacity and reduce the complexity of projects in low-capacity settings through greater selectivity and sequencing of activities, particularly in Sub-Saharan Africa.”

*In the Action Plan, management committed to undertake intensive Quality Enhancement Reviews (QERs) in 75 percent of all new HNP projects, focusing on technical preparation, M&E, and institutional and risk assessments and mitigation measures, beginning in FY10, and to undertake quarterly reviews of the HNP portfolio by the Sector Board. It seems that these activities have been undertaken, in addition to 7 QERs in the anchor so far in 2010. (It is unclear whether the coverage will meet the 75 percent target by the end of the year; management seems to indicate that the new target is 100 percent QER coverage.) No specific evidence is provided to show a reduction in complexity and greater selectivity in Africa region projects. Several outcome indicators for ongoing projects (projects at risk, proactivity) have improved. Overall, adoption of this sub-objective is **high**.*

- b) “Thoroughly and carefully assess the risks of proposed HNP support and strategies to mitigate them, particularly the political risks and the interests of different stakeholders, and how they will be addressed.”

*In the Action Plan, management committed to ensuring that 100 percent of the QERs focus on risk, beginning in 2010, and that a course would be developed and rolled out on project risk analysis for HNP teams, disseminating best practices and lessons learned, starting in FY10. According to management’s response, all of the QERs are focusing on risk assessment, though IEG has not been able to confirm that the quality of risk assessment has actually improved as a result and the coverage of QERs is not yet complete. No information has been provided on the course. Adoption of this sub-objective is rated **medium**.*

- c) “Phase reforms to maximize the probability of success.”

*In the Action Plan, management committed to increase the analytical work focusing on reform for HNP reform projects, with 100 percent of all new projects focusing on health system strengthening (HSS) or broadly on health reform to be based in analytical work, including political risks and the interests of different stakeholders, starting in FY10. According to management’s response, ten of the 14 new operations for FY10 are grounded in analytical work on HSS or components and include risk analysis and mitigation. However, the sub-recommendation is specifically about phasing reforms, and there is nothing in the Action Plan that speaks to this. Adoption of this sub-objective is rated **substantial**, although it would be important to document the extent to which reforms are being phased among the health reform projects that have been improved.*

- d) “Undertake thorough institutional analysis, including an assessment of alternatives, as an input into more realistic project design.”

*In the Action Plan, management committed to conduct institutional analysis in 80 percent of all new projects beginning in FY10 and to design and deliver a training/learning program focusing*

on HNP sector institutional and stakeholder analysis. Management's response indicates that 8 of the 10 FY10 projects that are not additional financing included an institutional analysis as part of preparation, and that the subject is part of the Flagship Course on Health Sector Reform.. It is unclear the extent to which these analyses are discrete products that take into account institutional incentives and that propose alternatives at the design stage, per the recommendation. Adoption of this sub-objective is rated **Substantial**.

- e) “Support intensified supervision in the field by the Bank and the borrower to ensure that civil works, equipment, and other outputs have been delivered as specified, are functioning, and are being maintained.”

*In the Action Plan, management committed to specify in project design the borrower's responsibility for civil works and equipment maintenance in all new HNP projects, beginning in FY10, and that all new HNP projects would be designed to ensure adequate recurrent cost budgeting for civil works and equipment maintenance. The Action Plan's commitments are about project preparation rather than the intent of the sub-recommendation, which is intensified supervision; the Action Plan proposes integrating actions into FY10 projects, while the intent of the recommendation is to improve supervision of existing as well as new projects. In its response, management does refer to development of better standards and technical specifications to promote the broadest possible competition for frequently purchased HNP project inputs, which is likely to improve the cost-effectiveness of implementation and also accountability. It also points to five FY10 projects that include relevant design/risk mitigation and/or supervision provisions. However, overall, scant information is provided about the extent to which supervision has been intensified, so adoption of this sub-objective is rated **negligible**.*

**2. Renew the commitment to health, nutrition, and population outcomes among the poor: Medium**

- a) “Boost population and family planning support in the form of analytic work, policy dialogue, and financing to high-fertility countries and countries with pockets of high fertility.”

*In the Action Plan, management committed to writing an analytic and advisory activity policy note on reproductive health, including family planning (FP), by FY10; to incorporate FP into health system strengthening projects, delivering 2 HSS projects in high fertility countries that include strengthening of FP in FY10; and to incorporate population and family planning into half of CASs for high-fertility countries, beginning in FY10. Among the actions taken for high-fertility countries, IEG recognizes the ESW reports concluded on Ethiopia, Niger, and Mali, the preparation of freestanding population projects in Burkina Faso and Niger, the forthcoming Africa Region strategy; and the multi-donor efforts to strengthen maternal outcomes in 25 high-fertility countries. Reports were written on the determinants and implications of high fertility, but none of the five country case studies was in a high-fertility Sub-Saharan African country. Management has pointed to two HSS operations with family planning emphasis in high fertility countries – the Uganda HSS project and the Nepal HNP and HIV/AIDS project. However, addressing high fertility is not an explicit objective of either of these projects. Neither the words “fertility” nor “family planning” appear in the Uganda project's concept note, nor does family planning appear as a component or major activity in the Nepal project, which is primarily about HSS and AIDS. The share of new CASs in high-fertility countries that discuss high fertility is unknown. In short, there has been some promising analytic work, but to date there is scant evidence that reducing high fertility and increased support for family planning have found their way into the lending portfolio as a matter of priority in high-fertility countries. Thus, adoption of this sub-recommendation is rated **medium**.*

- b) “Incorporate the poverty dimension into project objectives to increase accountability for health, nutrition, and population outcomes among the poor.”

*The Action Plan committed to ensure that “adequate attention is given to the poverty dimensions in project design and supervision, particularly project development objectives and key performance indicators”; the target was for 80 percent of all new HNP projects to incorporate the poverty dimensions “where appropriate” beginning in FY10. While management's comments*

point to additional valuable analysis of health equity monitoring and analytic work on health systems for the poor, the evaluation pointed out that the excellent analytic work of the past has not become embedded in lending operations. Among the eight projects cited by management, only two—the Vietnam Central North Region Health Support Project and the Argentina San Juan SWAp – incorporate poverty targeting or equity explicitly into their objectives. The others discuss poverty dimensions in various sections of the appraisal documents but do not incorporate the poverty dimension in their objectives. As the HNP evaluation found that roughly 20 percent of projects from FY97-06 either had an explicitly targeted the poor or had an equity objective, it seems that there has been no increase in the share with respect to the objectives, and it falls short of the 80 percent target (even if projects that monitor outcomes among the poor – noted below – are included). While poverty targeting is not appropriate in every case, there clearly have been missed opportunities in the FY10 HNP portfolio. Adoption of this sub-objective is rated **negligible**.

- c) “Increase support to reduce malnutrition among the poor, whether originating in the HNP sector or other sectors.”

*The Action Plan committed to scale-up the Bank’s analytic and investment work and to leverage resources from other donors, by hiring 6 additional Bank nutrition staff, mobilization of additional trust fund money for nutrition from Japan and others; developing a Global Action Plan with key partners by FY10; and conducting 6-8 analytical and advisory activities or new investments in nutrition by FY11.* Six additional staff have been hired for nutrition, one of whom is in the field; the Japanese trust fund for nutrition is operational; and there is a draft Nutrition Global Action Plan and policy brief that is reportedly on track for FY10 delivery. Management has provided information on the 6-8 new AAA or investments in nutrition expected by FY11, except to say that nutrition AAA in Afghanistan is complete. Overall adoption of this sub-recommendation is rated **high**.

- d) “Monitor health, nutrition, and population outcomes among the poor, however defined.”

*The Action Plan commits to tracking health outcomes and coverage of interventions among the poor by publishing an annual review of health indicators among the poor, starting in FY10, with the responsibility in the HNP Hub.* Management reports that a Poverty and Health Monitoring Report 2010 will be published before the end of FY10, as planned. However, the evaluation’s recommendation was based on the fact that very few projects or countries were monitoring health outcomes among the poor – an issue for country teams and operational staff, not a call for more analytic work at the center. Management’s original response to the HNP evaluation also acknowledged that point (p. 157): “Management agrees with the need to ensure that project design responds to the priorities and needs of the poor, and to measure the full impact of improved health services for the poor.” Among the four projects approved to date in FY10 cited by management, the Vietnam Central North Region Health Support Project stands out in terms of the multiple indicators measuring use of health care by the poor, health insurance coverage among the near-poor, and the share of non-food consumption on health among the poor. The Mexico Support to the Social Protection System in Health will monitor the share of people in the lowest two deciles who are affiliated with Population Health Insurance. However, the poverty tracking in the results framework for the Argentina and Dominican Republic projects are weak -- the former is tracking people without social security, while the latter commits only for at least one region to monitor timely receipt of essential drugs among the poor. The region does not cite other projects’ poverty monitoring. Thus, there remains an important agenda in monitoring HNP outcomes among the poor in the lending portfolio. Adoption of this sub-recommendation is rated **medium**.

- e) “Bring the health and nutrition of the poor and the links between high fertility, poor health, and poverty back into poverty assessments in countries where this has been neglected.”

*The Action Plan committed to increase inclusion of HNP in poverty assessments, with the target of 90 percent of all poverty assessments and 40 percent of all CASs assessing the health status of the poor, beginning in FY10.* Management’s response points to additional analytic work within the health sector on equity, but the point of the recommendation is ensure that health and nutrition of the poor and the links between high fertility, poor health, and poverty be included systematically

in **Poverty Assessments** of specific countries. As no information is presented on the adoption of this sub-objective, it is rated **negligible**.<sup>3</sup>

**3. Strengthen the World Bank Group’s ability to help countries to improve the efficiency of their health systems: Substantial.** Management has documented a number of actions to strengthen health systems, but very little of this evidence is specifically points to improved efficiency.

a) “Better define the efficiency objectives of its support and how efficiency improvements will be improved and monitored.”

*The Action Plan committed to expanding and making more explicit the PAD definition and discussion of efficiency objectives, measures, and monitoring framework, with 70 percent of HNP projects to include definition and analysis of improving sector efficiency, including discussion of the efficiency-equity trade-off beginning in FY10. It also committed to launch AAA tasks to review experience in improving health system efficiency. Of the projects cited by management, only two (the Egypt Health Insurance Systems Development Project and the Indonesia Health Professional Education Quality Project) have explicit objectives to improve the efficiency of the health system. The Egypt project has several detailed and explicit indicators it will monitor to measure changes in system efficiency, while the Indonesia project has no indicators reflecting efficiency gains in the health system. As the number of projects with efficiency objectives is small, it is difficult to discern a trend. Adoption of this sub-objective is rated **medium**, though it remains to be seen the extent to which the rest of the FY10 portfolio with efficiency objectives follows the example of Egypt.*

b) “Carefully assess decisions to finance additional earmarked communicable disease activities in countries where other donors are contributing large amounts of earmarked disease funding and additional funds could result in distortion in allocations and inefficiencies in the rest of the health system.”

*The Action Plan committed to coordinate proposals for new disease-specific programs with other partners, mapping all HNP projects with significant priority-disease components with contributions from other donors, and to ensure strengthening of health systems, starting in FY10. Management provides the information that in FY10, only 8/18 planned new HNP projects (or 44 percent) are for disease-specific activities (roughly the same share as for FY02-06). However, the sub-recommendation is not about the number of communicable disease projects but rather their relation with other sources of funding and the allocations across the health system – an issue of efficiency. There is increasing evidence within the Africa region of substantial adoption of this sub-recommendation: allocation of new commitments to maternal and child health (Rwanda) and health systems strengthening (Uganda) in countries receiving significant resources from the Global Fund to Fight AIDS, TB, and Malaria and from PEPFAR, and more selective support for AIDS and other communicable diseases to focus on aspects not covered by other donors (Lesotho) or on countries not already receiving large donor support (Niger). The extent to which this has occurred in other regions is unknown, but in light of the large share of communicable disease projects in Africa region, adoption of this sub-recommendation is rated **substantial**.*

c) “Support improved health information systems and more frequent and vigorous evaluation of specific reforms or program innovations to provide timely information for improving efficiency and efficacy.”

*The Action Plan committed to building statistical capacity in countries on priority HNP outcome indicators directly through Bank operations and/or supporting global partners’ country support, with half of new HNP projects to include strengthening of country M&E systems by FY10. It also advocated continuing to support the IHP+ efforts to strengthen M&E and health information*

<sup>3</sup> IEG would also note that the CAS target of the Action Plan needs to be more specific: the HNP evaluation found that nearly three-quarters of CASs discussed health among the poor, but only 15 percent set targets for the health of the poor. Thus, the CAS target (if interpreted as merely discussing health among the poor), is lower than the baseline in the HNP evaluation.

systems, specifically developing a with global partners a strategy for global monitoring by FY09, and conducting assessments of health information systems in 10 countries by FY10. Management's response notes that in collaboration with the Health Metrics Network, assessments of health information systems have been conducted in 80 countries (greatly exceeding the target), and that under the IHP+ the global health partners have developed a common M&E framework. No information is provided on the share of new HNP projects that include strengthening country M&E systems. The Action Plan itself does not respond to the intent of the sub-recommendation to ensure vigorous evaluation of specific reforms or program innovations, however. Among the 9 projects cited by management, three propose rigorous evaluation of pilot activities to various degrees – Vietnam (of a results-based financing pilot and of two pilot insurance interventions), Egypt (pilot of a single national Social Health Insurance payor in three governorates), and Mexico (evaluation of the first- and second- wave responses to A/H1N1 and the epidemiological surveillance system) Adoption of this sub-recommendation is therefore rated **substantial**, although there is clearly scope for more systematic evaluations in the rest of the portfolio.

4. **“Enhance the contribution of support from other sectors to health, nutrition, and population outcomes: negligible.** The intent of the recommendation was to make other sectors accountable for HNP outcomes, but the Action Plan assigns accountability almost entirely to the HNP Sector. Further, accountability is generally with the Hub, while the results on intersectoral action to improve health are likely to be realized only in the field. management's response has given many examples of collaboration across sectors at HQ level to address H1N1, for example, or to set up the Rapid Social Response program. But the HNP evaluation advocated greater accountability and results from health investments of other sectors, and greater synergy in the field.

- a) “When the benefits are potentially great in relation to the marginal costs, incorporate health objectives into non-health projects, for which they are accountable.”  
*The Action Plan committed to provide incentives to non-HNP task team leaders to incorporate health objectives into non-health project and to set up an intersectoral coordination thematic group for HNP results to identify constraints and incentives by FY10. The Action Plan had no targets with respect to health objectives in non-health projects, and did not suggest focusing on any particular sectors. No information is provided to demonstrate progress on this sub-recommendation, in terms of an increase in the share of non-health projects (for example, water supply and sanitation projects) with explicit objectives to improve health outcomes. No evidence is provided that the thematic group has been set up. In the absence of information, the adoption of this sub-recommendation is rated **negligible**.*
- b) “Improve the complementarity of investment operations in health and other sectors to achieve health, nutrition, and population outcomes, particularly between health and water supply and sanitation.”  
*The Action Plan committed to develop, implement, and manage an intersectoral coordination thematic group for HNP results (same as (4a) above) by FY10. Again, no information is provided on the existence or results from the proposed thematic group. Management does indicate that the HNP Hub has worked to develop joint capacity building exercises for Bank staff from HNP, environment, and water and sanitation units, though no specifics are provided. No evidence is provided of systematic efforts to improve complementarity at the country level. Adoption of this sub-recommendation is rated **negligible**.*
- c) “Prioritize sectoral participation in multisectoral HNP projects according to the comparative advantages and institutional mandates, to reduce complexity.”  
*The Action Plan committed to invite other sectors' participation to HNP project design reviews (for example, Quality Enhancement Reviews), where appropriate, for all HNP projects starting in FY10. Management reports that 4 of 11 QERs conducted to date in FY10 by the Hub had representation from other sectors. However, this recommendation is not about engaging more sectors in the design of HNP projects. Rather, it is about reducing the complexity of multisectoral HNP projects (projects involving more than one sectoral ministry in implementation) by prioritizing a smaller number of sectors that are strategically the most important. No information*

has been provided about efforts to reduce the complexity of multisectoral HNP projects. In the absence of information, adoption of this recommendation is rated **negligible**.

- d) “Identify new incentives for Bank staff to work cross-sectorally for improving HNP outcomes.”  
*The Action Plan referred back to the incentives proposed to sub-recommendation 4a on the intersectoral committee. In the absence of information on new incentives, adoption is rated negligible.*
- e) “Develop mechanisms to ensure that the implementation and results for small health components retrofitted into projects are properly documented and evaluated.”  
*The Action Plan commits to monitor health results achieved by the portfolio managed by non-health sectors, with the target to track half of all HNP and non-HNP Sector Board operations, starting in FY10. As no evidence is presented on the monitoring on the non-health sector portfolio of health components, nor is there any information on efforts to ensure that these components are evaluated, adoption of this recommendation is rated negligible.*

**5. Implement the results agenda and improve governance by boosting investment in and incentives for evaluation.** Specifically, the recommendation was to “create new incentives for monitoring and evaluation for both the Bank and the borrower linked to the project approval process and the midterm review. This would include requirements for baseline data, explicit evaluation designs for pilot activities in project appraisal documents, and periodic evaluation of main project activities as a management tool.”

*The Action Plan commits to: (i) support impact evaluations of at least 15 HNP projects in FY 11 through the Spanish Impact Evaluation Trust Fund (SIEF); (ii) pilot and evaluate the impact of output- and performance-based financing for HNP-related projects/programs in 16 projects, with most loan proceeds for input-based finance; and (iii) introduce Results Frameworks targeting HNP outcomes, output, and system performance, reaching at least 70 percent of new projects approved by the Board beginning in FY09. Results-Based Financing pilot projects have been launched in 8 countries, all of the projects with rigorous impact evaluations built into the project design. All of the anchor-supported QERs are reviewed by the anchor’s M&E specialist; a recent report found that all of the recent ISRs had baseline data. Management reports that all 35 active projects that had not yet reached mid-term were assessed for M&E lessons. No information is presented on the number of HNP impact evaluations financed by the SIEF, nor is it clear that these important initiatives have changed the incentive structure. Adoption of this recommendation is **substantial**.*



## **17. IMPLEMENTATION REPORT 2010**

## 18. FINANCIAL SECTOR ASSESSMENT PROGRAM - IEG REVIEW OF THE JOINT WORLD BANK AND IMF INITIATIVE

### List of Recommendations

#### 1.1 *Sharpen country selection and the scope of assessment*

*Country selection and the scope of assessment* have major impacts on the relevance of the program, both for the reduction of vulnerabilities in countries' financial sectors as well as the impact on the development agendas of the countries. Given the limited budget envelope, there will be difficult tradeoffs to be made, particularly when balancing the desire to improve surveillance with development priorities. The managements of the Bank and the IMF should select countries for assessments and updates according to the priorities identified by the Boards, as well as consider the likely impact of an FSAP in a particular country, and adjust the timing to suit the situation. In some cases, such as systemically important and vulnerable countries, this may mean that updates are carried out every two or three years, while in other countries that are not systemically important or that are not likely to treat financial sector development as a priority, initial assessments or updates may be delayed by several years. A priority list, as well as the rationale for selection, should be presented to the Boards. In cases where countries have not volunteered, management needs to inform the Boards of those gaps, and should seek other ways to work with the country on addressing critical issues in the financial sector.

The scope of the initial assessments and updates should be more tailored to address the specific needs of the country. This may mean that a systemically important, vulnerable country may require a full set of ROSCs, and minimal discussion on missing markets or access issues, whereas another country may not require any formal ROSCs but may, instead, focus on access issues. Also, this process would be more efficient if more time were spent in advance, working with country units and authorities on developing prioritized TORs.

#### 1.2 *Integrate the FSAP into a full reform program.*

The Bank, in consultation with the IMF and other technical assistance providers, should establish a clearer framework for coordinating follow-up programs, including technical assistance activities, based on the country's own action plans. While details will differ by country, FSAP follow up discussions with country authorities on technical assistance and other development needs are essential. Such discussions should include Bank technical and country staff, as well as the IMF's Monetary and Financial Systems Department and area staff. Once development and other assistance priorities are determined, this information should be quickly shared with the donor community. In addition, to improve donor effectiveness, the following recommendations should be considered: (i) inform donors in advance about the timing of the FSAP, so that donors can adjust their program timetables accordingly; (ii) improve consultation with donors who are active in the financial sector during the FSAP mission, including presentations of key findings; and (iii) provide donors with better and more timely access to reports.

Country units and the financial sector teams must work more closely to improve integration of the FSAP findings and recommendations into the Bank's country strategies. This would include greater participation of the country units in the design of TORs, mission teams, and follow-up discussions. If a strategic decision is made that Bank follow-up to the FSAP will be limited, the CAS should briefly explain the reasons why (limited resources which need to be allocated to other priorities in the country, the availability of other donor programs, the need to sequence other reforms first, lack of interest or commitment of the client in those sectors, etc.).

#### 1.3 *Inform the Executive Board much sooner*

The process of informing the Board is currently not working well. Financial Sector Assessments (FSAs) take too long to produce. A deadline should be placed on the production time of the FSA. One option to speed production is to leverage the work of the IMF. The IMF FSAs are usually completed within 16 days of the delivery of the final report. For future assessments, knowing that the different foci, timetables, and processes of the two institutions make it difficult to quickly produce a joint paper, the Bank could use the FSA for countries

and regions as a platform to summarize the main findings of the assessment, and then add chapter or appendixes on development or other issues on which the IMF may not have focused.

Unlike the IMF, there is no discussion of the documents at the Bank’s Board, so the import, context, and nuances of the reports are often not clear. Critical information should be brought quickly to the Board or a subcommittee for discussion. In addition, discussions of key FSAP findings and recommendations, and their integration into the country program (or the decision not to include them), should be part of the CAS report and discussions. Bank management should also consider periodic technical briefings summarizing major findings from recent assessments, as well as synthesize the information to provide recommendations for future work (within countries and across regions).

#### **1.4 Share and disseminate the knowledge gained**

While remaining mindful of the needs of safeguarding sensitive and confidential information, the Bank should leverage more actively the knowledge gained from this extensive exercise. This would include active dissemination of “best practice” analyses, more discussion of concerns and issues that arise while conducting assessments, and better sharing of data and insights gained through the program. The financial sector teams should also work to partner more effectively with other sector teams to maximize the collection and sharing of information.

#### **Status of Implementation**

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<b>1.5 Sharpen country selection and the scope of assessment</b>	High	High	Complete and archived	Complete and archived
<b>1.6 Integrate the FSAP into a full reform program</b>	Substantial	Substantial	Incomplete and archived	Incomplete and archived
<b>1.7 Inform the Executive Board much sooner</b>	Substantial	Substantial	Complete and archived	Complete and archived
<b>1.8 Share and disseminate the knowledge gained</b>	High	High	Complete and archived	Complete and archived

#### **Management Response Implementation Report 2010**

##### **1.1 Sharpen country selection and scope of assessment:**

The Bank, jointly with the IMF via the Financial Sector Liaison Committee, participates in a collaborative prioritization process, and informs the Board and President’s office twice each year (ahead of the Annual Meetings and ahead of the Spring Meetings) of prioritization for FSAP planned in the coming year. The FSAP remains a voluntary program, whereby the assessments/updates are conducted as requested. Within the pool of requesting countries, the Bank and Fund prioritize on the basis of several parameters: systemic importance, alignment with regional work program, degree of financial sector vulnerability, and time since prior assessment. The Bank and Fund also proactively identify countries where there are significant vulnerabilities and developmental needs in the financial sector, and initiate dialogue with authorities to encourage them to engage with the FSAP Program.

With regard to the scope of assessments/updates, this is discussed through the Financial Sector Liaison Committee, and with the appropriate Regional sector manager, and with country authorities; the draft is reviewed by the FSAP Management Unit, and then cleared by the FPD Board.

As the G20 has made a commitment that its members should undertake FSAPs every five years and the FSB is strengthening its peer review process, the Program expects to see increasing demand from systemically important countries in the near future. The Program has committed to the Board that it will meet this demand,

while not crowding out the requests from low-income countries for assessments. The Program has introduced the option for modular assessments that will focus on specific development issues in order to respond quickly and with more flexibility to the increasing demands. However, modular FSAPs are not meant to replace but to complement full update or initial assessments.

#### **1.2 Integrate the FSAP into a full reform program :**

Integration of FSAP recommendations into Country Assistance Strategies has increased substantially, and the diagnostics are increasingly linked to follow-up AAA activities. Follow-up activities are funded by CMUs, other sources, and also FIRST is a very important vehicle. Currently, post-FSAP follow-up TA accounts for about 40 percent of the FIRST portfolio. In addition, the Bank-Fund Financial Sector Liaison Committee is improving the linkage between technical assistance and assessments, by coordinating TA efforts in a specially-established working group for this purpose. Finally, as the Program outlined in its joint paper to the Boards of Bank and Fund in September 2009, the new FSAP strategy takes a more flexible and continuous approach to assessment, by adding the option for modular FSAPs on a more frequent basis, and launching an off-site tracking of the implementation of FSAP recommendations over time. This approach allows the Program to align assessments better with the CAS cycle, and to engage more continuously in the country reform process.

The Program also takes on board the third recommendation to inform the Executive Board sooner about the FSAP Program and strategy and completed in September 2009 its biennial presentation to the World Bank and IMF Boards of its revamped strategy and priorities going forward. In addition, as mentioned above, the Program informs the Board on a biannual basis of its prioritization of countries for upcoming FSAPs. The Program is working to ensure that the Financial Sector Assessment (FSA) produced by FSAP teams reaches the Board sooner after the completion of the assessment mission, through tighter timeframes for reporting and peer review.

In addition, the Program has made a top priority to share and disseminate the knowledge, and it has made substantial headway. The program Web site features FSAs that authorities have agreed to disclose, as well as an index tool that allows viewers to search all reports by keyword to obtain abstracts on specific topic areas across all the assessed countries. In addition, the Program is at the concept stage to launch an off-site monitoring tool that will track implementation of FSAP recommendations over time, and that will complement the FPDFS Unit Financial Sector Indicators Project. Finally, the Program is rolling out a series of brown-bag lunches and will hold a seminar in 2010 to share experiences with and methodology from FSAPs within the Bank.

#### **IEG Response Implementation Report 2010**

IEG has no comments.

### **19. HAZARDS OF NATURE, RISKS TO DEVELOPMENT: AN IEG EVALUATION OF WORLD BANK ASSISTANCE FOR NATURAL DISASTERS**

#### **List of Recommendations**

- 2.1 Prepare and submit to the Board for discussion a strategy or action plan for assistance related to natural disasters that takes into account the differing vulnerabilities of borrowing countries.**
- 2.2 Revise policy to better guide staff and enhance flexibility of Bank responses to natural disasters.**
- 2.3 Increase Bank capacity to respond to disasters and ensure that it can be mobilized quickly.**

### Status of Implementation

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<b>2.1 Prepare and submit to the Board for discussion a strategy or action plan for assistance related to natural disasters that takes into account the differing vulnerabilities of borrowing countries.</b>	High	High	Complete	Complete
<b>2.2 Revise policy to better guide staff and enhance flexibility of Bank responses to natural disasters.</b>	High	High	Complete	Complete
<b>2.3 Increase Bank capacity to respond to disasters and ensure that it can be mobilized quickly.</b>	High	High	Complete	Complete

### Management Response 2010

No response required in 2010 due to complete ratings

### IEG Response 2010

No response required in 2010 due to complete ratings

## 20. EVALUATION OF WORLD BANK SUPPORT FOR PRIMARY EDUCATION

### List of Recommendations

- 3.1 Focus primary education efforts on improving learning outcomes, particularly among the poor and other disadvantaged children.**
- 3.2 Improve the performance of sector management in support of learning outcomes.**
- 3.3 Reorient the Fast-Track Initiative to support improved learning outcomes, in parallel with the MDG's emphasis on primary completion.**

### Status of Implementation

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<b>3.1 Primary education efforts need to focus on improving learning outcomes, particularly among the poor and other disadvantaged children.</b>	Substantial	Substantial	Complete and Archived	Incomplete and Archived

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<b>3.2 Efforts are urgently needed to improve the performance of sector management in support of learning outcomes.</b>	High	Substantial	Complete and Archived	Incomplete and Archived
<b>3.3 The Bank needs to work with its development partners to reorient the Fast-Track Initiative to support improved learning outcomes, in parallel with the MDG's emphasis on primary completion.</b>	High	High	Complete and Archived	Complete and Archived

### Management Response Implementation Report 2010

**3.1 Learning Outcomes.** Bank operational and analytic work continues to focus on the issues of measuring and raising learning outcomes. Operations in FY09 continue to emphasize improving the quality of education, including with support for teacher professional development, provision of materials to increase student learning, and the development of learning assessment systems. Fifty percent of operations in FY09 specifically included support for countries to introduce learning assessment systems. To support this operational effort, and the quality of operational approaches to increasing learning outcomes, a significant amount of sector work has been undertaken. In FY09, the Bank published Volume V of the National Assessment of Education Achievement book series, "Using the Results of a National Assessment of Educational Achievement." This book, and a training program to support it, is designed to help client countries use assessment outcomes to actually improve learning. The Bank also launched the entire series of books on developing national assessment systems. A major international conference was held in Moscow, with support from the Russia Education Aid for Development program, in November 2009, with participants from over 20 countries, including from the seven countries supported under the program. The conference was organized around the title topic: "Developing a Vision for Assessment Systems." The Bank continued to take a leadership role to lobby donors and recipient countries on the need to focus their policies and programs on learning outcomes, including at the Education for All working group and high level group preparatory meetings. The Bank also continued to develop its analytic work on analysis of international student assessment data including the OECD's Programme for International Student Assessment (PISA) and the IEA's Trends in Mathematics and Science Study (TIMSS) with economic analysis of this information to provide countries and World Bank task teams with an understanding of the relationship between policy and learning achievement across countries, to evaluate the impact of education policies within countries using non-experimental methods, and to understand the relationship between student and institutional characteristics within countries to enhance policy dialogue. In addition, recognizing that country averages can hide wide disparities between population groups, more data and analytical work is being undertaken to document and understand inequalities. For example, EdStats already reports learning outcomes data by gender and ongoing analysis of regional and international test scores is examining the correlates of disparities in learning outcomes. Using primary data, in-depth research in the Bank has also assessed the relative success of public and non-state schools in achieving learning goals for students from poor and better-off families, concluding that students from low-income families may prefer to attend non-state schools because of the poor quality of public schools.

**3.2 Support of Learning Outcomes.** To build capacity for assessing learning outcomes in low income countries, and for using assessment information to improve policy and programs leading to higher outcomes, Bank management continued its initiative, Learning for All, to help countries overcome barriers to learning and to improve the measurement and use of learning outcome data to ensure increase learning in low income countries. To help implement this initiative, the Bank began implementation of a \$32 million grant from the Government of Russia to finance a program to help countries put in place their own systems to regularly measure learning outcomes and use the results to improve learning outcomes. The Bank is helping low-income countries improve their student learning outcomes through the design, implementation, and utilization of national systems for student assessment, including seven targeted countries: Angola, Ethiopia, the Kyrgyz Republic, Mozambique, Tajikistan, Vietnam, and Zambia. A key aim of this effort is to help countries strengthen the capacity of institutions that are responsible for measuring student learning outcomes or for using

information from those assessments to improve teaching and learning. With support from the Russia fund and IDA operations, the Bank is helping countries (a) establish or strengthen systems or institutions that carry out assessments of student learning; (b) improve existing or develop new instruments to measure student learning outcomes; and (c) strengthen existing or develop new mechanisms (policies) to use learning outcomes data to improve teaching and learning. In addition, signal efforts have been made to draw attention to the failure of schools to ensure basic reading skills among students, especially in poor, rural areas, and to engage parents and communities to put pressure on schools and government officials to take responsibility for addressing this issue.

- 3.3 Focus on Outcomes in the FTI.** World Bank management has been working closely with the FTI partners to focus country programs and partnership attention on improving learning outcomes. With support of the Bank, FTI has now included learning outcomes as a priority objective. Learning now at the center of the FTI agenda. FTI declared, in 2009, that learning levels are too low for the vast majority of over half a billion pupils attending primary school in poor countries. It states that children leave primary school without knowing how to read, write or do simple arithmetic and that low-income countries aiming at the Education for All goals should be expected to develop capacity to ensure that all children learn according to national standards, particularly reading. FTI has introduced two reading skills indicators that reflect the decision to place learning outcomes at the core of the FTI agenda. These two indicators also reflect the fact that reading is the foundation of all learning in all subjects and grades. These indicators are: (i) the proportion of students who, after two years of schooling, demonstrate sufficient reading fluency and comprehension to “read to learn;” and (ii) the proportion of students who are able to read with comprehension, according to their countries’ curricular goals, by the end of primary school.

### IEG Response Implementation Report 2010

Based on the evidence presented, management’s adoption of **Recommendation 3.3** concerning the incorporation of learning outcomes into the Fast Track Initiative is **high**; it can be archived and considered **complete**. With respect to **Recommendations 3.1 and 3.2**, management has continued to make substantial progress in the past year in supporting the establishment of learning assessment systems and capacity building in client countries to conduct and analyze them. With respect to Recommendation 3.1, management’s response suggests that some work is underway in the anchor and in DEC to document and explain inequalities in learning outcomes by gender or wealth quintiles. However, the commitment to systematically track determinants and trends in learning outcomes *among the poor and disadvantaged* (in addition to *average* learning outcomes) and to focus resources on improving learning outcomes among the poor has yet to be widely adopted in the Bank’s country-level support or institutionalized in client countries. In the case of Recommendation 3.2, while management has shown good evidence of the continued support for capacity building to conduct and analyze learning assessments, the “performance of sector management in support of learning outcomes” is much broader than conducting learning assessments, and includes strengthening of the *incentives* faced by administrators and teachers to improve the quality of instruction and learning outcomes, as well as incentives to ensure that key management and policy decisions are informed by evidence (these examples are in the complete recommendation in the evaluation). For that reason, IEG rates adoption of both of these recommendations as **substantial** but they will be archived with a status of **incomplete**. These ratings are based on the evidence provided in management’s response to the Management Action Record; IEG will independently document the level of adoption of these recommendations in the spring of 2010, based on evidence from a portfolio review it is conducting as background for the new education strategy.

## 21. ENGAGING WITH FRAGILE STATES: WORLD BANK SUPPORT TO LOW-INCOME COUNTRIES UNDER STRESS (LICUS)

### List of Recommendations

- 4.1 Clarify the scope and content of the Bank’s state building agenda, and strengthen the design and delivery of capacity development and governance support in LICUS.
- 4.2 Develop aid-allocation criteria for LICUS that ensure that these countries are not under- or over aided.
- 4.3 Strengthen internal Bank support for LICUS work over the next three years.
- 4.4 Reassess the value added by the LICUS approach after three years.

### Status of Implementation

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
4.1 Clarify the scope and content of the Bank’s state building agenda, and strengthen the design and delivery of capacity development and governance support in LICUS.	Substantial	Medium	Complete and archived	Incomplete and archived
4.2 Develop aid-allocation criteria for LICUS that ensure that these countries are not under- or over-aided.	Substantial	Medium	Complete and archived	Incomplete and archived
4.3 Strengthen internal Bank support for LICUS work over the next three years.	High	Substantial	Incomplete and archived	Incomplete and archived
4.4 Reassess the value added by the LICUS approach after three years.	High	Medium	Complete and archived	Incomplete and archived

### Management Response Implementation Report 2010

**Recommendation: Clarify the scope and content of the Bank’s state building agenda, and strengthen the design and delivery of capacity development and governance support in LICUS.**

Finding innovative and adequate solutions and deepening the understanding of the challenges of state building in fragile environments continues to be an important part of the international aid debate. The World Bank has been contributing to this process through its active participation in the OECD-DAC INFCAP Task Force for State building, Peace building and Security that it co-chairs and the OECD-DAC debate on fragile and conflict affected countries in general. In this process the Bank contributed to several research and policy papers that focused on state building and governance in fragile and conflict affected countries. A joint undertaking with UNDP that focused on state-building and included country-level work (Liberia, Sierra Leone) and the policy report has been drafted and will be made available in early 2010.

To capture lessons-learned and deepen institutional learning in the area of Leadership capacity building OPCFC and the World Bank Institute examined the eight leadership development interventions funded by the Post-Conflict Fund and LICUS Trust Fund from 2000-2008 in 2008/09. The sources of information included all available documentation about the interventions, more than 100 interviews conducted with individuals representing a variety of stakeholder groups, and field visits to Burundi and Timor-Leste. The findings are detailed in a [report produced in March 2009](#). The WBI has chosen “Fragility and Conflict” as one of its strategic focus areas and set up a team

dedicated to WBI work in these environments; capacity building is an important aspect of that work.

The Bank has recognized the complexity of state building and its nexus to security partnerships are essential and built up its cooperation with the UN on several levels, including an agreement on a staff exchange, membership of the Senior Peace building group and the Inter Agency Standing Committee and meetings with the UN Peace building Commission. The cooperation was formalized in on October 24, 2007 when UN Secretary General Ban Ki-Moon and President Zoellick signed the UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations, an important document that affirms UN and World Bank commitment to work together more effectively in countries affected by conflict or natural disasters. The Partnership Framework recognizes the critical but complimentary roles that the two institutions play in post-conflict/disaster situations and underscores the importance of flexibility, national leadership, and an integrated political, security, and development approach to supporting stabilization and securing development efforts. It sets out agreed principles for stronger collaboration that is supported by (a) an agreed communications protocol, (b) the use of common methodologies for post-conflict and post-disaster needs assessments and recovery planning; (c) improved collaboration around funding mechanisms, and (d) a culture of collaboration. The principles outlined in the Partnership Framework are operationalized through two documents: a UNDG-WB Operational Annex concluded with all of the agencies, funds, and programs of the United Nations Development Group (UNDG) and the Fiduciary Principles Accord (FPA) has been signed by some eleven UN Organizations and Agencies and over twenty UN entities are signatories to the WB-UN FM Framework Agreement (PDF, 1.34 Mb) that qualifies them for streamlined FM arrangements. Development of the Operational Annex laid the foundation for the Joint Declaration on Post-Crisis Assessments and Recovery Planning that the World Bank, the EC, and the UNDG signed in September 2008. The first implementation of this agreement for joint EU-WB-UN needs assessments took place in Georgia in 2008; the experience of the joint undertaking is reflected in a lessons-learned report. A joint post-crisis assessment was completed in Haiti in March 2010 and plans are complete for assessments in Pakistan and Zimbabwe.

With support of the Swiss government, a trust fund has been established to support cooperation between the Bank and United Nations in fragile and conflict affected countries. This involves a staff exchange with the UN. The position for a Bank staff member to be located in the UN in New York has been advertised and shortlisting is underway.

In the context of the strategic theme on fragility and conflict, OPCFC started a series of high-level Headline Seminars bringing in experts in the field to advance research and knowledge, and to identify opportunities to operationalize lessons learned. After the first Headline Seminar on September 22, 2008, which addressed conflict to peace transition, a second Headline Seminar was held on April 8, 2009 and discussed responding to deterioration in fragile and conflict-affected countries. The third Headline Seminar in the series took place on July 21, 2009 and dealt with rule of law in fragile and conflict-affected countries. The fourth Headline Seminar took place in October 2009 and addressed the regional dimensions of fragile and conflict-affected situations. The fifth seminar on employment and equitable growth will take place in April 2010.

**Recommendation: Develop aid-allocation criteria for LICUS that ensure that these countries are not under- or over-aided.**

IDA established a framework to provide exceptional allocations to post-conflict countries starting in the IDA13 period. This framework addresses the special circumstances and challenges that countries emerging from conflict face, in particular that their regular performance based allocations from IDA tend to be low at a time when there is an intense need for resources with which to finance social and economic recovery programs. These special allocations were designed on the basis of research on aid effectiveness in post-conflict situation by DEC and informed by analysis at the country level on reconstruction needs and absorptive capacity, such as post-conflict needs assessments carried out jointly with the UN and other partners.

The IDA Deputies requested an update, at the time of the IDA15 Mid-term Review on actions related to work in fragile and conflict-affected countries, particularly progress on implementation of good practice principles for engaging in FCCs and adapting Country Assistance Strategies to those environments, human resources reforms, development of better indicators on state- and peace-building activities in FCCs, and strengthened partnership with the United Nations and other development actors. A paper was prepared to document progress on these actions, and it was discussed during the IDA15 Mid-Term Review.

Country performance is measured by a set of Post-Conflict Performance Indicators (PCPI), which are tailored to the circumstances faced by countries emerging from conflict. The PCPIs have been used to determine exceptional allocations for eligible countries since FY03. Global knowledge on the issues of conflict and fragility has advanced considerably since the PCPIs were first developed, and IDA's operational needs have also changed. In this context an external panel was asked to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel was assembled in December 2008 and submitted a final report to management in April 2009. The report contains a set of practical and operationally relevant recommendations on how to enhance the PCPI instrument, both with respect to content and process. In sum, management considers the report to provide a useful framework to guide the revisions of the methodology and of the process that underpin the PCPI.

During the IDA15 replenishment, IDA Deputies requested "that IDA's role in fragile states be addressed as one of the three special themes for the replenishment." In response, management prepared a paper on "Operational Approaches and Financing in Fragile States" that proposed to strengthen IDA's support to fragile states both operationally as well as in terms of financing. From the perspective of IDA financing, management suggested and Deputies agreed to two carefully ring-fenced exceptions to the Performance Based Allocation (PBA) system—the post conflict and re-engaging countries exceptional allocations. The specific changes to the exceptional post-conflict and re-engagement allocations were: (i) to lengthen the phase out period of post conflict allocations from three to six years for a total period of ten years of exceptional allocations; (ii) to extend the phasing out for re-engaging countries from one to three years for a total of five years of exceptional allocations. IDA Deputies requested an update at the IDA15 Mid-term Review on the "implementation experience with lengthened phase out for post-conflict and reengagement allocations," and management responded to the request.

All three reports were received with great interest. Signaling the continuing importance of the Bank's work in fragile and conflict-affected (F&C) countries, the Deputies designated "conflict and fragility" as one of three priority areas for the upcoming IDA16.

**Recommendation: Strengthen internal Bank support for LICUS work over the next three years.**

Institutionally the Fragile and Conflict-Affected Countries Group (OPCFC) is responsible for the development and implementation of the joint agenda on conflict and fragility across the Bank and for promoting the overall effectiveness of the World Bank's response to fragile and conflict-affected countries. OPCFC is the result of a merger between the Fragile States Group and the Conflict Prevention and recovery Unit in SDV; it serves as the corporate focal point, while the Bank's Networks and Regions support the fragile and conflict-affected countries agenda through dedicated work programs in their specialized areas. OPCFC is responsible for management of the State and Peace-building Fund, the LICUS Trust Fund and the Post-Conflict Trust Fund.

Enhancing the World Bank effectiveness in fragile and conflict-affected situations continues to be an important issue for the organization. The development of adequate policies and procedures that allow for a faster and context aligned operations has received high level attention and led to progress on several levels. In March 2007 the board approved the newly designed Operational Policy on Rapid Response to Crises and Emergencies, OP/BP8.00. The Bank's Rapid Response framework using OP/BP8.00 provides the operational flexibility and establishes the corporate oversight arrangements and mechanisms for ensuring an appropriate level of institutional response to emergency situations, including through the establishment of a Corporate Rapid Response Committee and Rapid Response to Crises and Emergencies Website.

Deputies requested an update, at the time of the IDA15 Mid-term Review, on actions related to work in fragile and conflict-affected countries particularly progress on implementation of good practice principles for engaging in FCCs and adapting Country Assistance Strategies to those environments; human resources reforms; development of better indicators on state- and peace-building activities in FCCs; and strengthened partnership with the United Nations and other development actors. A paper that was prepared to document progress on these actions for the IDA15 Mid-Term Review.

Country performance is measured by a set of Post-Conflict Performance Indicators (PCPI), which are tailored to the circumstances faced by countries emerging from conflict. The PCPIs have been used to determine exceptional allocations for eligible countries since FY03. Global knowledge on the issues of conflict and fragility has advanced considerably since the PCPIs were first developed, and IDA's operational needs have also changed. In this context

an external panel was asked to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel was assembled in December 2008 and submitted a final report to management in April 2009. The report contains a set of practical and operationally relevant recommendations on how to enhance the PCPI instrument, both with respect to content and process. In sum, management considers the report to provide a useful framework to guide the revisions of the methodology and of the process that underpin the PCPI.

During the IDA15 replenishment, IDA Deputies requested “that IDA’s role in fragile states be addressed as one of the three special themes for the replenishment”. In response, management prepared a paper on “Operational Approaches and Financing in Fragile States”, which proposed to strengthen IDA’s support to fragile states both operationally as well as in terms of financing. From the perspective of IDA financing, management suggested and Deputies agreed to two carefully ring-fenced exceptions to the Performance Based Allocation (PBA) system—the post conflict and re-engaging countries exceptional allocations. The specific changes to the exceptional post-conflict and re-engagement allocations were: (i) to lengthen the phase out period of post conflict allocations from three to six years for a total period of ten years of exceptional allocations; (ii) to extend the phasing out for re-engaging countries from one to three years for a total of five years of exceptional allocations. IDA Deputies requested an update at the IDA15 Mid-term Review on the “implementation experience with lengthened phase out for post-conflict and reengagement allocations”, and a paper was delivered that responded to that request.

A State and Peace-Building Fund (SPF) was established with Board agreement in FY08 as a successor to the Post Conflict Fund and LICUS fund. SPF can fund support in fragile and conflict affected countries, especially those without access to regular IDA resources. It can support flexible implementation arrangements tailored to the capacity constraints of these countries. SPF is fully operational and funding [XX] activities in [YY] countries. Netherlands and Norway have contributed to SPF, which has also been funded from the Bank’s own funds.

As part of the implementation of the agreed framework for Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States (March 2007), OPCFC designed a Core Operations Course on Fragility and Conflict for Bank staff and relevant external participants. Recognizing the institutional priority accorded to issues of fragility and conflict, this course is an important addition to the current range of core operations courses such as the DPL Academy, the Fundamentals of Bank Operations, and Introduction to Bank Operations. The course is being held 3-4 times per year in HQ or, in collaboration with Regions, in the field. The Core Course focuses on: Increase the ability of staff to diagnose fragile and conflict-affected situations; increase the operational range and focus of the strategic choices country teams make; strengthen the operational competence of staff to draw on the most appropriate policies, procedures, and programmatic approaches; and improve the capacity of staff to partner with other key actors.

To increase the developmental effectiveness of the Bank in fragile and conflict affected situations the Bank established a Global Expert Team (GET) for Fragile and Conflict Situations (FCS). This objective will be achieved by making available internal and external technical expertise to improve the relevance and speed of our interventions and by expanding global knowledge on issues related to effective development in FCS. The GET/FCS will build on the Bank’s framework for rapid response to crises and emergencies, including the available callable roster of experienced staff and consultants. The Director of OPCFC is the Head of the FCS-GET and OPCFC provides secretarial support to the body.

With strong support from Bank senior management and the Board, and through close collaboration with OPCS, regions and networks, the Bank’s Human resources Service has implemented a package of financial and non-financial incentives to support, recognize and reward staff taking on field assignments, and in particular working with fragile states with the objective to attract staff who can work effectively in these settings. Field allowances have been increased for non-family, hardship locations and more flexibility is allowed in the duration of assignments in these countries. Reentry at the end of assignment has been a problem and a committee of vice presidents and regional operations directors has been constituted to manage the return of staff from fragile states. A committee of VPs and senior directors was set up to address the special challenges of staffing country offices in fragile states in Africa; several positions have been filled after their interventions.

**Recommendation: Reassess the value added by the LICUS approach after three years.**

In March 2007 the board approved the newly designed Operational Policy on Rapid Response to Crises and

Emergencies OP 8.00. The Bank's Rapid Response framework, OP/BP 8.0 provides the operational flexibility and establishes the corporate oversight arrangements and mechanisms for ensuring an appropriate level of institutional response to emergency situations. The progress of the implementation of OP 8.00 was reviewed in April 2009 and reported to the Board Rapid Response to Crises & Emergencies (OP8.00)-Progress Report.

Deputies requested an update, for the time of the IDA15 Mid-term Review, on actions related to work in fragile and conflict-affected countries particularly progress on implementation of good practice principles for engaging in FCCs and adapting Country Assistance Strategies to those environments; human resources reforms; development of better indicators on state- and peace-building activities in FCCs; and strengthened partnership with the United Nations and other development actors. A paper that documented progress on these actions was discussed at the IDA15 Mid-Term Review.

Country performance is measured by a set of Post-Conflict Performance Indicators (PCPI), which are tailored to the circumstances faced by countries emerging from conflict. The PCPIs have been used to determine exceptional allocations for eligible countries since FY03. Global knowledge on the issues of conflict and fragility has advanced considerably since the PCPIs were first developed, and IDA's operational needs have also changed. In this context an external panel was asked to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel was assembled in December 2008 and submitted a final report to management in April 2009. The report contains a set of practical and operationally relevant recommendations on how to enhance the PCPI instrument, both with respect to content and process. In sum, management considers the report to provide a useful framework to guide the revisions of the methodology and of the process that underpin the PCPI.

During the IDA15 replenishment, IDA Deputies requested "that IDA's role in fragile states be addressed as one of the three special themes for the replenishment". In response, management prepared a paper on "Operational Approaches and Financing in Fragile States", which proposed to strengthen IDA's support to fragile states both operationally as well as in terms of financing. From the perspective of IDA financing, management suggested and Deputies agreed to two carefully ring-fenced exceptions to the Performance Based Allocation (PBA) system—the post conflict and re-engaging countries exceptional allocations. The specific changes to the exceptional post-conflict and re-engagement allocations were: (i) to lengthen the phase out period of post conflict allocations from three to six years for a total period of ten years of exceptional allocations; (ii) to extend the phasing out for re-engaging countries from one to three years for a total of five years of exceptional allocations. IDA Deputies requested an update at the IDA15 Mid-term Review on the "implementation experience with lengthened phase out for post-conflict and reengagement allocations", and a paper was delivered that responded to that request.

Effective assistance and operations in fragile and conflict-affected countries requires constant adjustment to the changing features of conflict and fragility and the new challenges they bring. Global non-state actors, regional spill-over, continued violence after the signing of peace accords, the de-stabilizing force of drug trafficking; and similar developments have been requiring the Bank to constantly assess its approach to fragile and conflict-affected countries. In line with international practice and donor behavior the Bank continues to recognize clearly the importance of a special approach to fragile and conflict-affected countries and the designation of "fragility and conflict" as one of the Bank's strategic themes is testament to this commitment.

In addition, the Bank cochairs a task team and fully participates in the work of the OECD DAC International Network on Conflict and Fragility (INCAF) which has been assessing the international approach to fragile and conflict-affected countries and developing guidelines for best practice that are disseminated to Bank staff. INCAF also supports an international dialogue with governments of fragile and post-conflict countries which reports back on the effectiveness of international assistance and contributes to INCAF guidelines on good practice.

In 2009 it was decided that the World Development Report 2011 will focus on Fragile and Conflict Affected Situations. The goal of the World Development Report 2011 is to contribute concrete, practical suggestions to the debate on how to address conflict and fragility. The Report will review key thinking on the evolution of violent conflict and fragility and on its causes; assess key ingredients of successful short and medium term responses and identify gaps in Policy and Implementation. The report will bring important insights and will further advance the Bank's thinking and approach to fragile and conflict affected situations.

## IEG Response Implementation Report 2010

IEG notes that the Bank has accorded top priority to Fragile States (for example, it is one of the Bank's six strategic pillars, an area of strategic focus for WBI, and the topic of the Bank's 2011 WDR) and has taken several important steps at the working level (for example, policy research, headline seminars, exceptions to the performance-based allocation system, financial and non-financial incentives for work in fragile states, and a global expert team (GET) for fragile and conflict situations) in order to improve the ability of the Bank to address fragility and conflict. Further work in fulfillment of the IEG recommendations needs to include greater operationalization of the knowledge and lessons on state building so as to strengthen the design and delivery of capacity development and governance support, measurement of the extent to which the current changes in the performance-based allocation system have ensured that fragile states are not under- or over-aided, tracking of the extent to which human resource policies and other internal support have adequately improved the willingness and ability of staff to work in fragile states, and an assessment of the value-added of the Bank's new overall approach to fragility and conflict.

## 22. 2006 ANNUAL REPORT ON OPERATIONS EVALUATION

### List of Recommendations

**5.1 Building on progress achieved so far in advancing the results agenda, agree on a three year action program supported by appropriate funding for the implementation of the next stage, differentiating new allocations and redeployed resources. Critical action items would be the following:**

- Support country directors and country teams in their efforts to refine and use results frameworks at country and sectoral levels to manage country programs. Similar efforts are needed to strengthen the results frameworks of thematic and global programs.
- Assess the effectiveness of (self-) evaluation approaches during project and country program implementation and provide guidelines to staff on their use.
- Strengthen incentives and accelerate a results-oriented training and communications program for management and staff to encourage use of M&E information.
- Identify and support in-depth learning opportunities to develop and use results-based approaches with task teams, particularly in challenging country cases and in complex multisectoral settings.

**5.2 Provide support to task teams and technical advice to countries that intend to institutionalize M&E systems to strengthen the collection and use of performance information in order to enhance their capacity and demand to manage for results.**

### Status of Implementation

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<p><b>5.1 Building on progress achieved so far in advancing the results agenda, agree on a three year action program supported by appropriate funding for the implementation of the next stage, differentiating new allocations and redeployed resources. Critical action items would be the following:</b></p> <ul style="list-style-type: none"> <li>• Support country directors and country teams in their efforts to refine and use</li> </ul>	Substantial	Substantial	Incomplete and Archived	Incomplete and Archived

Recommendations	Level of Adoption		Status Rating	
	Mgmt	IEG	Mgmt	IEG
<p>results frameworks at country and sectoral levels to manage country programs. Similar efforts are needed to strengthen the results frameworks of thematic and global programs.</p> <ul style="list-style-type: none"> <li>• Assess the effectiveness of (self-) evaluation approaches during project and country program implementation and provide guidelines to staff on their use.</li> <li>• Strengthen incentives and accelerate a results-oriented training and communications program for management and staff to encourage use of M&amp;E information.</li> <li>• Identify and support in-depth learning opportunities to develop and use results-based approaches with task teams, particularly in challenging country cases and in complex multisectoral settings.</li> </ul>				
<p><b>5.2 Provide support to task teams and technical advice to countries that intend to institutionalize M&amp;E systems to strengthen the collection and use of performance information in order to enhance their capacity and demand to manage for results.</b></p>	Substantial	Substantial	Incomplete and Archived	Incomplete and Archived

### Management Response Implementation Report 2010

Within the Bank, Operational Policy and Country Services (OPCS) continues to lead the implementation of the Results Agenda, in close partnership with the Region and Networks. A primary focus of the OPCS Results Unit's program is to support strengthening the Bank's capacity to measure, monitor and report on results to improve development effectiveness. In addition, the Result Unit is actively engaged in the development of country capacity to manage for results, and working with partners to ensure a shared approach to results measurement. The following summary highlights the work underway with respect to the primary areas of focus under the 2006 AROE, namely improving the relevance and effectiveness of development assistance and helping countries strengthen their capacity to manage for results.

**5.1 Advancing the Results Agenda.** Management's Management Action Record responses since 2007 have highlighted a number of important initiatives designed to strengthen the understanding of staff and management on the application of the results agenda at the operational level. Management's program of activities over this past year has taken this effort to a new level through several key initiatives: (i) development of systems to support results measurement and monitoring at the country (notably the Country Portfolio Results Tool (CPRT)), sector, and regional and global level (notably core sector indicators); (ii) inclusion of the evaluation of CASs in the 2009 CAS Retrospective; and (iii) continued attention to country and sector management and operational staff knowledge and learning around the results agenda.

(i) The systems developed to support results measurement, monitoring and reporting are drawn from results frameworks of operations and is being expanded to include AAA activities. These initiatives are supporting Country Director and team efforts to use results frameworks to measure the change as a result of Bank interventions at the project, sector, regional and global levels. Over this past year, there has been focus on two types of systems: (a) CPRT and (b) core sector indicators.

(a) The CPRT is a web-based portfolio monitoring tool that draws data and information from the results frameworks of activities in a particular country, providing country management teams in particular with a real time tool to better understand how projects and AAA activities are supporting the objectives of the Country Assistance Strategy (CAS). The data in the CPRT can also be viewed by sector, offering networks an opportunity to review their portfolios within a country more easily. This past year was marked by expansion and further refinement of the application of CPRT, which has generated considerable demand to be met in the coming year (for example, the Africa Region is considering using the CPRT region-wide).

(b) An additional system for better use of results frameworks is the adoption of core sector indicators, which were launched in July 2009 and will support strengthened sector level results management. Core sector indicators are adopted into the results frameworks of each project, to be regularly monitored throughout implementation through Implementation Status and Results Reports (ISRs). The systems were modified to facilitate aggregation of this data at the country, sector, regional and global levels. To date, core sector indicators have been adopted to the IDA 14/IDA 15 active portfolio for seven sectors/themes (education, health, information, communications and technology (ICT), micro and small/medium enterprise finance (MSME), roads, access to urban services and housing for the poor, and water supply), with additional sectors/themes to be launched shortly. Having a standard set of indicators from which can data can be aggregated makes results frameworks a more useful tool for analysis and assessment at the sectoral (and country/global) levels.

(ii) The 2009 [CAS Retrospective](#), the first retrospective review of the CAS since 2005, analyzes the evolution of the CAS over the past few years, takes stock of current practices and summarizes future developments in CAS products. In terms of the specific recommendation of the 2006 AROE to “assess the effectiveness of evaluation approaches during project and country program implementation,” the CAS Retrospective provides some useful findings. While the current CAS architecture is appropriate and, by and large, has served the Bank and its clients well, future work will focus on strengthening three related components of this architecture: (i) strengthening the results frameworks in CASs, especially in middle-income and fragile/conflict-affected countries. In particular, these frameworks need to be linked to the outcomes of Bank activities, not higher-level development outcomes; and (ii) drawing on lessons from implementation over the first two years of a CAS, a CAS Progress Report (CASPR) can be used to realign the results framework and Bank activities; and (iii) enhancing the content of CASPRs and CAS Completion Reports (CASCRs) to adapt to changing country and global circumstances and to improve CAS design and implementation. Staff guidance is currently being updated to reflect the findings of the CAS Retrospective.

(iii) In terms of providing learning opportunities to develop and use results-based approaches with operational teams, the emphasis on mainstreaming results into ongoing training program continues and has proven to be an effective means for making results messages and tools more broadly accessible. For example, a module on ensuring a results orientation in fragile states settings has been integrated into the Core Operations Course on Fragility and Conflict, the Results Module for the Fundamentals of Bank Operations has been updated, and a results module is now part of a Sector-Wide Approaches learning program, which was videotaped for greater ease of dissemination to country offices. Finally, work is underway to prepare a corporate Core Operations Curriculum, which will revamp the knowledge and learning experience on operations. Results will be centrally integrated into this new program, and distinct results/monitoring and evaluation modules developed as appropriate.

The implementation rating of “incomplete and archived” (rather than “complete and archived”) has been selected because providing support to Country Directors and country teams remains a high priority, as is the provision of results-oriented training and communications, and periodic assessment of the effectiveness

of monitoring and evaluation approaches. As such, it is not the kind of recommendation one can consider to be “complete.” (Management’s original response to the 2006 AROE Recommendations noted that management did not agree with the need for a three-year action program with a corresponding budget. Indeed, management had set its own action plan for the Results Agenda.)

**5.2 Support to Countries.** With respect to the second set of recommendations from the 2006 AROE which concern the application of Managing for Development Results (MfDR) principles by countries, there have been a number of notable accomplishments.

The World Bank’s estimated annual disbursements through Bank-financed projects for country-level statistical development have continued to climb from \$33.1 million in 2007 to \$45.3 million in 2009, surpassing all other partner organizations, including the EC, the UK and other bilateral partners.<sup>4</sup> OPCS and the Bank’s Development Economics (DEC) Vice Presidency are co-managing a recently launched Statistics for Results Facility (SRF), a \$130 million trust fund set up with support from DfID and the Netherlands. The SRF is providing governments and country teams with resources to develop their statistical capacity, complementing resources already available through STATCAP (a financing program designed to make investments in statistical capacity easier and more effective, approved by the Bank’s Board in March 2004). Five countries have been identified for inclusion in the SRF pilot phase, and proposals are under review.

In addition, OPCS manages the African Community of Practice (AfCOP) which brings together in-country practitioners and international experts on MfDR for learning and knowledge exchange. Moreover, OPCS is supporting the piloting of CAPScan, a diagnostic tool developed to help countries assess their capacity to manage for results, and define an action plan to address weaknesses identified. Most recently, the Bank facilitated the piloting of CAPScan in Mauritania, Senegal and Niger, with a number of other countries set to join the pilot (for example, Malawi). The Bank has also received CHF100,000 per year for three years from the Swiss Agency for Development and Cooperation (SDC) to finance the continued roll out of CAPScan. A review of the CAPScan program is underway as a basis for a broader roll out program. Finally, in support of a harmonized approach to managing for results, OPCS chairs the MBD Working Group on MfDR, and is an active partner in the OECD-DAC Cluster on MfDR.

The implementation rating of “incomplete and archived” (rather than “complete and archived”) has been selected because the support to task teams and technical advice to countries is an ongoing process, not one that should be considered complete. The agenda is important and considerable, and the movement forward during this past year, particularly with respect to adoption of the specific recommendations of the 2006 AROE, is significant. (Management’s original response to the 2006 AROE Recommendations noted that “Management does not agree to provide special budgetary support to task teams...”)

### **IEG Response Implementation Report 2010**

IEG concurs with management’s assessment of **Substantial** (largely adopted) and **Incomplete and Archived** for both recommendations. As management has pointed out the Bank has taken steps to strengthen the results focus of its operations, e.g. development of the Country Portfolio Results Tool, the introduction of core sector indicators, etc. Results are now part of Bank operations, But there is room for further improvement. CAS results frameworks are being improved as the Bank gains experience, but more can be done as pointed out in the CAS retrospective.

<sup>4</sup> PRESS 2009; Partner Report on Support to Statistics; Paris21; Paris21 Secretariat.

**PART II**  
**IFC MANAGEMENT ACTION**  
**TRACKING RECORD 2010**



<b>ID #/Study Name:</b>	STD023	REC05	<b>An Evaluation of IFC's Investment Climate Activities</b>	
<b>Header:</b>	<b>Track and follow up on IC issues to support the portfolio.</b>			
<b>Recommendation:</b>	IFC should consider establishing a mechanism to track and follow up on IC issues encountered with a view to supporting its portfolio and potential pipeline companies in addressing these issues, informing IFC's investment climate work program, and feeding this information into the work programs of relevant World Bank Group PSD staff charged with improving IC and setting CAS priorities.			
<b>Management Response:</b>	Management agrees that tracking investment climate issues is important and will consider adding a section in the PSR to track significant investment climate issues as and when they are encountered during the life of a project. This data could then be aggregated at the country level with a view to informing IFC's TAAS strategy and the World Bank Group's investment climate work.			
<b>Management/IEG Ratings:</b>	High	Active (To be made inactive)	High	Active (Rated)
<b>Management Comment:</b>	As part of DOTS 2, indicators have been developed for assessing the impact of the investment climate on IFC's client companies. In the Private Sector Development Impact rating section, there is a specific section to specify how for investment climate issues have affected IFC's client company, namely related to (i) commitment and functioning of government; (ii) commercial legislation and institutions; (iii) openness and competitive nature of markets; (iv) corporate governance; (v) tax system; (vi) infrastructure and services and (vii) other.			
<b>IEG Comment:</b>	IEG will review DOTs 2 over the next update cycle.			
<b>ID #/Study Name:</b>	STD029	REC01	<b>Independent Evaluation of IFC's Development Results 2007</b>	
<b>Header:</b>	<b>Develop a Deeper, More Differentiated Country Approach</b>			
<b>Recommendation:</b>	As IFC decentralizes, it has the opportunity to adopt more tailored country strategies to complement its strong sector and regional approach. This strategy might include, in consultation with the Bank and country governments, the development and pursuit of a set of country-specific private sector development indicators (such as for the level of private, gross, fixed capital formation; banking sector capacity; and private provision of infrastructure).			
<b>Management Response:</b>	Management agrees with the recommendation to develop a more differentiated country approach. Current IFC strategic processes already involve developing country level strategies that feed into Country Assistance Strategies (CASs) and into IFC's regional strategies that form part of IFC's Strategic Directions Paper. Because of the commonality of certain characteristics, regional departments are also able to group countries with similar needs and issues for the purpose of developing a coordinated approach. For example, in Sub-Saharan Africa, countries are grouped in four categories: (i) post-conflict (such as the Democratic Republic of Congo and Liberia); (ii) natural resource rich (such as Nigeria and Tanzania); (iii) middle income (such as South Africa and Mauritius); and (iv) others (such as Mali and Niger). Similar approaches are used in other regions. Building on this base of activity, IFC is seeking to strengthen its country focus. As discussed in IFC Strategic Directions, FY08-10: Creating Opportunity (chapter 2), IFC is working to develop greater systemic approaches to its activities, which will be done at the country or sector level. In addition, increased IFC staff country presence through its phased decentralization should also facilitate a more country-focused strategic approach. With respect to the suggestion to develop macro private sector development targets, we need to study this more carefully to determine what is feasible and meaningful, considering the difficulty in attributing country-wide macro indicators to IFC operations. IFC could also benefit from IEG-IFC findings on which private sector development target indicators have worked in other institutions. In the meantime, IFC is working on advancing its metrics on outcomes and impacts that can clearly be attributed to IFC's projects, advisory activities, and systemic approaches. These metrics could serve as IFC targets, but they will have to be tried on perhaps one or			

	<p>two countries on a pilot basis. There may be some issues with respect to the burden on clients for certain types of reporting. Therefore, IFC will need to assess the feasibility of this approach. In addition, IFC has on-going work with the World Bank in providing broad indicators that countries may use to track private sector development. The joint World Bank/IFC annual Doing Business report is one example which has been increasingly used by many countries in setting targets in their reform agenda for improving investment climates. Another joint World Bank/IFC initiative in indicator setting is the on-going development of the “Private Sector at a Glance” tables. These one-page per country tables cover almost 60 key private sector indicators encompassing: (i) economic and social context (such as inflation rate and size of labor force); (ii) investment climate (such as ease of doing business ranking and number of procedures to start a business); (iii) private sector investment (such as private participation in infrastructure and net private FDI); (iv) regulation and taxes (such as time dealing with government officials and corporate tax rate); (v) finance and banking (such as total financial system deposit and bank branches per one hundred thousand people); and (vi) infrastructure (such as paved roads and electric power outages).</p>			
<b>Management/IEG Ratings:</b>	High	Active (To be made inactive)	Substantial	Active (Rated)
<b>Management Comment:</b>	<p>Cooperation in World Bank Group country strategies (CASs) has continued to improve, with a pilot effort aimed at a more integrated process in six IDA countries. Recommendations from this effort have been endorsed by IFC management and will be incorporated into future CASs, as relevant. Findings from country-level strategies are incorporated into regional strategies as part of the regional strategy process, including strategy development and implementation.</p>			
<b>IEG Comment:</b>	<p>IFC had given more attention to country strategies. As IFC's comment indicates, the recommendation has been endorsed by IFC management, however implementation is still at an early stage.</p>			
<b>ID #/Study Name:</b>	STD029	REC02	<b>Independent Evaluation of IFC's Development Results 2007</b>	
<b>Header:</b>	<b>Place an Emphasis on Rural Development</b>			
<b>Recommendation:</b>	<p>In its country strategies, IFC may consider flagging opportunities to work on the nexus of rural poverty and sustainable natural resources, on which poor people depend, and to identify and develop high-impact agribusiness and rural microfinance projects with widespread demonstration effects, while simultaneously providing leadership in promoting socially and environmentally sustainable practices.</p>			
<b>Management Response:</b>	<p>In the FY08–10 Strategic Directions paper, IFC incorporated agribusiness into the five strategic priorities. Over the past five years, IFC’s commitments in the agribusiness sector have grown significantly and development outcomes have also improved. IFC is now intending to further increase its involvement in this sector by, for example, developing wholesale financing solutions using financial intermediaries, processors, and traders. IFC is also doing some rural microfinance. However, beyond agribusiness and a few rural microfinance projects, further study is needed to understand how to be effective in rural areas, given that the results so far appear to be mixed. Management would welcome IEG-IFC’s input on lessons learned from successful models of private sector rural finance to inform this recommendation. With respect to the suggestion of providing leadership to promote socially and environmentally sustainable practices, IFC addresses this through its sustainability pillar. Following Board approval and formal launch of the performance standards in 2006, IFC’s focus has been on sound implementation of the performance standards. To maintain its environmental and social sustainability leadership, IFC will continue to provide support for the further adoption and implementation of the Equator Principles. In addition, IFC is committed to scaling up its activities in renewable energy and energy efficiency sectors.</p>			
<b>Management/IEG Ratings:</b>	Substantial	Active (Rated)	Substantial	Active (Rated)

<p><b>Management Comment:</b></p>	<p>1. IFC actively incorporated agribusiness into its strategic priorities and scaled up its investment commitments in the sector from a total of US\$848 million in FY06 to US\$2.0 billion in FY09 (136 percent increase and CAGR of 33 percent).</p> <p>Advisory Services operations approved 23 agrispesific projects with US\$14.5 million in funds managed by IFC for the FY07-1HFY10 period (not including Access to Finance, reported below). These approvals built upon a solid first year of 6 projects for US\$5.7 million in FY07, after the previous FY06, in which there were 2 projects approved for US\$1.6 million in funds managed by IFC.</p> <p>2. Wholesale financing transactions through FIs have been integrated into the Agribusiness investment program and have resulted in 8 joint-venture transactions in four different regions in the FY08-FY10 period (despite a prolonged ramp-up of the program among the staff of two distinct departments). These transactions, along with other wholesale transactions through non-FI intermediaries (for example, trading companies, agriprocessors) have specifically targeted reach to MSME enterprises as integral to their development impact. Advisory Services have targeted rural agricultural development, however, approved programs via FIs have limited ([6 projects for US\$10.1] million).</p> <p>3. Investments in renewable energy (RE) and energy efficiency (EE) have increased substantially as a focus in meeting our Agribusiness client needs. In FY07-09, there were 22 projects with US\$124 million in RE/EE investments. These projects have recently been impacted by the global economic downturn but continue to be requested by clients.</p>
<p><b>IEG Comment:</b></p>	<p>IEG concurs with IFC's rating.</p>
<p><b>ID #/Study Name:</b></p>	<p>STD029 REC03 <b>Independent Evaluation of IFC's Development Results 2007</b></p>
<p><b>Header:</b></p>	<p><b>Pursue New Incentives and Mechanisms to Enhance Cooperation with the World Bank in Areas of Synergy</b></p>
<p><b>Recommendation:</b></p>	<p>To enhance cooperation with the World Bank in areas of synergy, IFC could (i) consider new incentives and mechanisms to complement the CAS process (with the Bank); and (ii) identify investments at approval that were facilitated by Bank policy or regulatory assistance, and track them throughout the project cycle (through DOTS or other means) in order to judge their success.</p>
<p><b>Management Response:</b></p>	<p>Management agrees with the recommendation of enhancing cooperation with the Bank. Leveraging the strengths of the whole World Bank Group will become more important as IFC aims to increase its development impact and increase its systemic interventions. In past years, IFC has taken several steps in this direction, from increased focus by IFC Senior Management (including inviting senior World Bank staff to IFC's strategy discussions), to including World Bank Group cooperation as part of the performance appraisal for managers in Sub-Saharan Africa, to a World Bank Group review of advisory services to assess synergies. In addition, the World Bank and IFC have a joint Vice Presidency Unit (VPU) for Financial and Private Sector Development; the Vice President of this VPU is also IFC's Chief Economist. There are also joint departments in a number of core sectors: oil, gas, mining, information and communication technology, and subnationals. Going forward, IFC envisages increasing cooperation with the World Bank as the Corporation adopts systemic and programmatic approaches to scaling up activities. Typically, a systemic approach to a sector would start with upstream advisory work on the business-enabling environment and/or privatization, often building on efforts of the World Bank and the government. IFC can then participate in the financing of associated projects, as appropriate. In addition, IFC and World Bank cooperation will be enhanced by the implementation of IFC's phased decentralization program. This should provide more opportunities for increased World Bank-IFC staff contacts in</p>

<b>Management/IEG Ratings:</b>	<p>the field. With respect to the recommendation to identify and track performance of investments with World Bank/IFC cooperation, IFC will consider this along with the other work it is doing on metrics, such as DOTS, systemic metrics, and advisory metrics. An important issue to consider is the extent to which the performance of projects can be partly attributed to good World Bank Group cooperation.</p>				
	<table border="1" data-bbox="516 348 1437 380"> <tr> <td data-bbox="516 348 915 380">Substantial</td> <td data-bbox="915 348 1153 380">Active (Rated)</td> <td data-bbox="1153 348 1437 380">Substantial</td> <td data-bbox="1437 348 1624 380">Active (Rated)</td> </tr> </table> <p>Significant progress has been made in increasing cooperation among the World Bank Group, which remains an important corporate goal for IFC to enhance overall development impact. With the establishment of the IDA-IFC Secretariat in February 2008 to improve collaboration between Bank and IFC in IDA countries, the institutional challenges to collaboration have been systematically assessed and IFC is building on continuing close cooperation in the areas of strategy, policies and systems, and projects.</p> <p>Incentives/Change Management: IFC's corporate scorecard now includes the number of joint projects and is tracked by IFC management quarterly; (ii) Bank and IFC management teams in some regions include collaboration within work plans and results agreements; (iii) The new Bank VP award allows Bank team awards to include IFC staff, mirroring IFC practice.</p> <p>Strategy: (i) Pilot joint CASs of six countries provides lessons on improving joint country formulation; recommendations from this effort have been endorsed by IFC management, including a more strategic and explicit link between the emerging IFC country strategy, IFC's annual strategy process and the joint CAS; (ii) Engagement by World Bank staff in IFC's strategy discussions continually strengthens year after year; (iii) Some regional management teams now hold coordination meetings to review collaboration and agree priorities.</p> <p>Information Sharing/Tracking of joint projects: (i) new flag included in SAP, iDesk (and project documents) that tags when a project is joint between IFC and the Bank; In addition, the IDA-IFC Secretariat and IEG together are working on capturing further information within this flag the expected value when collaboration is likely to lead to better outcomes. (ii) new World Bank Group Dashboard will be launched in Q3 FY10, which will serve as the first unified repository of Bank Group project information and aggregates Bank Group portfolio at a regional and sectoral levels; (iii) regular training on structures and products for CDs and CMs; (iv) combined global meetings of Bank CDs and IFC Regional Directors; (v) new policy requiring co-located country offices whenever possible.</p>	Substantial	Active (Rated)	Substantial	Active (Rated)
Substantial	Active (Rated)	Substantial	Active (Rated)		
<b>Management Comment:</b>					
<b>IEG Comment:</b>	IEG concurs with IFC's rating.				
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Independent Evaluation of IFC's Development Results 2007</b></p>				
<b>Header:</b>	<p style="text-align: center;"><b>Manage the Trade-offs Inherent in the Decentralization Process to Achieve the Highest Possible Work Quality</b></p>				
<b>Recommendation:</b>	<p>IFC will need to monitor the decentralization process closely to ensure that its work quality remains robust, and support this with a rigorous training program for new investment staff.</p>				
<b>Management Response:</b>	<p>Management agrees with the recommendation of ensuring that work quality remains high as IFC implements its phased decentralization. IFC is taking a number of steps to help ensure sustained work quality. More experienced/senior industry staff will be located in regional operations centers to mentor and provide leadership to more junior investment staff. Credit officer(s) will similarly be stationed in operations centers and will be involved in field-based investment decisions. Field presence of environment and social specialists will be increased to further mainstream sustainability into IFC's investment work, mitigate environmental and social risks, and ensure sustainability in clients' operations. In addition, as discussed below, IFC</p>				

	<p>is undertaking several steps to enhance its risk management function in connection with the decentralization. Finally, the decentralization is being undertaken in a phased approach, first in Asia, and then in other regions over three years. This approach allows IFC to learn from experience and revise implementation processes, as needed, based on these experiences. IFC is also developing a knowledge management initiative to maintain global expertise as decentralization deepens. This would include department-level training at entry (on-boarding) and structured activities for sharing knowledge. This initiative would complement the current IFC induction program and credit courses, which have proven to be effective.</p>			
<b>Management/IEG Ratings:</b>	High	Active (Rated)	High	Active (Rated)
	<p>IFC continues to monitor and strengthen the decentralization efforts. Recent changes developed under IFC 2013 aim to further strengthen decentralized decision-making and raise the capacity of staff in the field. With the appointment of Regional Industry Directors, there will be more focus on the capacity of field-based industry investment staff, and the creation of Operational Centers will further advance the role of field-based specialists and risk functions.</p>			
<b>Management Comment:</b>	<p>Onboarding for new staff continues to be strengthened at both the Corporate and Department level. A wide and comprehensive range of intensive learning opportunities are available to staff across the Corporation. Most of the training offered is field-based to serve our decentralized investment and advisory staff in the regions. All the programs support integration and knowledge sharing between and among the country and regions, investment and advisory side of IFC business, and/or IFC staff and clients, donors, and other stakeholders. The goal is to share lessons of corporate experience, strengthen the IFC's credit culture and credit quality, and enhance focus on our strategy. The Credit Review's (CRV) Training Unit provides several intensive credit courses for investment staff including: a 6-week Credit Training Program, a 2-week Advanced Credit Issues program, a 3-day Senior Level Seminar, a 1-week Equity Training Course, and a 1-week Credit Investment Overview course for non-investment staff. Credit training, particularly in the field, has assumed greater importance as the IFC.</p>			
<b>IEG Comment:</b>	<p>IEG concurs with IFC's rating. Implementation is still at an early stage.</p>			
<b>ID #/Study Name:</b>	STD029	REC05	<b>Independent Evaluation of IFC's Development Results 2007</b>	
<b>Header:</b>	<b>Ensure Sound Risk-Management Systems and Develop Risk-Mitigation Products</b>			
<b>Recommendation:</b>	<p>IFC will need to make continued efforts to improve its risk-management systems and to prepare for the next correction in the international markets, including perhaps the extended use and development of new risk-mitigation products.</p>			
<b>Management Response:</b>	<p>Management agrees with this recommendation. IFC has in the past responded well to such crises by supporting its portfolio projects and undertaking countercyclical investments such as trade financing, as well as debt and equity funding. IFC's FY08-10 Strategic Directions paper acknowledges that current conditions in markets where it operates could change should there be financial crises. IFC's growth strategy takes into consideration the need to maintain financial capacity to accommodate the impact of possible financial crises. IFC stands ready to play a countercyclical role, with instruments such as trade lines and other support, including advisory services, to select clients. IFC is undertaking several steps to improve overall risk management and thereby better prepare IFC for the next crises. As part of the decentralization initiative, the risk-management function will be transformed to facilitate improved client service and efficiency, while retaining appropriate checks and balances on decentralized decision making. Steps in this direction include: (i) the ongoing Business Process Review to streamline and strengthen operational procedures; (ii) shifting credit review and, eventually, most aspects of risk management decision-</p>			

	making to the field; (iii) enhanced corporate tools for risk management, including improved risk-rating systems; (iv) integration of development-impact metrics with financial risk-return metrics; (v) enhanced reporting of all metrics; and (vi) strengthening of information technology (IT) for more efficient and effective document processing and management.
<b>Management/IEG Ratings:</b>	High      Active (Rated)      Substantial      Active (Rated)
<b>Management Comment:</b>	IFC continues to strengthen its risk management systems and adapt them to a decentralized operating environment. Business Processes continue to be streamlined and strengthen accountabilities; Credit and other risk functions are being further decentralized, while maintaining strong central control functions; the integrated risk management framework, risk metrics and rating systems are in place and some are being further strengthened.
<b>IEG Comment:</b>	As IFC's reorganization continues, it will be important to continually adapt and improve IFC's risk management systems. IEG expects to look more closely at the systems that IFC puts in place when it evaluates IFC's decentralization/matrix in FY2011.
<b>ID #/Study Name:</b>	STD029      REC06 <b>Independent Evaluation of IFC's Development Results 2007</b>
<b>Header:</b>	<b>Strengthen the Capacity for Evaluation and Its Application</b>
<b>Recommendation:</b>	As it deepens its self-evaluation and monitoring systems, IFC could, with IEG's assistance, advance its metrics to better understand (and derive lessons about) the wider sector and the country-level impacts of its operations.
<b>Management Response:</b>	IFC agrees with the recommendation of deepening its evaluation and monitoring system in consultation with IEG-IFC. In the past, IFC has consulted with IEG-IFC on the development of its monitoring and self-evaluation system, that is, DOTS for investment operations and the project completion report (PCR) for advisory services. Both DOTS and PCRs are already contributing to increased development focus through clear objective-setting and tracking of outcomes. The PCR for advisory services, which is in the pilot stage, is being supplemented by thematic impact evaluations. As the report mentions, DOTS is starting to supplement expanded project supervision reports (XPSRs) by providing results that cover IFC's entire portfolio (rather than a sample) and are more up-to-date. DOTS provides an earlier, preliminary indication of results, and takes into account developments after the XPSR is written. The data from DOTS feed into IFC's strategic decision making. Both XPSRs and DOTS already cover broader impacts beyond the client company. On evaluating country and sector-wide impacts of IFC's operations and drawing lessons from them, IFC already routinely considers the results of its projects, including impacts beyond the client company. IEG-IFC's country and sector evaluations are also providing valuable insights. Tracking country and sector-wide metrics will, however, not make sense in all cases, because IFC's investments are often a relatively small share of private investment, making attribution of country-level results to IFC's activities difficult or even meaningless. However, as noted earlier, there could be scope for a pilot test.
<b>Management/IEG Ratings:</b>	High      Active (To be made inactive)      High      Active (Rated)
<b>Management Comment:</b>	1. In FY2010, IFC launched a significantly upgraded version of Development Outcome Tracking System, DOTS 2. Major improvements of DOTS 2 include the change from text to numerical field data that allows for better aggregation and analysis as well as the incorporation of reporting features into iDesk that provides one-stop location for country and sector-level DOTS data retrieval. However, experiences have shown that monitoring country and sector-wide results is only meaningful when there is a critical mass of IFC business in the country/sector. Otherwise, performance assessment at the project-level is more appropriate to measure IFC's development results. 2. IFC currently participates in joint-CASs and CASCRs where it has substantial

	activities in the countries. The number of joint-CASs are about 50 percent of total CASs.	
<b>IEG Comment:</b>	IEG concurs with IFC's rating, however, it will keep the recommendation active because it is still too early to assess the reliability of DOTS-2.	
<b>ID #/Study Name:</b>	STD030	REC01 IFC in Ukraine
<b>Header:</b>	<b>Investment strategy</b>	
<b>Recommendation:</b>	IFC should develop and follow a more systematic medium-term (three- to five-year horizon) country approach to identifying investment opportunities in areas of high impact, country competitive advantage, and unmet demand to channel IFC investments into projects with the greatest potential development impact and demonstration effect.	
<b>Management Response:</b>	We agree with the need to refine IFC's approach in identifying investment opportunities in Ukraine. As our operations in Ukraine grow and mature, we find ourselves better positioned to recognize and take advantage of emerging opportunities early on and to carve out a meaningful niche for ourselves in the market. Increases in resources and staff dedicated to Ukraine have allowed us to conduct in-depth research and mapping of specific sectors to pinpoint areas of unmet demand and potential competitiveness that are likely to generate the highest development outcomes, particularly demonstration effects. IFC will continue to follow a systematic medium-term strategy for its operations in Ukraine. In the past, IFC has taken a long-term approach in Ukraine to ramp up its investment operations following successful implementation of a reform agenda, which included a mass privatization program. Because the reforms took longer to execute and the number of investment opportunities acceptable to IFC remained scarce, IFC continued to focus on advisory services to address some of the issues that made Ukraine unattractive to private investments. IFC's engagement continues to be guided by the four-year country assistance strategies, prepared jointly with other World Bank Group institutions. In addition, IFC undertakes annual strategy and budget discussions to allow the country teams to alter and fine-tune their plans in the context of changing country conditions and internal institutional dynamics. These country-level discussions feed into IFC's strategic directions papers, which cover three-year periods.	
<b>Management/IEG Ratings:</b>	High	Active (To be made inactive) High Active (To be made inactive)
<b>Management Comment:</b>	IFC follows a systematic strategy in Ukraine in both its investment and advisory work (which are fully integrated) that focuses on three core strategic priorities: i) address the country's immediate crisis response needs; and pursue longer term developmental objectives of ii) developing agribusiness and iii) mitigating climate change. On the investment side, sector mappings are routinely carried out to choose areas with the highest impact potential and to find suitable clients. Areas of comparative advantage in the medium term have been identified (such as agribusiness development across the entire value chain, especially in the context of the global food crisis) and are now targeted through IFC projects. IFC's strategy in Ukraine has been laid out in the CPS and is currently being updated and refined in a CPS Progress Report which is under preparation. In addition, IFC undertakes regular reviews of its country strategy in the broader context of the CPS to fine-tune its response to the changing country conditions and needs. Recent examples include the development of a Crisis Response Strategy and a Financial Sector Strategy which were both rooted in the long term joint CPS, but specified a set of immediate measures to be taken in the context of the crisis (while keeping an eye on the medium and long-term priorities).	
<b>IEG Comment:</b>	IEG concurs with IFC's ratings.	
<b>ID #/Study Name:</b>	STD030	REC02 IFC in Ukraine
<b>Header:</b>	<b>IFC-IBRD cooperation</b>	

<b>Recommendation:</b>	IFC should seek to work in sequence and/or in parallel with IBRD to address remaining privatization priorities, especially large enterprises and infrastructure, with IBRD policy work and IFC post-privatization funding and use existing joint mechanisms, such as the Subnational Finance Department, to promote public-private partnerships and provide funding to municipal utilities projects.	
<b>Management Response:</b>	We agree with this recommendation to improve collaboration with IBRD in Ukraine. In recent years, our joint work has evolved from a somewhat limited engagement to meaningful strategic cooperation in a number of areas. For example, IFC's business enabling environment and corporate governance operations are closely linked with IBRD's Development Policy Loans (DPLs) and private sector development programs. In May of this year, it was agreed that the project manager of IFC's business enabling environment project in Ukraine will dedicate 20 percent of his time to IBRD, working on a broad range of IFC/IBRD coordination matters within his focus area. Apart from this, the country representatives of both institutions maintain regular contact, keeping the teams apprised of relevant developments. The ongoing work of the Ukraine Country Partnership Strategy has to date been a strong example of attempting to tackle the country's developmental challenges through a coherent and systematic approach that takes advantage of the respective strengths and areas of expertise of each World Bank Group institution. IFC is keen to pursue joint opportunities in Ukraine through the joint World Bank/IFC Sub-National Department, including investments in public-private partnerships and support for a range of municipal services. The newly available Partial Credit Guarantees from IFC in Ukraine opened the door for exploring some of these scenarios. Once IFC develops the necessary mechanisms to provide a broader range of local currency financing, the prospects for cooperation in this area will expand even further. As for private participation in infrastructure, this sector remains a priority for IFC in Ukraine. Provided that future privatizations are carried out in a transparent fashion in line with international practices and that reliable clients emerge as a result, we would be glad to extend our assistance both through investment lending and advisory services, if needed. This is an area where IFC will appreciate IBRD's policy advisory work in advance of privatization.	
<b>Management/IEG Ratings:</b>	Active (To be made Substantial inactive)	Substantial Active (To be made inactive)
<b>Management Comment:</b>	IFC cooperation with IBRD in Ukraine has strengthened substantially in recent years, especially in the context of crisis response. For instance, IFC complemented the large program of IBRD to stabilize the banking sector during the financial crisis by providing advice on distressed assets and non-performing loans as well as insolvency regime. In addition, IFC's direct investments in banks during the crisis were carried out under the Joint IFI Initiative for Eastern European Banks, of which IBRD is part. Close joint activities between IFC's Investment Climate advisory project in Ukraine and IBRD's DPL programs continue and IFC's Project Manager dedicates part of his time to joint work with IBRD and is paid in part by IBRD. The preparation of a fully integrated CPS for Ukraine and, currently, CPS Progress Report, is now a standard practice. In the area of privatization, joint work has not materialized since privatization agenda of the government has been delayed by the crisis and there have been no instance of privatizations carried out in a transparent fashion in line with international practices yielding reliable clients for the World Bank Group.	
<b>IEG Comment:</b>	The global financial crisis and political change have negatively affected the investment climate in Ukraine. Under this environment IFC has made some progress in working more closely with the World Bank. Unfortunately, there have been few, if any opportunities to be involved jointly in a privatization.	
<b>ID #/Study Name:</b>	STD030	REC03
<b>Header:</b>	<b>IFC in Ukraine</b>	
<b>Recommendation:</b>	<b>Advisory Services Projects: Focus on strategic relevance</b>	
	IFC should focus on the strategic relevance of its advisory operations and replicate	

	<p>the demand-driven, multigenerational, and multidimensional design of its successful larger operations, using the latter to refine benchmarks for measuring performance of ongoing projects.</p>		
<p><b>Management Response:</b></p>	<p>IFC's advisory operations in Ukraine are carried out by the Private Enterprise Partnership–Europe and Central Asia (PEP-ECA), IFC's business advisory program in the countries of the former Soviet Union. PEP-ECA has recently decided to focus its advisory work in Ukraine on the following three proven areas of expertise that address key business constraints for the private sector:</p> <ul style="list-style-type: none"> <li>• Continuation and expansion of business enabling environment work</li> <li>• Continuation of corporate governance work, with a broad focus on the banking sector and on the more sophisticated topics, such as internal audit/internal control</li> <li>• Significant expansion of access to finance work, currently conducted through leasing and housing finance, with plans to branch out into sustainability finance, rural finance, and agricultural insurance (based on lessons learned through agribusiness linkage programs).</li> </ul> <p>IFC is using its experience with the successful demand-driven, multigenerational, and multidimensional larger operations in Ukraine to develop follow-up advisory projects that build on our achievements and focus on the next logical area of intervention. All of the above areas will be targeted through multidimensional approaches that include work with private sector players, as well as policy makers. The first two areas, in particular, are areas where IFC has had a long, multigenerational engagement in Ukraine. Going forward, most investment-linked advisory work will center on the programmatic platforms outlined above by combining sector-level work with company-specific advisory services. The former will ensure maximum impact that goes beyond just one client, while the latter will be enhanced through the recently introduced pricing guidelines, which help secure client commitment to implementation.</p>		
<p><b>Management/IEG Ratings:</b></p>	<table border="1"> <tr> <td data-bbox="511 1050 917 1123"> <p>High      Active (To be made inactive)</p> </td> <td data-bbox="917 1050 1443 1123"> <p>High      Active (To be made inactive)</p> </td> </tr> </table>	<p>High      Active (To be made inactive)</p>	<p>High      Active (To be made inactive)</p>
<p>High      Active (To be made inactive)</p>	<p>High      Active (To be made inactive)</p>		
<p><b>Management Comment:</b></p>	<p>All of IFC's advisory work in Ukraine is now demand-driven and programmatic. The strategic directions of advisory work in Ukraine have been refocused over the last few years to i) address the fallout of the crisis (in response to changing client demand), as well as longer term developmental priorities of ii) developing agribusiness and iii) mitigating climate change. IFC's advisory and investment operations to address these strategic priorities are fully integrated. The design of advisory projects continues to follow the programmatic model, which was proven effective in earlier years and endorsed by IEG. In all of the above areas, IFC aims to achieve results through multidimensional approaches that include work with private sector players, policy makers, and broader stakeholder community (the Agri-Insurance Development Project and the Food Safety Improvement Project are excellent recent examples of this approach).</p>		
<p><b>IEG Comment:</b></p>	<p>IEG concurs with IFC's rating.</p>		
<p><b>ID #/Study Name:</b></p>	<p>STD030      REC04      <b>IFC in Ukraine</b></p>		
<p><b>Header:</b></p>	<p><b>Be proactive by developing and maintaining regular contact with donors</b></p>		
<p><b>Recommendation:</b></p>	<p>IFC needs to be proactive by developing and maintaining regular contact with donors in its areas of engagement to help establish information exchange mechanisms, align priorities, improve distribution of labor, and avoid inconsistencies. IFC also needs to initiate tactical interaction at the outset of its multidonor operations to minimize discrepancies in approach and maximize cohesion and alignment of tactics among donors.</p>		
<p><b>Management Response:</b></p>	<p>Each project manager for advisory projects monitors the work carried out by other donors in Ukraine in his or her area. While the volume of funding channeled through IFC's advisory services is relatively modest in comparison with overall donor-funded operations in Ukraine, IFC has a visible niche in the area of private sector</p>		

	<p>development. Within this area, significant efforts are dedicated to coordinate our work with other implementing agencies. Project managers also actively engage with other donor-funded projects to collaborate on various events. For example, the Ukraine Corporate Development Project worked with the USAID-funded Consortium for Enhancement of Ukrainian Management Education to deliver a week-long course on corporate governance to university professors, while the Ukraine Leasing Development Project collaborated with USAID to establish the “Certified Leasing Professional” Program. It should be noted that a new donor coordination initiative has recently been organized in Ukraine by the Ministry of Economy’s Directorate for Coordination of International Technical Assistance, aiming to ensure maximum collaboration with minimum overlap in key areas. A donor conference was held earlier this year and various working groups (organized by topic) have met over the course of the year. The thematic working group meetings include various donor representatives who are active in that topic as well as government ministries involved in it. IFC has participated in a number of these meetings and has the responsibility as Lead Donor for the working group on “Enterprise Support.” PEP-ECA, in an effort to facilitate its fund raising, but also to ensure that our activities remain consistent with the work of other implementing agencies, has assigned the role of donor relationship manager to each of its senior operations managers. The intention is to create a “one stop” PEP-ECA point person for the donor, representing all PEP-ECA business lines and coordinating proposal preparation and any other issues. PEP-ECA donor relationship managers are regularly updated on all local interactions with the donor agencies and are copied on the donor reports. Regular meetings are held with local donor representatives where they discuss not only funding for PEP-ECA projects, but also learn about other donor initiatives in Ukraine.</p>	
<p><b>Management/IEG Ratings:</b></p>	<p>High      Active (To be made inactive)</p>	<p>High      Active (To be made inactive)</p>
<p><b>Management Comment:</b></p>	<p>Proactive engagement with donors and close coordination with other IFIs and bilateral partners in Ukraine has become the norm for our operations in the country. While this coordination was practiced for several years, crisis response efforts have strengthened it further, especially in the context of the IMF program implementation in the country.</p>	
<p><b>IEG Comment:</b></p>	<p>ECA Advisory Services practice of assigning the role of donor relationship manager to each of its senior operations managers in an effort to facilitate fund raising and ensure that our activities remain consistent with the work of other implementing agencies has proven very effective and remains in place. Coordination of proposals and regular updates to all relevant parties continue to take place.</p>	
<p><b>IEG Comment:</b></p>	<p>IEG concurs with IFC’s ratings.</p>	
<p><b>ID #/Study Name:</b></p>	<p>STD030      REC05      <b>IFC in Ukraine</b></p>	
<p><b>Header:</b></p>	<p><b>Exploit synergies between investment and programmatic advisory operations</b></p>	
<p><b>Recommendation:</b></p>	<p>IFC should expand the proven model of creating partnerships among linkages projects, seeking to develop agricultural suppliers and agribusiness investments, as well as aim to undertake financial markets projects that would provide local currency financing and/or guarantees to banks extending credit to such agricultural suppliers to exploit synergies between investment and programmatic advisory operations.</p>	
<p><b>Management Response:</b></p>	<p>IFC is currently working on an agrifinance study that should give more insight into possibilities of improving access to finance for the agricultural sector. Results are expected by January 2008. In addition, we are currently looking for opportunities to replicate our highly successful linkages projects in Ukraine’s agribusiness sector. For example, we are implementing an Agricultural Insurance Development Project with the aim of establishing a sustainable crop insurance program in Ukraine, which improves farmers’ chances to get funds for agricultural input investments. The project provides opportunities for linking financial markets with agricultural</p>	

suppliers. The idea of financial markets projects that would provide local currency financing and/or guarantees to banks extending credit to such agricultural suppliers is appealing due to its potential for a very strong development impact for a potentially competitive, but highly vulnerable, part of Ukraine’s economy. So far, this type of work has not materialized due to (a) the small number of financial institutions that qualify for IFC investments, (b) the reluctance of the Ukrainian banks to re-engage with agricultural producers after failed attempts in the 1990s that resulted in widespread defaults, and (c) until recently, the limited menu of IFC financing options that better match the needs of the sector, such as local currency financing. Despite these challenges, we will continue to monitor the situation closely.

**Management/IEG Ratings:**

Active (To be made Substantial inactive)	Substantial Active (To be made inactive)
---	---

In all IFC operations in Ukraine (including those pertaining to agribusiness development), an integrated investment and advisory approach is adopted. With the exception of economy-wide advisory projects (such as Investment Climate), all of IFC advisory projects in Ukraine have a link with IFC Investment Services. We have completed two advisory linkages projects and are continuing two more (focusing on Food Safety and Fresh Fruit and Vegetable Market Development). The Food Safety project (part of the broad food safety platform that is being created in the region) aims to increase competitiveness of local food producers (including potential IFC investment clients) by strengthening their food safety practices, improving the policy environment, building a local market for consulting expertise in food safety as well as increasing general awareness about food safety issues. IFC’s Agricultural Insurance Development Project is helping to establish a proper legal basis for agro-insurance, develop an adequate actuarial system and an appropriate supervisory body and overall framework, all of which will facilitate farmers’ access to finance in Ukraine. Planned provision of financing for farmers through the banking sector has been delayed due to a severe financial crisis in Ukraine, which restricted new lending to all categories of borrowers. IFC will pursue this area of investment further as the economy stabilizes, potentially in conjunction with Agri-Finance Advisory Project. To date, IFC advisory work in Ukraine across all business lines enabled \$1.4 billion in investments, of which \$122 million was from IFC Investment Services. Across the ECA region in general, for the last two years, the IFC investment and advisory teams have been developing and reviewing at least annually integrated IS/AS country strategies with a 3 year horizon for every country in the region, including Ukraine, and this is now accepted standard practice in the region. This allows the prioritization of interventions across sectors but also allows IFC to strategically plan the best use of products, whether: (1) to lead through advisory services to develop a market for investments in the future, (2) to provide investment and advisory hand-in-hand, or (3) where investment alone suffices. With the enhanced focus of IFC on development goals, the strategic and operational link between IS and AS will become even more natural in the future.

The interaction and coordination of advisory and investment staff has been reinforced through the establishment of clear reporting lines to Country Officers and Managers for both investment and advisory staff based in-country (together with a reporting line to the relevant investment cluster or advisory business line, reflecting the matrix structure).

Some of the more recent examples of the results of this approach in Ukraine include the launch of a joint IS/AS food safety program in Ukraine to address the immediate needs of the agribusiness sector (a priority strategic sector for IFC), launch of a joint crisis response program which targets NPL advisory to both IS clients and other systemic banks in ECA (with strong focus on Ukraine) and planned AS work on energy efficiency with financial institutions, to be followed by investments.

**Management Comment:**  
**IEG Comment:**

IEG concurs with IFC’s ratings.



	regulatory framework types of advisory assignments, as described in IEG's recommendation.	
<b>ID #/Study Name:</b>	STD031	REC02 <b>Financing MSME-FIs in Frontier Countries</b>
<b>Header:</b>	<b>Enlarge the scope of technical assistance to MSME-FIs</b>	
<b>Recommendation:</b>	IFC could enlarge the scope of its technical assistance to MSME-FIs beyond the present focus of improving lending techniques and loan portfolio risk management, to also help selected MSME-FIs who have achieved good risk management practices to: (i) better meet the need for savings and other banking services (for example, remittances) by poor households and small businesses; (ii) implement best practice liquidity management procedures; and (iii) in the case of MFIs, help expand their client base to also reach small-size enterprises.	
<b>Management Response:</b>	Management agrees that IFC's technical assistance should be made available for a wide range of challenges faced by MSME-FIs. However, IFC should not be routinely prescribing strategic changes to our client institutions. Whether additional banking services should be offered to poor households and small businesses is a business judgment best left to the management and board of each FI. Should IFC face demand from its client institutions to help them develop new banking products, or to better manage their liquidity, then it would be appropriate for IFC to consider providing technical assistance responding to that specific need.	
<b>Management/IEG Ratings:</b>	High      Active (Rated)	Substantial      Active (Rated)
	<p>IFC has been supporting its client FIs in expanding their entire financial services offering to SMEs. Operationally, just lending to SMEs is not the profit driver for a bank, but banking for SMEs is; and this includes developing appropriate asset and liability products based on SME needs as well as the FIs' own market strategy. On liquidity management: as part of the risk management advisory services, IFC has been supporting banks in all risk management aspects including, liquidity, capital, treasury, internal controls.</p> <p>IFC is actively expanding its activities in small-scale savings and risk management. Through its advisory arm, IFC is developing a risk management toolkit for MFI CEOs and Risk Managers to identify and manage financial risks thereby helping MFIs become sound commercial entities. This will enable institutions to better manage their risk exposure and become profitable, an essential step before instituting deposit taking mechanisms. The risks addressed by the toolkit include credit and financial risks (transaction risk, liquidity risk, market risk, interest rate risks, foreign exchange and portfolio risk). It will contain manuals and tools to improve the risk culture, a training manual with sample seminars and short knowledge sessions, and it will provide best practice guidelines.</p> <p>In savings, IFC is conducting regional mapping studies for small-scale deposits to identify viable and cost effective models for expanding small-savings deposits. Successful pilots are being replicated in each region. IFC is also addressing the challenges in savings mobilization through product development and diversification, strengthening capacity, and building the appropriate incentive structures to meet client demand. In addition, IFC is helping clients keep their liquidity and operating risks under control, a first step in mobilizing deposits. For example, IFC is helping MFIs focus on strengthening treasury management, asset liability management, management information systems, and other operational back-office capacity. All these risk management functions should enable MFIs to handle a large number of deposit accounts in an orderly fashion.</p> <p>IFC will also continue to support NGO and NBFIs transformations to increase the number of deposit-taking institutions that cater to low income populations in Latin America, Middle East and Africa. IFC's model of greenfield projects increase the</p>	
<b>Management Comment:</b>		

<p><b>IEG Comment:</b></p> <p><b>ID #/Study Name:</b></p> <p><b>Header:</b></p>	<p>number of delivery channels by establishing strong commercial microbanks in underserved markets, in particular the Pacific, the Middle East and Sub-Saharan Africa regions. IFC also continues to support commercial bank downscaling to leverage the vast branch networks of commercial banks to target small scale deposits globally.</p> <p>IFC is also promoting alternative distribution channels, such as mobile banking.</p> <p>IFC is developing and introducing micro insurance products that will attract small deposits and create mechanisms to better manage risk for small entrepreneurs and micros clients.</p> <p>IFC highlights the kinds of activities that it is engaged in or in which it will be engaged, however management’s comments do not refer to specific advisory services interventions supported by IFC to assist MSME-FIs. It is also not apparent that a strategic approach to identifying clients that would benefit from AS. Specific examples should be provided before this recommendation is made inactive.</p> <p>STD031 REC03 <b>Financing MSME-FIs in Frontier Countries</b></p> <p><b>Give a high priority to improving ESHS supervision and ESHS compliance for MSME-FI projects</b></p>
<p><b>Recommendation:</b></p> <p><b>Management Response:</b></p>	<p>IFC give a high priority to improving the environmental, safety, health and social (ESHS) supervision, as well as the ESHS compliance rate, of MSME-FI projects. In particular, IEG recommends that IFC set a goal to be achieved within a defined period of time, to improve its satisfactory ESHS supervision rate, and the ESHS compliance rate, of MSME-FI projects.</p> <p>IFC management gives a high priority to improving the ESHS standards of all projects, including those through MSME-FIs, and this was the rationale behind the comprehensive policy changes brought about with the new IFC Sustainability Policy Framework, which has been in implementation since May 2006. Among other features, IFC Sustainability Policy Framework includes a sophisticated risk-based appraisal and supervision of FIs. This risk-based approach allows IFC to be more cost effective by allocating more resources in high-risk projects than in low-risk projects, instead of taking a one-size-fits-all approach. The risk-based approach entails an analysis of the FI’s portfolio and is carried out during appraisal, to establish the risk level of the FI. The portfolio analysis and the performance of the FI’s Environmental Management System are captured in an Environmental and Social Risk Rating (ESRR) measure that is established at appraisal and will be tracked by IFC during project supervision. Under the 2006 framework, IFC actively engages with the client FI upfront, during the investment appraisal stage, and an ESHS plan is established and included in the covenants of the investment agreement between the client FI and IFC. This new approach is a significant improvement over the 1998 policy in which the client was required to establish an Environmental Management System after attending training conducted by IFC. IFC’s ability to conduct training for clients in all regions/countries was limited due to staffing and geographical constraints. IFC now makes available one-on-one guidance to high-risk clients, while moving the standardized training to an e-learning platform for greater efficiency. Furthermore, the team strength of ESHS specialists working on FI projects has doubled since 2006, and there is a formal supervision plan which entails 100-percent annual supervision of high-risk FIs as well as poorly performing ones. With the above measures already operational, we expect to see a substantial improvement in the ESHS performance of FIs going forward. This view is consistent with IEG’s independent finding in the report, which indicates that the new IFC ESHS Safeguard Policies and Performance Standards, IFC’s ESHS mainstreaming initiative, and the creation of an ESHS specialist team dedicated to financial markets operations are expected to improve ESHS supervision of financial intermediary projects.</p>

<b>Management/IEG Ratings:</b>	High      Active (Rated)	Substantial      Active (Rated)
<b>Management Comment:</b>	<p>Starting FY08, IFC (through CES) has managed E&amp;S support and prioritized supervision for FI projects through development of an annual workplan and supervision strategy. Supervision scores have improved substantially with numbers for FY08 at 157 percent of plan (actual: 51) and for FY09 at 152 percent of plan (actual: 125). As a result, the knowledge gap, the percentage of non-reporting projects in the portfolio, has been reduced dramatically for FI projects. The knowledge gap went from 18.3 percent in FY08 to 6.8 percent over FY09. It is presently at 5 percent with efforts underway to continue to reduce this over FY10.</p> <p>IFC's decision to support capacity development initiatives for FI clients resulted in the development of the Sustainability Training &amp; E-Learning Program (STEP) for FI clients. This web-based, capacity development initiative was released in May 2009 and is designed to help FIs better understand sustainable finance, E&amp;S risk management and sustainability-related business opportunities. To date, 181 participants have enrolled, 103 of which are clients. Other capacity development initiatives include the CES and CGF sponsored study on "The Factors Affecting the Environmental, Social, Health &amp; Safety Performance of Financial Intermediaries in 6 Sub-Saharan Countries," conducted by Triodos Facet. The study is being finalized and the recommendations will be developed into a wider capacity building program for FIs in CAF. Finally, the FI portal, the IFC-supported web site for clients is underway with the tendering process having recently been completed. Once developed, the Portal will provide a single resource for FIs on E&amp;S risk management.</p> <p>CESI has doubled the team supporting FI projects from FY08 to date. The team is also highly leveraged through the use of short-term consultants who also support investment operations.</p>	
<b>IEG Comment:</b>	IEG concurs that improvements have been made. Additional details regarding the implementation of IFC's plan will be available in IEG's Evaluation of Safeguards and Performance Standards.	
<b>ID #/Study Name:</b>	STD032      REC01	<b>Evaluation of the Private Enterprise Partnership Program in ECA</b>
<b>Header:</b>	<b>Design a more cost-effective Advisory Services funding mechanism</b>	
<b>Recommendation:</b>	<p>Designing a more cost-effective Advisory Services funding mechanism to meet strategic objectives, improve client responsiveness, and enhance development results. Advisory Services funding mechanisms should be designed to enable strategic and sequential project planning and limit burdensome transaction costs, delays, and constraints or special conditions imposed by bilateral project funding. Appropriate balance should be achieved between development of core products and their country adaptations. As such, IFC should ensure that sufficient funding is allocated for project identification, development, and preparation, so that projects are ready (country adjusted) for implementation when funding is sought. Funding incentives should also be improved to facilitate project experimentation based on country needs. Where possible, pooled or hybrid funding models should be encouraged, which offer quicker access to project funding, while placing fewer constraints on project scope, design, and staffing. Going forward, IFC should be more pro-active at engaging donors and educating them about recipient countries and IFC strategic priorities, and learning about their long-term goals or preferences.</p>	
<b>Management Response:</b>	<p>IFC has a funding mechanism that is more time responsive than the project-by-project funding approach used by PEP-ECA, called the facility funding model. Under the facility model, donors fully fund the activities of an IFC facility from the start of its operation, usually over a five-year funding cycle. To date, donors active in PEP-ECA's region have preferred not to operate on this basis. With Board approval,</p>	

	<p>in June 2004 IFC initiated an internal Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). IFC has selectively used FMTAAS to support new project initiatives and fund the back office/administrative work of IFC's advisory facilities. These funds enable IFC to undertake strategic initiatives when donor funding is unavailable.</p>		
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td data-bbox="511 346 917 409">Active (To be made Substantial inactive)</td> <td data-bbox="917 346 1437 409">Substantial Active (To be made inactive)</td> </tr> </table>	Active (To be made Substantial inactive)	Substantial Active (To be made inactive)
Active (To be made Substantial inactive)	Substantial Active (To be made inactive)		
	<p>It continues to be the case that donors in the ECA region prefer not to contribute to a "facility" but rather to finance particular identifiable projects at the country level. IFC has, however, developed and deepened relationships with our donor partners through continuous engagement and has now signed framework agreements with many which make each new project funding allocations easy and streamlined. In addition, a number of donors have agreed to fund multi-country programs in specific areas, such as crisis response and renewable energy. As a result, the share of costs spent on donor relations and fundraising in ECA are at or below average levels for the rest of IFC. (In FY09, fundraising costs for PEP-ECA represented 0.8 percent of total costs, while the IFC average was 0.9 percent.)</p> <p>Furthermore, IFC has seen a substantial increase in donor funding for ECA since the IEG review. Donor financing for IFC advisory in the ECA region increased from \$16 million in FY08 to \$32 million in the first half of FY10 alone. In cases where donor support is not available, particularly at the project development stage, IFC has been able to draw on FMTAAS resources. Project identification and early development work is undertaken by core staff, which are all financed by FMTAAS, and in select cases FMTAAS financing has also been used for further development and even implementation.</p> <p>Investment climate work in Armenia provides a recent example in which IFC was able to respond quickly to the needs of a client in an IDA country in spite of the initial absence of bilateral donor support. At the request of the Government, IFC developed a program tailored to country needs and began to put staff in place using IFC FMTAAS resources. On the basis of this initial work, the Netherlands (through NIPP) is now providing support and other donors have expressed an interest to continue the program in the future.</p>		
<b>Management Comment:</b>			
<b>IEG Comment:</b>	IEG concurs with IFC's rating		
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p> <p>STD032    REC02</p>		
<b>Header:</b>	<b>Adopt human resource policies to address recruitment and retention requirements</b>		
<b>Recommendation:</b>	<p>Carefully considering staffing needs for Advisory Services and adopting human resource policies that address recruitment and retention requirements and facilitate access to much-needed short-term global expertise. To do this, IFC should consider creating a cadre of project managers. For accessing short-term international expertise where product lines require, IFC may consider forming a pool of Advisory Services experts in core areas, which would include IFC and World Bank specialists and external consultants to help project teams address needs in a timely and effective way. IFC should also review training and capacity building requirements of Advisory Services staff, and develop focused training policy to support its Advisory Services staffing strategy more effectively. Given IFC's decentralization process, field-based knowledge should be developed with the help of experts in the field. Improving staff skills and experience, retaining global knowledge, and leveraging central units of expertise (for example, SME, private sector development, and industry departments) should be key. Specialized training, staff exchange programs, and regular meetings intended to share good practices and lessons learned should be routine. Within different business line areas, different staff might be flagged</p>		

	<p>according to expertise and then tapped in a more systematic way into a broader, more formal knowledge-sharing effort. Sufficient resources should be allocated to ensure knowledge sharing and ongoing best practice learning in a more systematic way.</p>				
<b>Management Response:</b>	<p>IFC has recently completed a human resource review specifically of its Advisory Services operations. This review investigated issues of attracting, placing, and developing staff with specialist expertise. Recommendations in the review include a larger and more stable core cadre of expert Advisory Services staff, which should help IFC attract and retain specialist staff.</p>				
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td>Substantial</td> <td>Active (To be made inactive)</td> <td>Substantial</td> <td>Active (To be made inactive)</td> </tr> </table>	Substantial	Active (To be made inactive)	Substantial	Active (To be made inactive)
Substantial	Active (To be made inactive)	Substantial	Active (To be made inactive)		
<b>Management Comment:</b>	<p>In June 2009, IFC's management team has approved an accountability and authority matrix and subsequent job descriptions for key roles in Advisory services. As a consequence of this, standard roles have been deployed throughout Advisory services business globally. Currently, job descriptions for product specialists, program managers and project managers are being developed.</p>				
<b>IEG Comment:</b>	<p>In addition to this, a set of project management trainings, including different levels of certification is being deployed. This training has been developed in collaboration with the Partnership and Advisory Operations department and is aligned with the Global Career Framework recognizing project management as the key competency for advisory staff.</p>				
<b>IEG Comment:</b>	<p>IFC also continues to implement consistent and global Talent Management processes, identifying high performers and high potentials to enable them to accelerate their career development through a variety of tools as leadership training, stretched and/or Corporate assignments.</p>				
<b>IEG Comment:</b>	<p>IEG concurs with IFC's rating</p>				
<b>ID #/Study Name:</b>	<p>STD032 REC03 <b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p>				
<b>Header:</b>	<p><b>Eliminate or redesign ineffective projects; do more of those that achieved positive results</b></p>				
<b>Recommendation:</b>	<p>Eliminating or redesigning projects that have not been effective, as is true in many traditional PEP-ECA linkages projects, and doing more of those that have achieved positive results. Projects with questionable and/or weak strategic relevance or marginal IFC role and contribution should not be pursued. In redefining linkages interventions, PEP-ECA should collaborate with the SME Department to tap its knowledge and explore experiences from around IFC. Although PEP-ECA has already discontinued direct SME development projects, indirect SME development projects should include more rigorous methods for capturing and measuring the impact on SMEs.</p>				
<b>Management Response:</b>	<p>Some of the poorly rated PEP-ECA projects were directed at SME development. PEP-ECA has completely phased these projects out and is now reaching SMEs through work on access to finance and the business enabling environment. The other poorly rated work was the first generation of linkages projects. IFC has a central linkages team and network that has worked on refining and improving linkage project development impacts. As noted above, IFC has worked with its advisory business line leaders to identify project types likely to achieve strong development results for future replication. A number of the projects identified for replication include successful PEP-ECA projects, such as leasing.</p>				
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td>High</td> <td>Active (To be made inactive)</td> <td>Substantial</td> <td>Active (To be made inactive)</td> </tr> </table>	High	Active (To be made inactive)	Substantial	Active (To be made inactive)
High	Active (To be made inactive)	Substantial	Active (To be made inactive)		
<b>Management Comment:</b>	<p>Direct SME support programs have all been phased out several years ago in favor of programmatic projects, recognized by IEG's review as having greater impact. Through its programmatic approach, IFC has had a significant impact on SMEs,</p>				

	<p>primarily through the investment climate and access to finance business lines. For example, over \$11 million of costs were saved for SMEs in Tajikistan as a result of IFC's work on regulatory reforms, and in Central Asia 25,000 SMEs gained access to finance as a result of tailored specific advisory services to three banks over the course of two years.</p> <p>According to the latest IEG report, in FY2006-2008, the overall development effectiveness of advisory programs in the ECA region was the highest of all regions at a 77 percent success rate.</p> <p>Related to the more systematic identification and roll-out of projects to be replicated, since the IEG review, IFC has instituted a system of project review, which categorizes project as follows:      "Entry" : New products being introduced or tested in single clients / single markets with limited results measurement to date;      "In development": Products being tested in at least two countries with some results already demonstrated against some agreed standard indicators;      "Developed": Products that have demonstrated results in multiple markets in areas where IFC validated through external evaluation and where IFC has experienced staff in the area with consistent advice being offered globally;      "Exit": Products failing to meet the criteria to move from "Entry" to "Developed" in a timely way or products no longer deemed strategically relevant.</p> <p>IFC management has set a target that 80 percent of IFC's portfolio should be "In development" or "Developed." ECA's portfolio is in compliance with this policy.</p> <p>Finally, related to innovation of products in the ECA region, it is worth noting several examples of products that originated in ECA. Several "Developed" or "In Development" products were originated in ECA, such as leasing, corporate governance, sustainable energy finance, inspections (business operations), and alternative dispute resolution.</p>
<b>IEG Comment:</b>	IEG concurs with IFC's rating
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p> <p>STD032      REC04</p>
<b>Header:</b>	<b>Improve the quality of M&amp;E indicators, data collection methods, and cost accounting</b>
<b>Recommendation:</b>	<p>Improving the quality of M&amp;E indicators, data collection methods, and cost accounting. Project-specific M&amp;E targets should be tailored to country situations and conditions as part of project preparation, verified as part of the project approval system, and monitored during project implementation. More rigorous survey techniques and data collection methods should be developed to establish baselines and enable comparisons across time and across countries where possible. The proper utilization of the indicators and techniques should be closely monitored to derive lessons and ensure data quality. A more comprehensive expenditure accounting and tracking mechanism should be introduced, which would not only enhance M&amp;E, but provide a useful project management tool for benchmarking costs of different activities and developing Advisory Services pricing and client contribution strategies. This would also provide data for analysis of benefits and efficiency of the programs and their components.</p>
<b>Management Response:</b>	<p>IFC has made major advances in M&amp;E since the review period. IFC has identified and implemented sets of standard performance indicators of output, outcome, and impact for each product under its five business lines and is developing incentives for the use of these indicators. IFC has undertaken 20 experimental trials to understand the impact of selected projects better, and the findings are being fed back to advisory staff. IFC is also undertaking project reviews, conducted using external experts, to</p>

	improve program design and implementation where 11 such reviews have been completed. Furthermore, IFC is currently developing a tailored approach to advisory cost-benefit analysis as a means of better linking M&E to project cost accounting.	
<b>Management/IEG Ratings:</b>	Medium      Active (Rated)	Medium      Active (Rated)
<b>Management Comment:</b>	IFC is currently developing efficiency and cost benefit metrics for the different advisory products. Measures have been developed for some advisory products and are being tested currently and applied in advisory product reviews. Also, staff has been trained in these metrics. As data are improved to facilitate more comparability across regions, these efficiency calculations will be used to develop benchmarks across projects.	
<b>IEG Comment:</b>	IEG is aware of the advances that IFC has made in this area. IFC still needs more time to fully implement this recommendation, including the development of appropriate measures for advisory products.	
<b>ID #/Study Name:</b>	<b>Evaluation of the Private Enterprise Partnership Program in ECA</b>	
<b>Header:</b>	<b>Develop and implement a cohesive and complementary Advisory Services and investment strategy</b>	
<b>Recommendation:</b>	Developing and implementing a cohesive and complementary Advisory Services and investment strategy based on each country's development needs. This greater institutional and strategic cohesion should be achieved through (a) developing and implementing a cohesive country strategy, where relevant, in which Advisory Services and investments are complementary tools (either Advisory Services projects alone or integrated with IFC investments) for achieving long-term country and sector development objectives, (b) ensuring interaction of Advisory Services and investment staff and leveraging expertise at the operational level for cross-fertilization on projects and sector initiatives, and (c) promoting coordination with the rest of the World Bank Group, where relevant, by formally identifying opportunities for collaborative initiatives as they may arise.	
<b>Management Response:</b>	IFC is working to strengthen the synergies of its investment and Advisory Services through better integration of strategies and enhanced coordination of advisory and investment activities. IFC is also seeking to strengthen its country focus further. As discussed in IFC's 2006 Strategic Directions: Implementation Update and FY07–FY09 Outlook (2006a: chapter II), IFC is working to enhance further its programmatic approaches to activities at the country (and sector) level. In addition, there is an increasing IFC in-country staff presence through an ongoing process of decentralization, and this should further facilitate a more country-focused strategic approach.	
<b>Management/IEG Ratings:</b>	High      Active (To be made inactive)	High      Active (To be made inactive)
<b>Management Comment:</b>	For the last two years, the IFC investment and advisory teams in the ECA region have been developing and reviewing annually integrated investment/advisory country strategies with a 3 year horizon for every country in the region. This is now accepted standard practice in the region. Such an approach allows the prioritization of interventions across sectors but also allows IFC to strategically plan the best use of its tools to reach development objectives, whether: (1) to lead through advisory services to develop a market for investments in the future, (2) to provide investment and advisory hand-in-hand, or (3) where investment alone suffices. As of the end of FY09, 57 percent of client-facing ECA advisory programs were either already linked to one or several investment clients or expected such a linkage in the short- to medium term. With the enhanced focus of IFC on development goals, the strategic and operational link between IS and AS will become even more natural in the future.	
	The interaction and coordination of advisory and investment staff has been further reinforced through the establishment of clear reporting lines to Country Officers and	

	<p>Managers for both investment and advisory staff based in-country (together with a reporting line to the relevant investment cluster or advisory business line, reflecting the matrix structure.)</p> <p>This integrated approach allows IFC to more proactively feed this strategy into World Bank Group strategy discussions to better address opportunities for joint initiatives and coordination and to better reflect a comprehensive strategy in Country Partnership Strategies. Cooperation with the Bank at the project level has increased as a result; in August 2009, 19 percent of ECA AS programs reported joint project implementation.</p> <p>Some of the more recent examples of the results of this approach include: launch of a joint investment/advisory food safety program in Ukraine to address the immediate needs of the agribusiness sector (a priority strategic sector for IFC), launch of a joint crisis response program which targets NPL advisory to both investment clients and other systemic banks in ECA, and launch of a joint IBRD/EBRD/IFC program in Russia to develop the market for renewable energy through upfront work on regulations, to be followed by investments.</p> <p><b>IEG Comment:</b> IEG concurs with IFC's rating</p> <p><b>ID #/Study Name:</b> STD032 REC06 <b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p> <p><b>Header:</b> <b>IFC should leverage AS and investment tools strategically and systematically in a complementary fashion to address long-term country and sector development needs</b></p>
<p><b>Recommendation:</b></p>	<p>Within each specific country context, exploring how each core area Advisory Services intervention can be structured to maximize impact, leveraging IFC investment objectives and synergies where relevant and possible. Experimental projects should also be developed according to specific country needs and IFC strategic priorities, and should incorporate the basic successful features and core components of the standard PEP model as appropriate (that is, reform, training and capacity building, and broad dissemination).</p> <p>PEP-ECA's approach has been to identify the need for particular advisory products, including looking at how these projects relate to investment objectives. Due to the difficulty in coordinating the timing of funding from donors (described above), upon identifying country priorities, PEP-ECA undertook general project design up front in order to obtain donor funding and then fine-tuned the project design once donor funding was received and the project launched. With FMTAAS funding, IFC is now better positioned to do more thorough needs assessments to support better project design up front and to launch projects more quickly.</p>
<p><b>Management Response:</b></p>	<p>Active (To be made Substantial inactive)   Substantial Active (To be made inactive)</p>
<p><b>Management/IEG Ratings:</b></p>	<p>Project identification and early development work is undertaken by core staff, which are all financed by IFC through FMTAAS. The availability of these resources ensures that projects can be developed to address country needs and priorities, and a lack of donor financing does not prevent the development of a priority project. Where possible donor financing is leveraged to do later stages of project development, for example market studies. When donor financing is not available, IFC has instituted a system whereby each Region gets an annual funding allocation which can be used for pre-implementation work on short notice (released through the standard Early Review process), which allows IFC to provide seed funding until donors come on board. This approach has allowed IFC to invest sufficiently in project design to maximize impact by fitting projects to country contexts and to create a better fit with IFC strategic priorities on the investment side.</p> <p><b>Management Comment:</b> A recent example would be preliminary work in infrastructure advisory in Central</p>

	<p>Asia and the Caucasus. IFC was able to be very timely in responding to Government requests for potential support on the development of PPPs by utilizing an existing IFC team in the Balkans. Thanks to the approach described above, IFC was able to pay for their time and travel to support the engagement with client and the development of potential projects, while overall fundraising for the program is ongoing. This work fits extremely well with World Bank priorities to develop infrastructure in these countries and with IFC's investment objectives, which prioritize the development of transport and energy infrastructure in many of these countries.</p>				
<b>IEG Comment:</b>	IEG concurs with IFC's rating				
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p>				
<b>Header:</b>	<b>Further develop general pricing policy and principles</b>				
<b>Recommendation:</b>	<p>Further developing the recently issued general pricing policy and principles to provide practical and clear guidelines and directions for appropriate assessment of subsidy justification and target ranges of pricing for different types of interventions with examples and hands-on training. The use of a subsidy or partial subsidy may be justified in some cases, for example, for general policy reform advice that will contribute to the public good or when using Advisory Services to induce a client to undertake developmental activities it would not do otherwise (for example, a commercial bank entering the SME market). Charging fees to clients can help develop local markets for services, support project sustainability, create options for project exit strategies, and reinforce client commitment. Careful consideration should also be given to nondisplacement policy issues or market distortions, which are necessary components for developing sustainable services. Yet task managers require more guidance on justification of a subsidy in the market, as well as how to price different types of Advisory Services, than is contained in the new policy. IFC should equip operational staff with practical tools needed for effective implementation of the new principles, including possible pricing ranges based on local market conditions, yet not lock staff into rigid corporatewide imposed pricing plans. This would also strengthen the strategic relevance dimension of IFC's self-evaluation project completion reports, which IEG will validate. This dimension requires assessment of the appropriateness of each project's planned and actual cost recovery; yet without sufficient guidance on the appropriateness of cost recovery, task managers are not able to assess this dimension adequately.</p>				
<b>Management Response:</b>	<p>The IFC-wide advisory pricing guidelines were initiated in January 2007. These guidelines involve IFC identifying the expected public and private benefits from an advisory project and then requesting an appropriate level of contribution to the cost of that project from the recipients of private benefits. IFC's approach and the effect of the pricing guidelines are currently under review. This review will determine the effectiveness of the current policy and any need for changes.</p>				
<b>Management/IEG Ratings:</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Active (To be made</td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: center;">Substantial inactive)</td> <td style="text-align: center;">Substantial Active (Rated)</td> </tr> </table>	Active (To be made		Substantial inactive)	Substantial Active (Rated)
Active (To be made					
Substantial inactive)	Substantial Active (Rated)				
<b>Management Comment:</b>	<p>IFC's pricing policy for advisory services has been in place since 2007. The policy applies to all regions, and is not specific to the Private Enterprise Partnership for ECA.</p> <p>Management briefed CODE on progress in implementing the policy in December 2009, including plans to continue to roll-out additional guidelines for particular business lines and products</p> <p>The ECA program involves full application of IFC's 2007 Pricing Guidelines for Advisory Services, which were discussed in detail in a paper to CODE in December 2009. That paper discusses relevant principles and includes illustrations of how the level of client contributions is determined for individual projects.</p> <p>As elsewhere, the pricing of individual projects in ECA is based on the balance of</p>				

	<p>private and public benefits involved. For advice to private firms, the main driver is the extent to which the recipient captures private benefits. For advice to governments, which typically involves substantial public benefits, the main driver is the income level of the government. When a single project involves multiple components --- which is usually the case in programmatic interventions of the kind used in ECA --- the level of client contributions involves an assessment of the public and private benefits of each individual component. This approach helps to ensure pricing at the project level is appropriate, but does mean caution is required in comparing the aggregate level of client contribution across projects with different scopes.</p> <p>Consistency in the application of the pricing policy is promoted by the review of all project proposals by the relevant Global Business Line Leader, who will be aware of how projects involving similar products have been priced globally. Additional guidelines on implementation of the 2007 policy are being rolled-out for particular business lines and products.</p>		
<b>IEG Comment:</b>	While IEG concurs with that progress has been made in developing a pricing policy, the Policy is still under implementation and its application is still too early to assess.		
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Evaluation of the Private Enterprise Partnership Program in ECA</b></p> <p>STD032      REC08</p>		
<b>Header:</b>	<b>Account for the full cost of Advisory Services interventions</b>		
<b>Recommendation:</b>	Accounting for the full cost of designing, implementing, and supervising the Advisory Services intervention, including IFC's overhead and administration costs. This will derive the entire cost of the Advisory Services intervention and enable more thorough assessment of the effectiveness of the Advisory Services intervention, and adequate comparison among various projects and programs.		
<b>Management Response:</b>	IFC already has a major program under way to upgrade its advisory project budgeting further. This program, once complete, will see IFC apply a standardized approach to all of IFC's advisory project budgeting. This approach will also ensure that every IFC advisory budget accounts for all program elements, including the costs of design, implementation, and supervision.		
<b>Management/IEG Ratings:</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Substantial    Active (Rated)</td> <td style="width: 50%; text-align: center;">Substantial    Active (Rated)</td> </tr> </table>	Substantial    Active (Rated)	Substantial    Active (Rated)
Substantial    Active (Rated)	Substantial    Active (Rated)		
<b>Management Comment:</b>	<p>The IEG recommendation made based on PEP in ECA review was implemented at the corporate level as follows.</p> <p>Starting FY07 IFC introduced corporate and standard activity based costing for AS business to evaluate and track program and project costs more accurately; provide benchmarks for reporting; provide strategic analysis; weigh the costs/benefit of specific projects and programs; provide more detailed information for donor contract negotiations and funding agreements; and assess efficiency measures. 9 Standard AS activities were defined which are divided into 4 broad categories:</p> <p>Pre-Project Activities:</p> <ol style="list-style-type: none"> <li>1. Product Development;</li> <li>2. New Business Development/Project Development</li> </ol> <p>Project/Program Activities:</p> <ol style="list-style-type: none"> <li>3. Project Implementation and Supervision;</li> <li>4. Monitoring and Evaluation;</li> <li>5. Knowledge Sharing and Staff Development</li> </ol> <p>Program Management Activities:</p> <ol style="list-style-type: none"> <li>6. Program Management and Support</li> </ol> <p>Overhead Activities:</p>		

<p><b>IEG Comment:</b></p> <p><b>ID #/Study Name:</b></p> <p><b>Header:</b></p>	<p>7. Fund raising and Donor Relations; 8. Public Relations; 9. General and Administration</p> <p>Since then AS budgeting, accounting and reporting is done using Activity-Based Costing across the Corporation.</p> <p>Further development of AS practices led to a more specific approach to AS Project budgeting and costing. The AS project life cycle was divided into 3 stages Pre-implementation; Implementation; Post-implementation.</p> <p>With the introduction of IBIS (Integrated Budgeting &amp; Information Solutions) in FY 08 AS project budgeting was segmented in accordance with the AS project life cycle.</p> <p>The AS VPU continues to improve the existing accounting principles and systems to allow more thorough and unified budgeting, accounting for and reporting of AS projects funded by different sources of funds.</p> <p>IEG concurs with IFC's rating, but notes that project level information included in Project Completion Reports does not include staff costs.</p> <p>STD033 REC01 <b>IFC in Indonesia</b></p> <p><b>Help enlarge the role of the private sector in infrastructure development</b></p>				
<p><b>Recommendation:</b></p> <p><b>Management Response:</b></p>	<p>IFC can help enlarge the role of the private sector in infrastructure development by advocating more transparent contracting practices, and by partnering with the WB and other MDBs to pursue contracting process reforms to make these transparent and politically sustainable</p> <p>IFC agrees that competition and transparency is central to achieving the type of efficient infrastructure services that Indonesia's development needs, and that this is particularly important during the contracting process. IFC is committed to supporting infrastructure development and was one of the major sponsors and organizers in an "Infrastructure Summit" held in Jakarta in November, 2006, attended by top government officials and representatives of the private sector. Among the outcomes was proposal by the Government of Indonesia to have IFC prepare and structure the first 10 infrastructure projects in cooperation with the country's Project Planning Department (KKPPI). IFC has been working with the World Bank and the Government in identifying model transactions to be prepared for examination, and the quality of the procurement process is a key issue for joint review with the Government. IFC believes that the reforms are most likely to be adopted broadly when the benefits are demonstrated through actual projects. IFC is in the final stages of agreeing on a major advisory services mandate to bring infrastructure best practice to the bidding for a large power project. IFC is also working on other advisory roles in the power sector and is cooperating with the World Bank and the Government of Indonesia to establish a specialized financial institution, currently called the Indonesian Infrastructure Financing Facility (IFF). Those activities and transactions will seek to demonstrate the gains from transparent and competitive contracting processes.</p>				
<p><b>Management/IEG Ratings:</b></p>	<table border="1"> <tr> <td>High</td> <td>Active (Rated)</td> <td>High</td> <td>Active (Rated)</td> </tr> </table>	High	Active (Rated)	High	Active (Rated)
High	Active (Rated)	High	Active (Rated)		
<p><b>Management Comment:</b></p>	<p>1. IFC has been providing advisory services for structuring and implementing the Central Java IPP Project transaction since May 2008. Prequalification of applicants was completed in November 2009 resulted with seven qualified bidders. The Request For Proposal (RFP) was issued in February 2010, following the revision of Presidential Regulation 67/2005 on Infrastructure PPP. Bid date is expected in August 2010, financial close in November 2011, and commercial operation date of the power plant in December 2014.</p>				

	<p>2. Certain changes in the PPP regulation have been achieved to more efficiently tender out power sector projects.</p> <p>3. IFC is discussing with government counterparts a mandate to advise on the structuring and tendering of a number of geothermal sites</p> <p>4. Together with the Government of Indonesia, the World Bank, ADB and DEG, IFC invested in IIF in 2009 to launch this new NBFi to provide long term capital and advice for infrastructure development.</p>				
<b>IEG Comment:</b>	IEG concurs with IFC's ratings.				
<b>ID #/Study Name:</b>	STD033      REC02 <b>IFC in Indonesia</b>				
<b>Header:</b>	<b>Help develop a long-term local currency debt market</b>				
<b>Recommendation:</b>	IFC can focus on helping Indonesia develop a long-term local currency debt market; but to do so, needs to work with the WB and other development partners to encourage further reforms in the bond market and the life insurance and pension systems				
<b>Management Response:</b>	In the financial sector, IFC has been supporting the consolidation and strengthening of the banking sector, and strengthening the capacity of rural banks and microfinance institutions. IFC has disbursed nearly \$150 million in long-term Rupiah loans, most of which will be used for local credit to SMEs. With respect to the local currency bond market, the World Bank, the Indonesian Ministry of Finance, and the Capital Market Supervisory Authority (BAPEPAM) have held a series of conferences and a policy dialogue on non-bank financial markets, including Rupiah bonds in 2007. The dialogue has revealed a number of policy and capacity issues for which IFC can play a role in filling the gaps. These include tax policy, the lack of an active secondary market, the lack of liquid repurchase and derivative markets, and a need to strengthen mechanisms for registration, trading and settlement. Addressing these issues will help build the confidence of institutional investors in the local currency bond market, thereby increasing its liquidity particularly for corporate issuers. IFC will consider how it can effectively play a role in building these markets through demonstration transactions as well as advisory support.				
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td>0</td> <td>Active (Too early to rate)</td> <td>Medium</td> <td>Active (Rated)</td> </tr> </table>	0	Active (Too early to rate)	Medium	Active (Rated)
0	Active (Too early to rate)	Medium	Active (Rated)		
<b>Management Comment:</b>	IFC has been leading discussions with the Government to allow supranationals to issue long term local bonds to broaden and deepen the bond market. In so doing, IFC is working with Government agencies to address specific technical constraints. IFC is leading a combined approach with IBRD and ADB.				
<b>IEG Comment:</b>	IEG concurs with IFC's LOA rating, however IEG does not consider this recommendation to be too early to rate.				
<b>ID #/Study Name:</b>	STD033      REC03 <b>IFC in Indonesia</b>				
<b>Header:</b>	<b>Diversify agribusiness project operations</b>				
<b>Recommendation:</b>	IFC can scale-up and diversify its agribusiness project operations and continue to focus on stronger linkages with SMEs, farmers and rural communities, while insuring sustainable ESHS practices				
<b>Management Response:</b>	Management agrees and is strongly supporting linkages between SMEs and lead firms in key domestic commodity based sectors, focusing on supply chains in agriculture, fisheries and forestry. IFC will expand its focus on value chain approaches in all IDA countries in East Asia starting with Vietnam, but extending to Indonesia and Cambodia, as the benefits both in terms of development impact and investment are clear. In that context, IFC will make sure that those projects will pursue environmentally sustainable practices. In Indonesia, the linkages advisory work has led to increased sales in markets for several agricultural products. As an example, IFC has supported a cluster of 20 SMEs to increase sales of acacia furniture based on sustainable harvested wood. IFC will seek to scale up this work in other agribusiness supply chains. To ensure focus, the Country Manager is now responsible for both investments and advisory services.				

<b>Management/IEG Ratings:</b>	High	Active (Rated)	High	Active (Rated)
<b>Management Comment:</b>	<p>1. There are 7 investment projects, involved in the grains and milling sector, fruits and vegetables, and other food sectors. IFC investment services committed portfolio in agribusiness amounts to US\$ 112 million.</p> <p>In addition, there are 2 advisory projects: ALFI (2 commodities: peanut, cocoa) focusing on establishing sustainable supply chains and capacity-building to farmers on sustainable farm practices through Lead Firms; and ECOM which focuses on and on establishing Farmer Training Center (FTC) and building the capacity of farmers on sustainable coffee practices.</p> <p>There are 63,582 farmers and agribusiness focused MSMEs reached directly or indirectly through capacity building on sustainable agriculture practices</p> <p>2. The expansion of AS and IS activities has been temporarily slowed down, pending the outcome of the agribusiness strategy review.</p>			
<b>IEG Comment:</b>	IEG concurs with IFC's ratings.			
<b>ID #/Study Name:</b>	STD033	REC04	<b>IFC in Indonesia</b>	
<b>Header:</b>	<b>Scale up support for SMEs</b>			
<b>Recommendation:</b>	IFC can scale up its support to SMEs in underserved regions of the country through regional SME-oriented commercial banks			
<b>Management Response:</b>	IFC has a focus on this area. Management considers rural banking crucial, and it will ensure that greater attention is given to SME development in "non-Java" regions of the country. Management has started in Java as there are financial intermediaries that can be utilized. Efforts are being undertaken to reduce or eliminate policy impediments to effective rural banking, including restrictions on support from foreign parties and limitations on the number of branches per province. Similar to the commercial banking sector, IFC is working on efforts to consolidate the many small and weak institutions into more effective ones that can make the technology and human capital investments needed to effectively serve SMEs sector in the regions. Only in the event that the Government improves these policies (on which IFC is providing help) will IFC be in a position to scale up SME operations in outlying areas. Until then, IFC's involvement will be limited.			
<b>Management/IEG Ratings:</b>	High	Active (Rated)	High	Active (Rated)
<b>Management Comment:</b>	<p>IFC Indonesia has projects with 9 MSME-oriented financial institutions in frontier regions. These projects comprise 6 investment projects, 1 advisory project, and 2 projects combining investment and advisory services.</p> <p>As of September 2009, IFC's total commitment in the 8 investment projects amount to US\$366.02 million. The total MSME portfolio of the 9 financial institutions amount to US\$9.3 billion.</p>			
<b>IEG Comment:</b>	IEG concurs with IFC's ratings.			
<b>ID #/Study Name:</b>	STD033	REC05	<b>IFC in Indonesia</b>	
<b>Header:</b>	<b>Improve ESHS supervision</b>			
<b>Recommendation:</b>	IFC can improve the ESHS compliance rate of the Indonesian portfolio with better ESHS supervision			
<b>Management Response:</b>	In Indonesia, a number of investments went into jeopardy during and post crisis, and legal action had to be sought against sponsors. This has contributed to the lower than average EHS compliance rates. Management agrees that improvements in supervision can be gained and it has been implementing an increased supervision program for the past 18 months. Management is increasing the number of projects physically visited and has been steadily increasing the knowledge of the portfolio.			

	The on-going decentralization is expected to further strengthen client contacts and help collect, monitor and improve EHS in the client companies.	
<b>Management/IEG Ratings:</b>	High Active (Rated)	High Active (Rated)
<b>Management Comment:</b>	Performed 62 ESRR from FY2006 to FY-2010 for the 21 active Indonesian investment projects. For high risk projects, a minimum of one visit by the E&S specialist is conducted per year.	
<b>IEG Comment:</b>	IEG concurs with IFC's ratings.	
<b>ID #/Study Name:</b>	STD034 REC01	<b>Independent Evaluation of IFC's Development Results 2008</b>
<b>Header:</b>	<b>Work Quality and Portfolio Risk Management</b>	
<b>Recommendation:</b>	<p>IFC should pay strong attention to work quality and portfolio risk management as it continues to grow and decentralize its operations, particularly in newer markets and in view of a possible downturn in global economic growth.</p> <p>The quality of IFC's portfolio has improved significantly over the last five years, based on a number of measures such as nonperforming loans and equity returns. Nevertheless, as IFC moves more toward higher-risk regions and sectors, and as the current global financial situation is quite uncertain, management is focused on the need to strengthen risk management and overall work quality. Many of the current major IFC initiatives are dedicated to this task. As will be discussed in IFC's strategy paper for fiscal years (FYs) 2009–11, strengthened internal infrastructure to improve IFC portfolio and risk management capabilities are a central focus under each of the three scenarios in the paper. In addition, IFC's decentralization should facilitate a better understanding and managing of risks associated with its operations. More industry/portfolio management, senior credit function, and environmental/social expertise are being deployed to the field, enabling the convergence of IFC's global experience with local knowledge. Global expertise will be further supported by strengthened knowledge management functions, including the development of industry practice groups. Human resources, training, and leadership programs are being enhanced globally to build the strong staff skills needed to excel in difficult environments. IFC is also preparing for countercyclical situations by conducting a portfolio review in all Regions and strengthening risk management functions. In addition, IFC is enhancing its advisory services operations, especially given IEG-IFC's previous finding that overall, development outcomes are better when investment operations go hand-in hand with advisory services. IFC's advisory services improve projects by addressing, among other things, critical operational, investment climate, environmental, social, and corporate governance issues. Advisory services are being strengthened by focusing on core product areas where IFC can achieve global expertise and comparative advantage, and via advisory services programs in human resources, training, and knowledge management.</p>	
<b>Management Response:</b>		
<b>Management/IEG Ratings:</b>	High Inactive (Implemented)	High Active (To be made inactive)
<b>Management Comment:</b>	Portfolio review concept is fully adopted and portfolio quality is regularly discussed in Quarterly Regional Portfolio Reviews.	
<b>IEG Comment:</b>	Under its previous structure, IFC reviewed portfolio quality at regional portfolio review meetings. Work quality for evaluated investment projects is reported by region in IEG's Annual Independent Review of IFC's Development Results.	
<b>ID #/Study Name:</b>	STD034 REC02	<b>Independent Evaluation of IFC's Development Results 2008</b>
<b>Header:</b>	<b>IFC's Environmental and Social Performance in Africa</b>	
<b>Recommendation:</b>	IFC should ensure that it addresses continued environmental and social performance shortcomings in Africa, particularly as they relate to IFC supervision quality and client commitment to sustainability issues.	
<b>Management Response:</b>	IFC is continuing to take steps to strengthen its project supervision of environmental,	

	<p>health, and social performance in Africa. We are increasing the overall amount of headquarter resources allocated to environmental supervision of the Africa portfolio. We are also managing our environmental supervision visits better by increasing the number of projects visited and prioritizing them, based on environmental risks. In FY08, environmental supervision visits in Africa are expected to increase by 30 percent from the FY07 level. The ongoing decentralization should further strengthen client contacts and help collect, monitor, and improve the environmental performance of client companies. IFC is also expanding its environmental and social development staff presence in the Region to complement its headquarters staff. We would also like to note that the basis of IEGIFC's findings on Africa is a sample of 13 projects that were approved five to seven years ago, in 2000–02. For many clients in the Region, IFC's environmental, health, and social standards represented a substantial change from national regulations and enforcement practices in Africa. In addition, as outlined in this report, companies in financial difficulty often put less priority on addressing the environmental and social issues of their business. In "pushing the envelope" on introducing higher standards, IFC's experience was that many sponsors had difficulty meeting commitments that they were, otherwise, willing to make at the outset of a project. IFC remains committed to working with sponsors on sustainability objectives, while recognizing that, in addition to closer supervision, additional assistance to firms is required in many cases, and this objective has resource implications.</p>		
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td data-bbox="511 835 917 898">High Inactive (Implemented)</td> <td data-bbox="917 835 1437 898">High Active (Rated)</td> </tr> </table>	High Inactive (Implemented)	High Active (Rated)
High Inactive (Implemented)	High Active (Rated)		
<b>Management Comment:</b>	<p>IFC has increased its capacity both in headquarters and on the ground to support faster performance improvements. The level of environmental and social supervision is the highest ever achieved and is already showing significant improvements in portfolio indicators. The effort will be sustained going forward and supplemented through targeted outreach programs.</p>		
<b>IEG Comment:</b>	<p>IEG acknowledges that environmental supervision capacity in Africa has increased. XPSR ratings for environmental and social impacts have also improved over the last calendar year. More information will be available when IEG completes its evaluation of World Bank Group Safeguards and Performance Standards in late FY10.</p>		
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Independent Evaluation of IFC's Development Results 2008</b></p>		
<b>Header:</b>	<p style="text-align: center;"><b>Measuring Advisory Services Performance</b></p>		
<b>Recommendation:</b>	<p>IFC should continue, with input from IEG, to strengthen the steps it is taking to improve the data on the performance of advisory services operations, including efforts to improve understanding among staff about results measurement, quality assurance by managers, as well as performance monitoring beyond project close.</p>		
<b>Management Response:</b>	<p>Management agrees with the recommendation to strengthen measures to improve the data on performance of advisory services operations, in consultation with IEG-IFC. IFC is currently taking a number of steps to improve the quality of data in the project supervision and completion reports, through further streamlining of core indicators by product line, promoting baseline data collection, increasing oversight by evaluation staff, and increasing training and knowledge sharing. Together with IEG-IFC, the IFC results measurement team is organizing a two-day course on monitoring and evaluation of private sector advisory programs at the International Program for Development Evaluation Training in June 2008. As part of knowledge sharing, two annual conferences are organized each year, in which lessons learned from evaluations and evaluation methodologies are shared among the broader World Bank Group, donors, academics, and other multilateral development banks. Partnerships in evaluation have been established with leading experts from institutions such as the MIT Poverty Action Lab, and with foundations such as the German Marshall Fund. Forums on results measurement are being held for donors and multilaterals as well as for foundations in May 2008. Competencies for</p>		

	<p>monitoring and evaluation staff are being developed to strengthen the cadre. IFC will continue to consult with IEG-IFC on developing guidance for identifying, at approval, projects that would require post-completion monitoring so that appropriate frameworks and plans can be established at the outset. IFC would welcome IEG-IFC's efforts to institute a mechanism to provide feedback to staff on Project Completion Report (PCR) reratings as soon as possible, as is being done in the case of the Expanded Project Supervision Report (XPSR) system on the investment side. (PCRs and XPSRs are IFC's project-level self-evaluation reports for advisory services and investment operations, respectively).</p>	
<b>Management/IEG Ratings:</b>	Substantial    Active (Rated)	Substantial    Active (Rated)
<b>Management Comment:</b>	<p>Standard indicators for the different advisory products have been developed and rolled out . These are revised as required based on advisory product needs. Approval, supervision and completion reports are continuously analyzed and quality reports are shared with management on a regular basis with a view to improve quality at entry, through implementation and at completion. Discussions with IEG are underway regarding projects that should be excluded from a DE rating, and guidelines for projects requiring post completion monitoring are currently underway. IEG has also started sharing EVnotes based on PCRs with advisory staff and management appreciates this effort.</p>	
<b>IEG Comment:</b>	<p>IFC has made significant progress in refining its approach to results measurement of advisory services and continues work with IEG to further develop its systems.</p>	
<b>ID #/Study Name:</b>	STD034    REC04	<b>Independent Evaluation of IFC's Development Results 2008</b>
<b>Header:</b>	<b>Strategic Consideration, Operationalization, and Tracking of the Institution's Additionality</b>	
<b>Recommendation:</b>	<p>IFC should clearly map out its additionality in its strategies (including those developed with the World Bank) and develop guidelines and incentives to help operational staff better identify and deliver additionality. IFC could complement these efforts by advancing its metrics for estimating and tracking additionality through the project lifecycle, taking account of the analytical framework outlined in this report.</p>	
<b>Management Response:</b>	<p>IFC has made significant efforts to ensure that additionality considerations are an integral part of all business development and implementation activities. With respect to developing guidelines and incentives to help operational staff better assess and articulate additionality, IFC recently structured a new analytical framework for identifying and categorizing additionality, and presented it to IFC's Board of Executive Directors in November 2007. Following the Board presentation, IFC developed an additionality primer, designed to help staff develop, assess, and communicate IFC's role and additionality more systematically and effectively. We have just embarked on an additionality training program, which is being delivered in the IFC induction program and will soon be part of the extensive, credit training course. IFC will continue to monitor additionality and report to the Board at the aggregate level, in line with the November 2007 Board presentation. In addition, we continue to track areas of expected high additionality in our corporate scorecard, such as investments in IDA countries and micro, small, and medium enterprises. Most of these efforts are targeted at strengthening IFC additionality at the project level, which is ultimately the most important level at which IFC additionality must be realized. At the strategy level, additionality has been an important part of IFC corporate strategies for many years, and has become even more important in recent years. At the regional and industry level, management introduced a structured strategic planning process this year for all investment departments, which addresses the external environment for each department, including market development, activities of other development institutions, and IFC strengths and weaknesses. The process includes discussions of success factors compared with other institutions. We</p>	

	<p>plan to continue using this process next year. As a result, many of the individual strategies coming out of this process have substantive discussions of IFC's comparative advantage. As noted in the IEG-IFC paper, elements of additionality are already discussed in many of IFC's various strategy documents. However, we would strongly caution against judging the quality of each regional, country, and sector strategy document by the presence of an explicit discussion of IFC's unique value added, relative to other sources of finance and advice. While this understanding must be considered in order to develop strategy, it is not always necessary or efficient to restate these issues in every document. Often at the country or sector level, reference to established Corporate priorities that reflect additionality may be sufficient, for example, with respect to the frontier and IDA focus, or differentiation via sustainability competencies. Also, there are a number of different approaches to strategy development that can be useful in different circumstances. Top-down planning may not always be the best approach—sometimes a bottom-up, learning approach can be a very effective complement to other methods.</p>	
<b>Management/IEG Ratings:</b>	High      Active (To be made inactive)	High      Active (Rated)
<b>Management Comment:</b>	<p>DOTS 2, launched in October 2009, includes a mechanism for tracking additionality. Upon completion of the backfill exercise, data will be available from FY08 going forward for all active projects. IFC will therefore be able to better analyze and articulate the value it adds, and faster feedback to management will better inform strategy, operations, and incentives.</p>	
<b>IEG Comment:</b>	<p>IFC now tracks additionality in DOTS2, however, it will take some more time to backfill the data and generate reports that can be used by management. IEG needs to review the data and adherence to IFC's own guidelines.</p>	
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Independent Evaluation of IFC's Development Results 2008</b></p>	
<b>Header:</b>	<p style="text-align: center;"><b>Additionality in Lagging Regions, Sectors, and Client Groups</b></p>	
<b>Recommendation:</b>	<p>IFC should carry out further analysis of additionality in lagging regions, sectors, and client groups, in order to identify what specific steps are required to enhance performance.</p>	
<b>Management Response:</b>	<p>We note the report's conclusion that its review of IFC's additionality raises a number of questions. In this regard, we support the suggestion to do further evaluation of IFC's delivery of additionality with a view to identifying areas where IFC's additionality can be enhanced. This review should consider both analyses of areas where IFC has been strong and areas where IFC has been lagging.</p>	
<b>Management/IEG Ratings:</b>	Medium      Active (Rated)	Medium      Active (Rated)
<b>Management Comment:</b>	<p>DOTS2, launched in October 2009, includes a mechanism for tracking IFC's additionality. Upon completion of the backfill exercise, data will be available from FY08 going forward for all active projects. IFC will therefore be able to better analyze and articulate the value it adds, and faster feedback to management will better inform strategy, operations, and incentives.</p>	
<b>IEG Comment:</b>	<p>IEG concurs with IFC's comment.</p>	
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>The World Bank Group Guarantees Instruments 1990-2007: An Independent Evaluation</b></p>	
<b>Header:</b>	<p style="text-align: center;"><b>Revisit its approach to risk-sharing facilities (RSFs) to increase flexibility and improve the attractiveness of the product.</b></p>	
<b>Recommendation:</b>	<p>The rigid approach to structuring RSFs has limited IFC's ability to fully exploit the benefits of partnering with local and international financial institutions. This rigidity and high transaction costs have discouraged utilization of the instrument. More flexible structures should be considered to make the product more attractive to partner financial institutions. IFC has accumulated the data and the experience to give it the comfort needed to simplify processes and to give flexibility to partners to use their strengths while at the same time strengthening those processes intended for</p>	

	risk management and social and environmental safeguards.	
<b>Management Response:</b>	Agreed with respect to simplifying the process - IFCs position with respect to first loss in RSFs is not about willingness to take risk but about the appropriateness of the project structure. Whether an off- balance sheets securitization or an on -balance sheet RSF, the approach risk is the same. However there are some broader issues with respect to the implementation and replication of RSFs in a timely and efficient manner that management is addressing. As management develops more of these structures, it is becoming more efficient with respect to processing and documentation, and management is now working to simplify and standardize these structures to the degree possible.	
<b>Management/IEG Ratings:</b>	0	Active (Too early to rate) Substantial Active (Rated)
<b>Management Comment:</b>	<p>Efforts underway to simplify and standardize the RSF models are updated below.</p> <p>A. Models:  (1) Generic RSF Model for the use of extensive risk analysis specifically for IRM and (2) simplified loss allocation model for quick analysis for external client proposal version has been developed. Refinement of easy-to-use features and user-friendly interfaces, together with a succinct and clear user manual for IOs are almost ready to be distributed, waiting for the validation of the model by CIR. Presentation to CIR on a theoretical and programming side was done the last week of February 2010. Technical documents on the theories behind the model and comparison of different approaches were written, which also should be beneficial for CIR model validation. IT infrastructure for model deployment has been discussed in progress with CBI for model version control and usage monitoring. (The models, though generic, should be well adapted to for energy efficiency, SME financing and education loans, with a portfolio of tenor and revolving loans.)</p> <p>B. Due Diligence: (1) Archive for Generic questionnaires has been created, but (2) Client data analysis guidelines for different data quality levels and generic SAS tools for processing fair quality data to calibrate input for the model have just been started yet should be completed by the end of April.</p> <p>Credit Policy:  Standardization of rating approach for structured credit deals and illustration of risk characteristics associated was presented to CRV in early February.</p>	
<b>IEG Comment:</b>	IFC has made some progress in simplifying its Risk Sharing Facility models and expects to distribute guidance to Investment Officers in the coming period. Efforts have also begun to develop an infrastructure to deploy tools to relevant IFC staff.	
<b>ID #/Study Name:</b>	STD035 REC04	<b>The World Bank Group Guarantees Instruments 1990-2007: An Independent Evaluation</b>
<b>Header:</b>	<b>Scale-up successful models in energy efficiency, education, and capital market development based on the use of guarantee structures.</b>	
<b>Recommendation:</b>	IFC has developed models based on guarantee structures in the areas of energy efficiency, SME financing, education, and capital market development. Limited replication has taken place so far. IFC needs to assess its experience with these products, simplify, standardize, and bring them closer to market practices to enhance prospects for scaling up in line with its programmatic approach.	
<b>Management Response:</b>	Agreed on scaling up in these sectors, not agrees on limiting scope to guarantee products - IFC is pursuing programmatic approaches as a way to increase the development impact and additionality of operations by extending IFC activities beyond the individual project into a program of projects and advice. A key approach to this is through wholesaling, where IFC is combining its financial sector and industry expertise to enable the wholesaling if IFC financial products for specific industries through local banks. The education sector is one of the key areas where this is being done. In energy efficiency, IFC has been a leader in the development of financing programs through financial intermediaries designed to deliver	

<b>Management/IEG Ratings:</b>  <b>Management Comment:</b>  <b>IEG Comment:</b> <b>ID #/Study Name:</b> <b>Header:</b>	<p>environmental benefits, including clean energy. Management expects to scale up in this area. A number of capital market products that include guarantees are being explored that would address such needs as access to housing finance and agribusiness and which will be facilitated using short- term finance, local currency financing, and risk - sharing products.</p> <table border="1" data-bbox="509 344 1437 415"> <tr> <td data-bbox="509 344 919 415">0 Active (Too early to rate)</td> <td data-bbox="919 344 1437 415">0 Active (Too early to rate)</td> </tr> </table> <p>With the simplification process under way (see Recommendation 3), it is hoped that scaling up will be achieved soon.</p> <p>IFC has not yet made progress on the recommendation pending changes to its approach to risk sharing facilities.</p> <p>STD036 REC01 <b>Supporting Environmental Sustainability</b></p> <p><b>IFC should encourage the adoption and use of Equator Principles</b></p>	0 Active (Too early to rate)	0 Active (Too early to rate)
0 Active (Too early to rate)	0 Active (Too early to rate)		
<b>Recommendation:</b>   <b>Management Response:</b>  <b>Management/IEG Ratings:</b>  <b>Management Comment:</b>  <b>IEG Comment:</b> <b>ID #/Study Name:</b> <b>Header:</b>	<p>IFC should further encourage the adoption and use of the Equator Principles as global environmental standards in private sector investments in the developing world and IFC Policy and Performance Standards on Environmental and Social Sustainability by multilateral development banks, and seek to extend their use among public financiers. The results of application of these mechanisms should be carefully monitored, reported, and evaluated, for example by using external assurance companies.</p> <p>This is consistent with the IFCs sustainability agenda. This is an ongoing activity that has been remarkably successful, given that 60 Banks have adopted the Equator Principles, from 10 in 2003 . IFC is actively supporting and promoting the adoption of the Equator Principles through various means and efforts, largely coordinated through the policy unit housed in IFC's Environment and Social development Department, Community of Learning practice group, managed and convened by IFC, direct and indirect interaction with the financial institutions, and more broadly , through the sustainable investing practice area of IFC's Sustainable Business Innovator.</p> <table border="1" data-bbox="509 1100 1437 1171"> <tr> <td data-bbox="509 1100 919 1171">High Active (To be made inactive)</td> <td data-bbox="919 1100 1437 1171">High Active (To be made inactive)</td> </tr> </table> <p>IFC has an ongoing outreach program with Equator Principles Financial Institutions under implementation. Focused outreach with public sector entities includes the ongoing collaboration with China's Banking Regulatory Commission and with the Vietnamese government. These activities are expected to continue in FY11.</p> <p>IEG concurs with IFC's ratings, but suggests that the results of application of these mechanisms should be carefully monitored, reported, and evaluated, for example by using external assurance companies.</p> <p>STD036 REC02 <b>Supporting Environmental Sustainability</b></p> <p><b>IFC should continue to develop systems with its Community Learning initiative</b></p>	High Active (To be made inactive)	High Active (To be made inactive)
High Active (To be made inactive)	High Active (To be made inactive)		
<b>Recommendation:</b> <b>Management Response:</b> <b>Management/IEG Ratings:</b>	<p>IFC should continue to develop systems with its Community Learning initiative to improve accountability and transparency among Equator Principles signatories. It should also encourage and support environmental consultants and develop and institutionalize market-driven training to help them master IFC's Policy and Performance Standards on Social and Environmental Sustainability. IFC should focus its Advisory Services and capacity building efforts on regions and sectors with low environmental performance, especially on Sub-Saharan Africa and the textile, food and beverage, tourism, and agriculture sectors. IFC should continue supporting market transformation towards sustainability with its Advisory Services and direct and financial intermediary investments, emphasizing technology transfer and development in clean production, energy efficiency, and sustainable supply chain management.</p> <table border="1" data-bbox="509 1860 1437 1890"> <tr> <td data-bbox="509 1860 919 1890">Substantial Active (Rated)</td> <td data-bbox="919 1860 1437 1890">Substantial Active (Rated)</td> </tr> </table>	Substantial Active (Rated)	Substantial Active (Rated)
Substantial Active (Rated)	Substantial Active (Rated)		

<b>Management Comment:</b>	Quality assurance, outreach and knowledge product development are core elements of IFC's approach to social and environmental sustainability, all of which contribute to further strengthening the dissemination and adoption of the Performance Standards as a global public good.	
	<b>IEG Comment:</b> IEG concurs with IFC's rating, however, in the next cycle, IFC should provide more specific information on such things as Community of Learning events organized, consultation with Equator Principles Financial Institution's Executive Committee and its needs assessment for capacity building of FIs in sub-Saharan Africa.	
	<b>ID #/Study Name:</b> STD036 REC03 <b>Supporting Environmental Sustainability</b>	
	<b>Header:</b> <b>Better coordination between IFC and the World Bank on policy dialogue</b>	
<b>Recommendation:</b>	IFC and the Bank should better coordinate policy dialogue with governments to enhance structural reforms aimed at public private partnerships in water, wastewater, and waste management, reuse, and recycling sectors, and ensure that industry views in these and other environmentally relevant and sensitive sectors are present in the national and sectoral policy dialogues.	
	The recommendation would have been more solidly grounded and of greater clarity if it were substantiated with the findings drawn from a systematic evaluation of IFC World Bank coordination. Regardless of this shortcoming, increased World Bank Group collaboration is strategic IFC goal, and IFC departments have laid specific plans to enhance Bank Group synergy. However, it is important to recognize that the Bank works on a country demand -driven basis, and such collaboration is dependent on specific country demand.	
<b>Management Response:</b>	Substantial	Active (Rated)
<b>Management/IEG Ratings:</b>	Substantial	Active (Rated)
<b>Management Comment:</b>	IFC is actively engaged in the development of the World Bank Group Environment Strategy and Energy Sector Strategy.	
<b>IEG Comment:</b>	IEG concurs with IFC's rating.	
<b>ID #/Study Name:</b>	STD036 REC04 <b>Supporting Environmental Sustainability</b>	
<b>Header:</b>	<b>IFC should help clients to implement IFC's Environmental and Social Performance Standards.</b>	
<b>Recommendation:</b>	In implementing their Environmental and Social Performance Standards, IFC should stress the need for clients, especially financial intermediaries, to develop and implement solid ESMSs in recognition that sustainability is key to their business success; ensure that engineering and pollution control system design and community engagement are integrated in the early project stage to provide environmentally, socially, and economically sound solutions; and use more independent environmental audits as part of project completion tests. IFC should also emphasize the potential for environmental benefits in its marketing and selection of projects.	
<b>Management Response:</b>	High	Active (To be made inactive)
<b>Management/IEG Ratings:</b>	High	Active (Rated)
<b>Management Comment:</b>	Portfolio supervision has been ramped up significantly. Annual targets are set for number of supervision and level of portfolio knowledge. These are monitored on a regular basis and reported to IFC senior management. Recommendations have been made for improving the capture rate of client-prepared annual reports.	
	IEG concurs with IFC's rating. Recent XPSR indicators have shown higher environmental and social impact ratings. Over the next review period, IFC should provide more quantitative information on the ramping up of its portfolio supervision, including the number of annual supervision visits and on the delivery for AMRs/AEPRs.	
<b>IEG Comment:</b>	AMRs/AEPRs.	
<b>ID #/Study Name:</b>	STD036 REC05 <b>Supporting Environmental Sustainability</b>	
<b>Header:</b>	<b>Reporting and monitoring of performance criteria in IFC projects</b>	
<b>Recommendation:</b>	Reporting and monitoring of performance criteria in IFC projects should include specific emissions and mass flows in addition to the present system that monitors pollutant concentrations. These indicators should be determined before and assessed	

	<p>afterward for all relevant projects to track their impacts on such matters as the abatement of effluent discharges and dust and greenhouse gas emissions. For environmentally sensitive IFC agriculture and forestry projects, especially in areas of high biodiversity, carefully designed baseline studies should be done to identify indirect, induced, and cumulative (as well as direct) environmental and social impacts. Adequate plans to mitigate any negative effects should be designed, implemented, and carefully monitored. Sustainability of supply chains with certification schemes and third-party monitoring should also be enhanced.</p>	
<b>Management Response:</b>		
<b>Management/IEG Ratings:</b>	Substantial    Active (Rated)	Substantial    Active (Rated)
<b>Management Comment:</b>	<p>IFC is actively involved in the new World Bank Group Environment Strategy and is leading several technical papers under the Pollution Management Thematic Group. The Quality Assurance function has been enhanced significantly and positioned under a newly established division within IFC's Environment and Social Development Department.</p>	
<b>IEG Comment:</b>	<p>IEG concurs with IFC's rating. Recent XPSR indicators have shown higher environmental and social impact ratings. Over the next review period, IFC should provide more quantitative information on the ramping up of its portfolio supervision, including the number of annual supervision visits and on the delivery for AMRs/AEPRs.</p>	
<b>ID #/Study Name:</b>	STD037    REC01 <b>IFC in Nigeria</b>	
<b>Header:</b>	<b>Infrastructure and non-oil growth</b>	
<b>Recommendation:</b>	<p>IFC needs to diversify areas of intervention in Nigeria to: (i) help address development challenges related to poor infrastructure (in particular power and roads) and excessive dependence on the oil sector; (ii) contribute to trickle-down effects of oil-driven growth; and (iii) expand viable private sector activities beyond the present narrow confines of operations in terms of sectors. This would involve: (i) more strategic and effective deployment of advisory services, particularly in infrastructure and related areas; and (ii) close cooperation with the World Bank to help improve the business environment.</p>	
<b>Management Response:</b>	<p>Agrees with the thrust of the recommendation - IFC is actively engaged in seeking effective means of engaging in the real sectors and expect a greater progress in the future as reforms continue to take hold. IFC agrees to focus their efforts on infrastructure on the power sector and key services sectors. IFC has deployed its advisory services in a more strategic manner with the advent of PEP - Africa from 2005.</p>	
<b>Management/IEG Ratings:</b>	0                      Active (Too early to rate)	0                      Active (Too early to rate)
<b>Management Comment:</b>	<p>We would report on the progress and track the implementation of this recommendation beginning with end-FY10 results.</p>	
<b>IEG Comment:</b>	<p>IFC has indicated that they need more time to begin implementation of this recommendation.</p>	
<b>ID #/Study Name:</b>	STD037    REC02 <b>IFC in Nigeria</b>	
<b>Header:</b>	<b>Country Strategy</b>	
<b>Recommendation:</b>	<p>IFC needs to improve the process of developing country assistance strategies for key countries such as Nigeria by: (i) strengthening the country focus of IFC's strategy process including enhanced coordination with the World Bank; (ii) formulating country objectives in terms of expected development impacts; and (iii) linking objectives with the allocation of organizational resources.</p>	
<b>Management Response:</b>	<p>Agrees with the Recommendation - IFC has initiated a new country strategy process in Nigeria, piloting the structured strategy formulation framework that IFC uses at the corporate and regional/ sectoral department level in the country level. This process is expected to complete in the second quarter of FY09, and will then assess</p>	

	whether this provides, the best framework for the country strategy formulation. It is expected that this process would feed into the broader World Bank Group (and DfID) joint CPS. There is an ongoing dialogue with the Bank at the corporate level on how to make the private sector development focus and IFC role in joint Country Assistance Strategy (CAS)/CPS more effective, which we also expect the Nigeria experience to inform.	
<b>Management/IEG Ratings:</b>	Medium      Active (Rated)	Medium      Active (Rated)
<b>Management Comment:</b>	IFC has strengthened its country strategy process beginning in FY 10 to meet the main points of the recommendation; this is currently in implementation by the regions. IFC resources are budgeted on a regional basis; country budgets cover only resident staff and country office expenses, and not all the costs of developing, processing, and supervising investment projects, or designing and implementing advisory projects.	
<b>IEG Comment:</b>	IEG has strengthened its country strategy process for Nigeria, but is still largely budgets country resources at the regional level. IEG will look more closely at how the new strategy process develops over FY10 for its next update.	
<b>ID #/Study Name:</b>	STD037      REC03	<b>IFC in Nigeria</b>
<b>Header:</b>	<b>Environmental and Social Effects</b>	
<b>Recommendation:</b>	IFC should ensure that proper priority and resources are given to supervision of environmental and social effects in Nigeria. IFC should fully integrate the environmental and social supervision into the portfolio management process and ensure accountability.	
<b>Management Response:</b>	IFC has strengthened the field presence of E&S specialists, to a total of three full time Africa based staff, one short -term consultant (STC) and many other consultants. We plan to strengthen further this presence by mid -year with an additional five Africa based (including Cairo) full time staff and by increasing the use of consultants. Also are exploring means of more effectively integrating E&S supervision into other aspects of portfolio management and relationship management, while retaining the need to have specialists involved in that supervision from IFC's E&S Development Department.	
<b>Management/IEG Ratings:</b>	High      Inactive (Implemented)	High      Active (To be made inactive)
<b>Management Comment:</b>	As of Jan. 2010, there are in total 27 projects in the Nigeria portfolio. Out of these 27 projects, seven (7) of them are either in SOU or in litigation and therefore make E&S site supervision difficult to impossible and where receiving AMRs from clients is unlikely. These leave a portfolio of 20 projects where supervision might be physically possible. Out of these 20 projects, 3 are category C, which by definition means there are no environmental or social impacts. Out of the remaining 17 projects, 10 of them are FI projects and out of which 6 are low risk (only apply Host Country requirements and the Exclusion List, not Performance Standards). This leaves 11 projects with some moderate degree of risk in the Nigeria portfolio, though it should be noted that there are no high risk (Cat A) projects in this group. CES has conducted 11 site visits in Nigeria in FY10 to date (12 site visits were conducted in FY09 and 3 site visits in FY08). There are 16 projects in the Nigeria portfolio that have an AMR reporting requirement. So far in FY10 (March and April are when most AMRs are due to IFC so it is too early to know the results for FY10) 50 percent of the required AMRs have been submitted.	
<b>IEG Comment:</b>	IFC has significantly increased the level of environmental supervision for its Nigerian portfolio since 2008.	
<b>ID #/Study Name:</b>	STD038      REC01	<b>Biennial Report on Operations Evaluation in IFC 2008: Enhancing Monitoring &amp; Evaluation for Better Results</b>

<b>Header:</b>	<b>Enhancing measurement of impact and additionality at the country level</b>	
<b>Recommendation:</b>	IFC should consider developing more robust and consistent metrics for monitoring and assessing its additionality and development impact at the sector and country levels as IFC transitions to a more programmatic approach to interventions. To start, IFC may wish to focus on sectors and countries in which it has taken a programmatic approach, and there has been a critical mass of IFC activities.	
<b>Management Response:</b>	IFC has made significant efforts to ensure that additionality considerations are an integral part of its business development and implementation activities. The underlying analytical framework for additionality was presented to IFC's board of Directors in November 2007. IFC had issued an additionality primer to help staff develop, assess, and communicate IFC's role and additionality systematically. IFC has also launched additionality training for staff as part of the more extensive credit training course. For tracking the additionality systematically, the enhanced version of DOTS(DOTS II) will be introduced later in the year. For assessing additionality at the macro level, IFC is following IEG- IFC's own methods for conducting sector and country - level evaluations, which are still evolving. Management does not agree that where IFC has sufficient critical mass, it makes sense to try assessing IFC's developing results at the country level. IFC is working through the IDS- IFC Secretariat on measuring results and to enhance the articulation of the role and expectations of IFC's activities in CAS, starting with a few pilots in Key IDA countries. It plans to work closely with IEG to enhance its contribution in the CAS Completion Review process.	
<b>Management/IEG Ratings:</b>	High      Active (To be made inactive)	Medium      Active (Rated)
<b>Management Comment:</b>	DOTS 2, launched in October 2009, includes a mechanism for tracking IFC's Additionality. Upon completion of the backfill exercise, data will be available from FY08 going forward for all active projects. IFC will therefore be able to better analyze and articulate the value it adds, and faster feedback to management will better inform strategy, operations, and incentives. CAS pilot lessons were reviewed and recommendations were approved by management in mid-2009.	
<b>IEG Comment:</b>	DOTS 2 has been introduced, however it will take some time for IFC to backfill information going back to FY08 and aggregate meaningful data.	
<b>ID #/Study Name:</b>	STD038      REC02	<b>Biennial Report on Operations Evaluation in IFC 2008: Enhancing Monitoring &amp; Evaluation for Better Results</b>
<b>Header:</b>	<b>Achieving better coverage of IFC's portfolio in reporting on results</b>	
<b>Recommendation:</b>	IFC should aim to expand the coverage of IFC's portfolio in reporting on results. It should improve the portfolio coverage of reach indicators and report the development results of its entire mature portfolio	
<b>Management Response:</b>	DOTS cover all the active companies in IFC's investment portfolio (over 1200), and internal reporting to IFC management covers all active companies. In the Annual Report, IFC focuses on the 6 - year time slice of operations, similar to IEG's approach for its Independent Evaluation of Development Results. The Annual Reports clearly articulates what is covered and why. Since DOTS covers projects until closure, IFC will eventually report on both the active and closed projects, but in its current early stage, coverage of closed projects is too limited to be meaningful. IFC is committed to further increase the coverage of our portfolio with reach indicators, particularly in Sub Saharan Africa. The introduction of (DOTS-II) is expected to enhance the technological platform to enable staff and management to report, track and analyze reach information real time.	
<b>Management/IEG Ratings:</b>	0      Active (Too early to rate)	Substantial      Active (Rated)
<b>Management Comment:</b>	In FY09, before the implementation of DOTS 2, IFC reported at least 80 percent coverage for 7 out of 13 mandatory reach indicators for its active portfolio. All mandatory MSME reach indicators achieved at least 80 percent coverage.	

	<p>Going forward, IFC will continue to monitor the coverage for the active portfolio, which is expected to be on its way to achieve 80 percent for all mandatory indicators (with some exclusions), particularly after the implementation of DOTS 2 in the second half of FY10.</p>														
<b>IEG Comment:</b>	IEG concurs with management's comments, but does not consider this recommendation to be "Too early to rate".														
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Biennial Report on Operations Evaluation in IFC 2008: Enhancing Monitoring &amp; Evaluation for Better Results</b></p>														
<b>Header:</b>	<b>Improving quality of data in M&amp;E</b>														
<b>Recommendation:</b>	IFC should strengthen managerial oversight of M&E for data quality and ratings for both investments and advisory services with proper record keeping functions. For advisory services, in particular, IFC may need to introduce some minimal acceptance standards for PCRs, in order to improve quality														
<b>Management Response:</b>	Management is committed to further enhance the quality of the data at entry. The Development Effectiveness and Results Measurement Units will continue to provide staff training, departmental support, and undertake periodic quality reviews. The DOT- II will facilitate in a timelier and easier managerial oversight and enhance record keeping. On the Advisory side, management agrees that there is a need to improve the quality of PCRs. We look forward to IEGs guidance and support for the development of criteria for minimum acceptable standards for PCRs.														
<b>Management/IEG Ratings:</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Inactive High (Implemented)</td> <td style="width: 50%; text-align: center;">High Active (Rated)</td> </tr> </table>	Inactive High (Implemented)	High Active (Rated)												
Inactive High (Implemented)	High Active (Rated)														
<b>Management Comment:</b>	<p>1. DOTS2 was implemented in October 2009. Data is now captured as numerical field that allows for better aggregation. Standard indicators are widely used in the migration process and extra efforts have been made to encourage departments to use standard indicators instead of custom indicators.</p> <p>2. Data collection manual is finalized and provided to departments for the FY10 reach data collection exercise.</p> <p>3.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="text-align: center;">FY09</th> </tr> <tr> <th style="text-align: center;"># of Training Events</th> <th style="text-align: center;"># of Participants</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">HQ</td> <td style="text-align: center;">54</td> <td style="text-align: center;">744</td> </tr> <tr> <td style="text-align: center;">FO</td> <td style="text-align: center;">32</td> <td style="text-align: center;">662</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">86</td> <td style="text-align: center;">1406</td> </tr> </tbody> </table>		FY09		# of Training Events	# of Participants	HQ	54	744	FO	32	662	Total	86	1406
	FY09														
	# of Training Events	# of Participants													
HQ	54	744													
FO	32	662													
Total	86	1406													
<b>IEG Comment:</b>	IEG concurs with management's comments; however, it will keep the recommendation active because it is still too early to assess the reliability of DOTS-2.														
<b>ID #/Study Name:</b>	<p style="text-align: center;"><b>Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services</b></p>														
<b>Header:</b>	<b>Effectively manage the tension between protecting the portfolio and responding to opportunities during crisis</b>														
<b>Recommendation:</b>	IFC should focus on importance of arrangements to isolate portfolio problems from new business development, mitigating conflicts of interest that may impede effective collaboration with the World Bank and the IMF, and of clear rules of engagement for crisis response, particularly staff in the field. IFC and the World Bank Group must play an important role in promoting sound frameworks for prudent financial risk management and safeguards for sustainable private sector development.														
<b>Management Response:</b>	Management agrees with the suggestion - Portfolio work capacity has been enhanced where it is most needed. Nearly all portfolio managers are now based in the field because this is critical to understanding client issues quickly and resolving them														

	<p>expeditious. IFC has taken steps to closely supervise its portfolio, including: (1). Deepening of portfolio stress testing (2) Assembling a new team dedicated to portfolio oversight and compliance testing (3) Enhancing portfolio intelligence activities to develop finer methodologies for all portfolio valuation as well as single and group exposure aggregation. On - investment departments are also increasingly engaged in helping meet the needs of our portfolio clients. In terms of new business opportunities during the crisis, IFC has established a number of programmatic initiatives that are clearly separate from portfolio operations; (1) Bank recapitalization Fund (BRF) (2) Trade initiatives (3) Microfinance liquidity Facility (4) Infrastructure Crisis Facility (5) Sovereign Fund Initiative (SFI) (6) Advisory Services. IFC has established a new investment subsidiary, the IFC Asset Management Company. LLC to carry out the SFI and BRF. This helps in separating these specific new business initiatives from IFC's portfolio operations. IFC has coordinated with the Bank in developing its special initiatives, for example, the Infrastructure Crisis Facility Fund and the BRF. Going forward IFC will track its performance in strengthening Bank Group cooperation through its Corporate Scorecard.</p>						
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td>Substantial</td> <td>Active (To be made inactive)</td> <td>Substantial</td> <td>Active (Rated)</td> </tr> </table>	Substantial	Active (To be made inactive)	Substantial	Active (Rated)		
Substantial	Active (To be made inactive)	Substantial	Active (Rated)				
<b>Management Comment:</b>	<p>1. In addition to continued regular portfolio reviews, several initiatives are being undertaken through IFC 2013 that will further enhance portfolio supervision, including:  Establishment of Operational Centers to move execution and decision making closer to clients;  Review of investment processing for portfolio operations; and  Portfolio management functional specialization of investment staff.</p> <p>2. Joint IFC-World Bank Group projects are continuously tracked in the corporate scorecard.</p>						
<b>IEG Comment:</b>	<p>With the global financial crisis not yet over and a reorganization being undertaken at IFC, IEG will review this rating in the coming cycle to determine if IFC initiatives to strengthen portfolio supervision are sustained.</p>						
<b>ID #/Study Name:</b>	STD040 REC02	<p><b>Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services</b></p>					
<b>Header:</b>	<p><b>An overall strategy for IFC advisory services, addressing the need for a clear vision and business framework and more closely linked with IFC's global corporate strategy</b></p>						
<b>Recommendation:</b>	<p>IFC's strategy regarding advisory services (AS) would need to better articulate IFC comparative advantages in AS, objectives and goals for AS in different contexts (a source of confusion among staff), and to consider the best staffing combinations (with respect to internal or external as well as global or local staff), delivery unit organization, incentives and performance measures to help realize these objectives and goals.</p>						
<b>Management Response:</b>	<p>Management agrees on the importance of a clear strategy and business framework for our AS business. Besides the several actions taken by IFC in this direction in the area of policy, system, process, product, and organizational levels, IFC has chosen to develop an integrated strategy for both our investment and advisory businesses. Advisory is also an important part of our strategic response to the unfolding financial and economic crisis.</p>						
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td>Substantial</td> <td>Active (To be made inactive)</td> <td>Substantial</td> <td>Active (To be made inactive)</td> </tr> </table>	Substantial	Active (To be made inactive)	Substantial	Active (To be made inactive)		
Substantial	Active (To be made inactive)	Substantial	Active (To be made inactive)				
<b>Management Comment:</b>	<p>IFC management will continue to articulate and disseminate its unfolding strategy for advisory services, including in the context of IFC-wide strategy documents.</p>						

	Advisory services figure prominently in IFC's annual strategy processes and resulting Roadmap Papers, and were the focus of an informal briefing to the Board in May 2009.
<b>IEG Comment:</b>	IEG concurs with IFC's rating. IFC has presented a strategy for advisory services to the Board and has further integrated advisory services into IFC's overall strategy.
<b>ID #/Study Name:</b>	STD040 REC03 <b>Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services</b>
<b>Header:</b>	<b>Pursue more programmatic Advisory Services (AS) interventions</b>
<b>Recommendation:</b>	Evaluation shows that IFC has achieved better results in AS projects that have been carried out in conjunction with other AS interventions. One-off activities have been less effective. However, programmatic efforts of this kind have been in the minority (about a fifth of all AS projects), and IFC should accordingly seek to expand this type of intervention.
<b>Management Response:</b>	Management agrees that programmatic AS interventions often promise more substantial development impact than more limited interventions. IFC proposes to continue to emphasize programmatic approaches wherever feasible and appropriate.
<b>Management/IEG Ratings:</b>	Active (To be made Substantial inactive)   Substantial Active (To be made inactive)
<b>Management Comment:</b>	IFC management recognizes the potential of programmatic approaches, and will continue to emphasize those approaches when feasible and appropriate.
<b>IEG Comment:</b>	IEG concurs with IFC's ratings. IEG has emphasized the importance of IFC pursuing programmatic approaches to advisory services and IFC has indicated its willingness to do so where it is feasible.
<b>ID #/Study Name:</b>	STD040 REC04 <b>Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services</b>
<b>Header:</b>	<b>Improve execution of the Advisory Services (AS) pricing policy.</b>
<b>Recommendation:</b>	Over the longer term, it would be important to seek client contributions that reflect value and impact, i.e. not just cost, to create a true test of client demand, incentives for better AS delivery, and ensure IFC is being additional.
<b>Management Response:</b>	Management agrees that our pricing policy is an important tool to strengthen the impact of our AS interventions, but differs with IEG on parts of their analysis and recommendations. IFC has been charging clients for some of its advisory products for many years. Since 2007 this policy was broadened to embrace the full range of our advisory services. The policy was intended to strengthen the client's commitment to implementing the advice. Moreover, since our AS is focused on addressing market failures, pricing approaches based on the value or impact of our AS will often not be relevant or practicable. IFC intends to keep the operation of our AS pricing policy under regular review, and will continue to refine the implementation of the policy based on experience.
<b>Management/IEG Ratings:</b>	Substantial Active (Rated)   Substantial Active (Rated)
<b>Management Comment:</b>	IFC management briefed CODE on progress in implementing its pricing policy for advisory services in November 2009. IFC management will continue to implement its pricing policy for advisory services and undertake regular reviews of lessons emerging from that experience.
<b>IEG Comment:</b>	IEG concurs with IFC's ratings. IEG will review progress made toward implementing this recommendation over the next cycle.
<b>ID #/Study Name:</b>	STD040 REC05 <b>Independent Evaluation of IFC's Development Results 2009: Knowledge for Private Sector Development - Enhancing the Performance of IFC's Advisory Services</b>

<b>Header:</b>	<b>Strengthen Advisory Services (AS) performance measurement and internal knowledge management</b>	
<b>Recommendation:</b>	In the short term, it would be important to have more hands-on M&E support in the field, post-project completion follow up, capturing of lessons from dropped or terminated projects, and more arms-length facility, product and project reviews. In the medium term, it would pay to introduce an XPCR system (akin to the XPSR system for investment operations, and carried out later than the PCR to better capture impacts), more programmatic impact evaluation and impact research, setting results-based targets for AS in its corporate scorecard, and regular benchmarking of IFC AS activities and systems with other providers of knowledge services, including other multilateral development banks and commercial providers. In the longer term, the aim could be to establish a specialized research unit focusing on generating and bringing together private sector development knowledge work.	
<b>Management Response:</b>	IFC agrees on the importance of effective performance management and internal knowledge management, and is committed to improving its performance in both areas. IFC introduced its M&E system for advisory in 2005. The M&E function in IFC is decentralized, with every region staffed with one or more M &E officers. Going forward, Management would be very supportive of the development of an XPSR instrument. Management has recently launched a major IFC initiative for IFC as a whole. In addition, the joint World Bank. IFC Vice Presidency for Finance and Private Sector Development engages in a substantial research with internal and external partners. Against this background, management does not believe that a specialized IFC unit focusing on private sector development knowledge work is necessary over and above the current initiatives.	
<b>Management/IEG Ratings:</b>	Medium Active (Rated)	Medium Active (Rated)
<b>Management Comment:</b>	IFC management agrees on the importance of effective performance management and internal knowledge management, and is committed to continuous improvement of its performance in both areas. For AS performance management, continuous improvements in impact evaluations and measurement approaches underway. Discussions on developing an XPCR system are currently underway with IEG. Results targets for advisory services on development effectiveness and AS client survey results are being piloted for inclusion in scorecards. KM is a central focus of AS Business Line Leaders, who are mandated to gather, manage and disseminate global best practice and institutional knowledge of the business line across IFC, including trends and data, product development and categorization, project management and stakeholder relations. They are also mandated to lead KM events, internally and externally to ensure dissemination of lessons learned and experience. At the Corporate level, comprehensive KM strategy is under development and will include as one of its main pillars thought leadership based on leveraging IFC's knowledge capital derived from AS and from investment operations. Management also recognizes the importance of KM for a decentralized organization, especially as IFC moves to the Operational Center (OC) model under the IFC 2013 initiative. In December 2009, management created a corporate KM function, overseen by a high-level Knowledge Strategy Committee and led by a newly appointed Global Head of Knowledge.. A key mandate of AS Business Line Leaders is the gathering, managing and disseminating of their respective best practices and institutional knowledge across IFC.	
<b>IEG Comment:</b>	IEG concurs with IFC's rating.	
<b>ID #/Study Name:</b>	STD041 REC01	<b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b>
<b>Header:</b>	<b>Expand support for innovative approaches and viable business models</b>	
<b>Recommendation:</b>	Expand support for innovative approaches and viable business models that demonstrate private sector solutions to improve the health of the poor, including expansion of investments in low-cost generic drugs and technologies that address health problems of the poor.	

<p><b>Management Response:</b></p> <p><b>Management/IEG Ratings:</b></p>	<p>Management agrees with working on innovative approaches and helping private providers to move down-market to serve lower-income groups and markets. IFC has several initiatives already under way to build on its work to date. Some examples include:</p> <ul style="list-style-type: none"> <li>• Health in Africa initiative.</li> <li>• Working with clients to invest expertise and capital from high-income to low- and lower-middle-income countries, for example, Saudi-German Hospitals, based in Saudi Arabia, opened hospitals in Yemen, Egypt, and Ethiopia with IFC finance, creating a South-South investment.</li> <li>• Output-based aid projects in Yemen and Nigeria, in which poor people get subsidized care in IFC-financed private facilities that otherwise would not exist.</li> <li>• Creating finance facilities for health care small and medium-size enterprises in low-income countries by use of structured finance, combined with technical assistance, that IFC pioneered with banks in Africa and elsewhere to finance education facilities, and building on that knowledge to apply it in health.</li> <li>• Working with clients to move down-market within their country, for example, working with Apollo Hospitals in India to create hospitals in secondary cities.</li> </ul>				
	<table border="1"> <tr> <td data-bbox="509 709 919 743">High</td> <td data-bbox="919 709 1068 743">Active (Rated)</td> <td data-bbox="1068 709 1159 743">0</td> <td data-bbox="1159 709 1437 743">Active (Too early to rate)</td> </tr> </table>	High	Active (Rated)	0	Active (Too early to rate)
High	Active (Rated)	0	Active (Too early to rate)		
<p><b>Management Comment:</b></p>	<p>A key component of the IFC health strategy and a focus of current and future business is wholesaling facilities. These facilities consist of agreements with local partner Banks and IFC to originate and administer the portfolio of loans to healthcare SMEs. Through these SMEs there's potential to reach a large number of patients including low income patients in rural or frontier regions. In addition, through the Health in Africa Initiative IFC and its partners will provide private sector solutions key to addressing Africa's healthcare challenges and consequently improve access to healthcare services to the poor.</p> <p>IFC's Life Sciences strategy focuses on improving access to quality and affordable medicines and devices by investing in manufacturers that have a comparative advantage in, for example, brand quality, technology, scale, or distribution reach.</p>				
<p><b>IEG Comment:</b></p>	<p>IFC has reported on strategies and key components of strategies that have been developed to address IEG's recommendation. Tangible steps taken with regard to these strategic initiatives are not yet evident. IEG will take a closer look at IFC's actions over the next review period.</p>				
<p><b>ID #/Study Name:</b></p> <p><b>Header:</b></p>	<p style="text-align: center;"><b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b></p> <p>STD041      REC02</p> <p><b>Support public-private partnerships</b></p>				
<p><b>Recommendation:</b></p> <p><b>Management Response:</b></p>	<p>Support public-private partnerships through Advisory Services to government and industry and through its investments, and expand investments in health insurance.</p> <p>IFC has supported pioneering health public-private partnerships (PPPs) in Romania and Lesotho and continues to work in this area. While health PPPs are a relatively recent development in emerging markets, there is increasing interest in health PPPs as a means to expand and improve services for the public. The work in Lesotho is at the leading edge for emerging-country health PPPs in several aspects. From the investment aspect, partners in health PPPs to date have often been construction companies rather than health providers and have not required capital from IFC. In some of the few cases where it is truly health services, rather than construction and facilities management, that have been provided by the private sector, IFC has financed providers of renal dialysis services and diagnostic services to public health systems. Many of IFC's clients who provide health services have prepayment schemes for health care in operation and this makes the most business sense. In some instances, by creating more low-cost local capacity, IFC health-provider clients have made it possible for health insurers to offer new products with lower premiums. Experience to date has shown that the business case for direct investment in stand-alone private health insurance does not exist to the extent envisaged when the 2002</p>				

	<p>IFC health strategy was devised. The few health insurance operations found to date that actually needed capital have needed only very small amounts, too small to be viable transactions. This segment of the sector is intended to be addressed by the health-sector financing facilities now being developed and in early implementation. For the balance, typically the health insurer is one arm of a larger insurer that is well capitalized from its other operations such as life insurance or is a subsidiary or joint venture of a well-capitalized foreign parent company.</p>			
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td data-bbox="511 409 917 441">Substantial Active (Rated)</td> <td data-bbox="917 409 1437 441">Substantial Active (Rated)</td> </tr> </table>	Substantial Active (Rated)	Substantial Active (Rated)	
Substantial Active (Rated)	Substantial Active (Rated)			
<b>Management Comment:</b>	<p>IFC has supported pioneering health public-private partnerships (PPPs) in Romania and Lesotho and continues to work in this area. While health PPPs are a relatively recent development in emerging markets, there is increasing interest in health PPPs as a means to expand and improve services for the public. In Lesotho, where the Government was replacing its main public hospital with a new 425-bed facility, (designed, built, financed, and operated under a PPP arrangement), IFC advised the Government on the feasibility, structuring, tendering, and implementation of the PPP.</p>			
<b>IEG Comment:</b>	<p>IFC should continue to work on supporting PPPs. As indicated in its Management Response, IFC has initial success in supporting PPPs in Romania and Lesotho and one health insurance project. IEG will take a closer look at IFC's actions over the next review period.</p>			
<b>ID #/Study Name:</b>	<table border="1"> <tr> <td data-bbox="511 808 673 903">STD041</td> <td data-bbox="673 808 820 903">REC03</td> <td data-bbox="820 808 1437 903"><b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b></td> </tr> </table>	STD041	REC03	<b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b>
STD041	REC03	<b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b>		
<b>Header:</b>	<p><b>Assess the constraints in achieving broad social impacts</b></p>			
<b>Recommendation:</b>	<p>Assess the external and internal constraints in achieving broad social impacts in the sector.</p>			
<b>Management Response:</b>	<p>A number of continually changing factors are enabling greater activity in the sector. Among others, the private sector partners with whom IFC must work are continually evolving and developing more capacity and professionalism than was the case 10 years ago, due in part to IFC's involvement with them. Nevertheless, there is a lot still to be done and IFC needs more and larger partners with whom to work and is developing long-term partners and new approaches with a view to greater scale and impact. IFC's recent Health in Africa initiative also analyzed constraints and ways to address them across multiple countries in a particularly difficult region. This is indicative of the organization's evolving approach as both its knowledge and resources for addressing this recently entered sector expand.</p>			
<b>Management/IEG Ratings:</b>	<table border="1"> <tr> <td data-bbox="511 1270 917 1333">High Active (To be made inactive)</td> <td data-bbox="917 1270 1437 1333">High Active (To be made inactive)</td> </tr> </table>	High Active (To be made inactive)	High Active (To be made inactive)	
High Active (To be made inactive)	High Active (To be made inactive)			
<b>Management Comment:</b>	<p>IFC in collaboration with its partners continues to assess the constraints in achieving impact in the sector and ways to address these constraints. For example, in December 2007 IFC published a report, partially funded by the Bill and Melinda Gates Foundation, on private sector health care in Sub-Saharan Africa. The report "The Business of Health in Africa: Partnering with the Private Sector to Improve People's Lives", was a result of research on the role and impact of Africa's private health sector. Key findings of the report include:</p> <p>Sub-Saharan Africa needs investment of \$25-30 billion in the next decade to meet the demand for health care—and the private sector could provide up to 60 percent of this amount.</p> <p>The private sector is sometimes the only option for health care in rural regions and poor urban slums. Private providers (for-profit and not-for-profit) serve all income levels and have broad geographic reach.</p> <p>African health expenditure will keep growing rapidly, with the private sector playing a key role.</p> <p>The private sector must work with the public sector to develop viable, sustainable, and equitable health care systems. But it can help expand access to services for the poorest people and reduce the financial burden on governments.</p>			

<p><b>IEG Comment:</b></p> <p><b>ID #/Study Name:</b></p> <p><b>Header:</b></p>	<p>Impediments to the health sector today include limited access to capital, burdensome regulations, shortages of skilled workers, and a lack of risk-pooling mechanisms that can mobilize revenue for providers.</p> <p>The report led the World Bank Group and its partners to announce a new strategy to address Africa’s health challenges. The IFC-World Bank Health in Africa Initiative expects to mobilize up to \$1 billion over five years in investment and advisory services to boost socially-responsible health care. The main components of the initiative are a Debt Facility (US\$500 million); Equity Vehicle (US\$300 million); and Technical assistance (US\$200 million).</p> <p>Analytical products that will be developed as part of this initiative include:  A biennial flagship report that will benchmark and track key indicators of health system, investment environment, and private sector engagement in health;  Country assessments that will include in depth diagnostic of the role of the private sector, its enabling environment, and key constraints to growth at country level;  In depth analysis of thematic areas related to private sector &amp; improving health systems performance e.g. in areas such as medical education, financing and risk pooling.</p> <p>IFC has made some progress in assessing constraints in the health sector in Africa, through its publication “The Business of Health in Africa” in 2007 and the launch of the “IFC-World Bank Health in Africa Initiative”. IEG will take a closer look at IFC’s work in this area, especially in other countries in South Asia and the Middle East and North Africa, where health care performance is lagging.</p> <p style="text-align: center;"><b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b></p> <p><b>Improve collaboration and joint sector work with the World Bank</b></p>				
<p><b>Recommendation:</b></p> <p><b>Management Response:</b></p> <p><b>Management/IEG Ratings:</b></p> <p><b>Management Comment:</b></p> <p><b>IEG Comment:</b></p> <p><b>ID #/Study Name:</b></p>	<p>Improve collaboration and joint sector work with the World Bank, leveraging Bank sector dialogue on regulatory frameworks for health to engage new private actors with value added to the sector, and more systematically coordinate with the Bank’s policy interventions regarding private sector participation in health</p> <p>In some situations, such as the Health in Africa initiative and the Lesotho healthcare PPP, IFC and the World Bank are collaborating very closely. In practice, there are times when this is practical and possible and times when it is not. The imbalance in the size of human resources working on health in the two organizations, with the World Bank having many more people dedicated to health, requires IFC to be judicious in how it allocates its resources to work with the Bank.</p> <table border="1" data-bbox="509 1333 1437 1369"> <tr> <td>High</td> <td>Active (Rated)</td> <td>Substantial</td> <td>Active (Rated)</td> </tr> </table> <p>IFC and the World Bank collaborate closely in the health sector. At the strategy level, there’s synergy and alignment between the IFC’s global health sector strategy and the World Bank Health, Nutrition and Population Strategy. The extent of coordination and collaboration at the country level varies depending on the specific context. In Africa, IFC and the World Bank have a joint Health in Africa Initiative with the goal of (i) Informing decision making among policy makers, regulators, the private sector, NGOs and donors; (ii) Improving policy and regulation towards private health sector; (iii) Improving access to capital for the private health sector; and (iv) Increasing risk pooling and human resources for health.</p> <p>The Initiative has three components that are being implemented over five years:</p> <ul style="list-style-type: none"> <li>• Debt Facility (US\$500 million)</li> <li>• Equity Vehicle (US\$300 million)</li> <li>• Technical assistance (US\$200 million).</li> </ul> <p>IEG has noted some progress in IFC-WB collaboration in the health sector and will review IFC’s progress over the next update cycle.</p> <p style="text-align: center;"><b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b></p> <p><b>STD041      REC05</b></p>	High	Active (Rated)	Substantial	Active (Rated)
High	Active (Rated)	Substantial	Active (Rated)		

<b>Header:</b>	<b>Improve incentives</b>	
<b>Recommendation:</b>	Improve incentives and institutional mechanisms for an integrated approach to health issues across units in IFC dealing with health, including the way IFC is organized.	
<b>Management Response:</b>	IFC is currently going through a period of reorganization aimed at achieving a number of goals. As part of this, industry clusters have been created and Health and Education are in the same cluster with Global Manufacturing and Services, which contains IFC's pharmaceutical activities. Communication and collaboration between teams working on health care and pharmaceuticals are frequent and ongoing. The market reality is that it is rare for one organization to invest in both health care provision and pharmaceutical manufacturing. The knowledge needed to work with these clients is also very different. Information is also exchanged between the Infrastructure Advisory group, advising on health PPPs, and the Health and Education investment department. Care has to be exercised that such information is exchanged only at appropriate points in project life cycles to avoid conflicts of interest that could arise in being both advisor to a bidding process and financier of a winner of a bid. Integrating these two functions too closely would create a conflict for PPP work.	
<b>Management/IEG Ratings:</b>	Substantial Active (Rated)	Substantial Active (Rated)
<b>Management Comment:</b>	The internal IFC structure is such that it allows coordination and collaboration across IFC departments working on health issues namely the Investment (Health and Education, and Global Manufacturing and Services) and Advisory Departments.	
<b>IEG Comment:</b>	IFC is currently changing its structure. Over the next review cycle, IEG will consider how IFC is organized to deliver investment and advisory projects in health.	
<b>ID #/Study Name:</b>	STD041 REC06	<b>Improving Effectiveness and Outcomes for the Poor in Health, Nutrition, and Population</b>
<b>Header:</b>	<b>Enhance its results orientation</b>	
<b>Recommendation:</b>	Enhance its results orientation by developing clearly specified baseline indicators and an evaluation framework that adequately measures IFC's health sector objectives and results.	
<b>Management Response:</b>	At the project level, IFC has implemented the Development Outcome Tracking System toward the end of the period under review. Over time, this is expected to improve such results orientation and specifying of baseline indicators. IFC also agrees that where there is a sufficient critical mass of projects in the health sector in a specific country, it makes sense to try to assess IFC's development impact in the sector beyond aggregating project-level results. While recognizing that attributing sector development to IFC's intervention is an issue that needs to be carefully addressed, IFC is looking into ways of measuring results beyond the project level. Among others, the work IFC is undertaking with the IDA/IFC Secretariat in reviewing the CAS results matrix could lead to the establishment of a country-level sector development results framework that could be used in countries where IFC has a critical mass of projects in health. IFC is also exploring setting development impact and reach targets for investment departments, including health and education.	
<b>Management/IEG Ratings:</b>	High Active (Rated)	Substantial Active (Rated)
<b>Management Comment:</b>	IFC has implemented the Development Outcome Tracking System (DOTS) clearly defines indicators, with baseline information, that can be tracked throughout the life of the project. The projects are assessed based on four parameters (Financial, economic, environment and social, and private sector development performance). The indicators give a sense of the different stakeholders directly impacted by IFC client companies in implementing the projects. For healthcare, a key measure of reach is the number of patients that have been treated. The information is collected on an annual basis for each IFC investment in health and for advisory projects, and reported in aggregate in the IFC Annual Report.	
<b>IEG Comment:</b>	IEG will assess the reliability of DOTS-2 over the next update cycle and will seek information on the level of funding for M&E for advisory services in health.	



**PART III**  
**MIGA MANAGEMENT ACTION**  
**TRACKING RECORD 2010**



Outstanding IEG-MIGA Recommendations (16)	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation <sup>1/</sup> (Completed, Medium, Low)
<b>I. Strategy Recommendations</b>		
<i>The following recommendations relate to MIGA's strategic directions and operational priorities:</i>		
<p><b>1. Propose to MIGA's shareholders amendments to its Convention in order to remain relevant and meet its market potential.</b></p> <p>Constraints imposed on MIGA by its 1985 Convention need to be reconsidered to enable MIGA to better serve its developing country members and clients. The most notable constraint is the inability to insure stand alone debt (with no equity participation), coverage of existing assets, and coverage of local in addition to foreign investors among others. While amending the Convention is likely to be a lengthy process involving shareholders approval and ratification from members, it would be important for MIGA to take the necessary steps now in order to retain its relevance in the future. (2009 World Bank Group Guarantee Instruments)</p>	Done.	Completed—to be retired

**Notes:** Shading indicates recommendations still outstanding.

The 16 outstanding recommendations, and 7 completed recommendations tracked in the Management Action Tracking Record derive from the IEG-MIGA and IEG joint reports listed below:

- *Independent Evaluation of MIGA's Development Effectiveness: Enhancing MIGA's Risk Mitigation in IDA and Conflict-Affected Countries (2009)*
- *World Bank Group Guarantee Instruments (2009)*
- *IEG-MIGA Annual Report (2008)*
- *IEG-MIGA Annual Report (2007)*
- *IEG-MIGA Annual Report (2006)*
- *Review of Development Effectiveness in MIGA (2004)*
- *Evaluation of the World Bank Group's Activities in the Extractive Industries (2004)*
- *Report on Operations Evaluation in MIGA (2003)*

<sup>1/</sup> IEG's assessment of the Status of Implementation is based on information provided by MIGA in its Management's Comment.

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p><b>2. Develop a new strategic directions framework that carefully considers the external and internal context in which MIGA is involved, the proposed performance dimensions and the linkages between the latter, the expected value to its customers, the necessary changes in internal processes, and the human capital and technological demands of the strategy.</b></p> <p>Aspects to be considered include: the potential demand and appetite for risk mitigation products, the agency's market position vis-à-vis other providers of political risk mitigation tools, the changing international market conditions, the effectiveness of delivering guarantee instruments and potential synergies across the World Bank Group, remedies to address institutional and external restrictions imposed by MIGA's Convention, its competitive advantage, potential areas of growth and high development impact, and factors affecting the achievement of the objectives of the FY05-08 strategy. It would need to address the weaknesses of the current strategy by linking objectives, resource allocation, processes, and expected development results. (2008 IEG-MIGA Annual Report)</p>	Done	Completed—to be retired
<p><b>3. Tackle the issue of administrative costs, as reflected by the increasing ratio administrative costs to net premium income. (2008 IEG-MIGA Annual Report)</b></p>	Done	Completed—to be retired

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p><b>4. Ensure that the new strategic directions make explicit the link between risk levels, pricing, and financial, operational, and development impact objectives.</b></p> <p>The strategy should include a portfolio perspective that would consider new guarantee income across risk, financial performance, and development objectives to facilitate decision making and performance monitoring of indicators such as expected income, costs, risk, and development impact. Similarly, MIGA should obtain more accurate unit cost data for underwriting individual guarantees. Finally, it could clarify further its pricing relative to market pricing throughout the insurance business cycle. (2008 IEG-MIGA Annual Report)</p>	Done	To be retired
<p><b>5. Ensure that the new strategy identifies the set of performance indicators to track progress in implementation.</b></p> <p>The strategic exercise needs to include the development of a framework of strategy metrics as well as the further improvements in internal systems for performance measurement, reporting, and monitoring. (2008 IEG-MIGA Annual Report)</p>	Done	To be retired
<i>The following recommendations relate to MIGA's engagement in conflict-affected countries:</i>		
<p><b>6. MIGA needs to underpin its engagement in conflict-affected countries with a [strategic] game plan.</b></p> <p>Such a game plan would enable MIGA to enhance its development effectiveness in conflict-affected</p>	MIGA is in the process of developing a strategic game plan to address its engagement in conflict-affected countries. As such, and to provide the appropriate theoretical and practical background to support such game plan, MIGA is engaging on a publication for the end of calendar	<b>Low</b> —MIGA's actions and/or plans to develop a strategic game plan are in a very preliminary stage.

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

<p align="center"><b>Outstanding IEG-MIGA Recommendations</b></p>	<p align="center"><b>MIGA Management Comments 2010</b></p>	<p align="center"><b>IEG's Assessment of Status of Implementation</b> (Completed, Medium, Low)</p>
<p>countries and would allow the Agency to utilize its administrative budget and capital more effectively. This includes developing some staff with specialist knowledge and expertise of the issues and needs of operating in a conflict environment; aligning MIGA's business functions--such as marketing, business development, client aftercare, and risk management--to effectively support this business; and assessing the financial implications of its engagement in conflict-affected countries. MIGA may also wish to assess its project-level risk management approach (that is, contract exclusions) to assure itself of the consistency of its stated strategic priority and its actual implementation.(2009 IER)</p>	<p>year 2010 to focus on corporate-level risk mitigation strategies and alternative in conflict-afflicted countries. This publication will combine quantitative and qualitative analyses, and includes collaborative efforts with the WDR on this topic, as well as with DEC and private and public providers of insurance. Furthermore, it entails surveys and interviews with private investors to better understand risk appetite and risk mitigation strategies at the corporate level.</p> <p>As part of this game plan MIGA is working on the concept of a Trust Fund-supported facility (see #7 below).</p>	
<p><b>7. Should MIGA decide to pursue Trust Funds in the future [to supports its post conflict engagement], it should enhance their efficiency and effectiveness.</b></p> <p>this includes implementing multi-country and un-tied Trust Funds with broad and flexible mandates that have no restrictions with respect to the eligible investments or investors. Trust Fund arrangements should be underpinned by realistic objectives (including with respect to expected demand) and a results framework. (2009 IER)</p>	<p>As part of MIGA's process of developing a strategic game plan to address its engagement in conflict-affected countries, the Agency has also conducted a review and revision of existing trust funds for West Bank and Gaza and for Afghanistan. MIGA Management agrees that moving forward, Trust Fund-supported operations in conflict-afflicted countries should be carried out on a multi-country basis. Therefore, MIGA is currently designing a Trust Fund for conflict-afflicted countries where additional donors would provide a stronger capital to engage in these more risky environments, and where the rules of engagement are designed in such a way as to be more relevant to investors with the willingness to be engaged in such environments.</p>	<p><b>Low</b>—MIGA's actions and/or plans to develop a Trust Fund to support operations in conflict-affected countries are in a very preliminary stage.</p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p><b>8. MIGA needs to better articulate and define its expectations and preferences with respect to technical assistance in the context of its mandate.</b></p> <p>The end of FIAS' current strategy period is an opportunity for MIGA to present a clearly articulated approach and value proposition for its technical assistance in the context of its mandates under the Convention for the period FY12 and beyond, and to define the commensurate funding. In addition, mechanisms to strengthen MIGA's influence on FIAS' strategy and priority-setting, as well as coordination at the operational level should be agreed. (2009 IER)</p>	<p>The current agreement which MIGA has with FIAS is due to expire in FY11. Therefore, during the coming year MIGA and FIAS will take stock of the experience of the current TA arrangement and design a new relationship going forward.</p>	<p><b>Low</b>—MIGA's actions and/or plans for FIAS TA are in a very preliminary stage.</p>
<p><b>II. Development Impact and Effectiveness Recommendations</b></p>		
<p><i>The following recommendations relate to strengthening development outcomes of MIGA projects and institutional learning:</i></p>		
<p><b>9. Make significant progress in implementing initiatives related to development impact assessment and monitoring, recommended in previous evaluations of the Agency by IEG, including the development of self-evaluation.</b></p> <p>The Agency should give high priority to continuing the steps it is initiating to implement a monitoring and self-evaluation system that would allow it to gauge, understand, manage and report the development impact of its interventions. (2008 IEG-MIGA Annual Report)</p>	<p>Done. MIGA has engaged in strengthening the development impact assessment and monitoring on three levels:</p> <p>(i) validating its existing guidelines and methodology which is utilized for ex ante evaluation of project (while the training is focused on learning by doing given the small size of the team which is responsible for this analyses – 6 professionals located at MIGEP – MIGA is considering developing training material for these analyses for future professionals joining this team);</p> <p>(ii) MIGA is moving to implement a</p>	<p><b>Medium</b>—MIGA has taken some steps to adopt/ incorporate development impact assessment and monitoring into operations but not yet to a significant degree (for example, preparing guidelines and completing one pilot self-</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
	<p>system of development metrics which will cover all newly issued projects and which is based upon IFC's Development Outcome Tracking System (DOTS) but on a scale which is appropriate to MIGA; and</p> <p>(iii) MIGA has launched a self-evaluation process, which has included a discussion with IEG on the appropriate methodology for financial sector and for real sector projects, as well as evaluating a sample of projects from the appropriate cohort.</p>	<p>evaluation); and not yet in key areas (MIGA's intention to implement a system of development impact monitoring is only in the planning stage).</p> <p>To gauge and report the development impact of its interventions, MIGA would need to mainstream the above initiatives—that is, to self-evaluate a significant sample of guarantees from the appropriate cohort, and to report the results.</p>
<p><b>10. MIGA should consistently apply the ex-ante [development] impact analysis for underwriting guarantees, including providing more focused training and incentives, to ensure that the projects it supports are sound and have positive and sustainable development impact.</b></p> <p>Areas for greater attention and improvement include: (1) explicitly identifying the project cost and its components; (2) consistently identifying potential distortions and externalities, and verifying these items</p>	<p>See #9.</p> <p><i>[IEG Note: Management comment on #9 has been re-copied here for the reader's convenience by IEG.]</i></p> <p><i>“Done. MIGA has engaged in strengthening the development impact assessment and monitoring on three levels:</i></p> <p><i>(i) validating its existing guidelines and methodology which is utilized for ex ante evaluation of project (while the training is focused on learning by doing given the small size of the team</i></p>	<p><b>FY10: Not known—IEG cannot determine status based on Management comment.</b></p> <p>(Management's comment does not address <i>ex ante</i> development impact analysis at all, nor IEG's</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p>with the project sponsors; (3) undertaking cost-benefit analysis when required sufficient to ascertain that the project is economically viable; and (4) identifying clearly the assumptions used in calculating FRRs and adjusted FRRs. (2004 Review of Development Effectiveness in MIGA)</p>	<p><i>which is responsible for this analyses – 6 professionals located at MIGEP – MIGA is considering developing training material for these analyses for future professionals joining this team);</i></p> <p><i>(ii) MIGA is moving to implement a system of development metrics which will cover all newly issued projects and which is based upon IFC's Development Outcome Tracking System (DOTS) but on a scale which is appropriate to MIGA; and</i></p> <p><i>(iii) MIGA has launched a self-evaluation process, which has included a discussion with IEG on the appropriate methodology for financial sector and for real sector projects, as well as evaluating a sample of projects from the appropriate cohort."</i></p>	<p>recommendation that MIGA “consistently apply the ex ante development impact analysis for underwriting guarantees”).</p> <p><b>(Memo item: In FY09, implementation was rated “Medium”:</b>  “MIGA has taken some steps to apply the ex-ante development impact analysis more consistently for underwriting guarantees, but not yet to a significant degree (or not in key areas)”.</p>
<p><b>11. MIGA needs to develop rules of engagement for all projects involving concessions and similar agreements.</b></p> <p>Considering that MIGA often gets involved in projects as an insurer after such agreements have been negotiated and signed, it needs to satisfy itself that the underlying business model, terms given to the concession holders, and tariffs are sustainable and reflect sound economic policy in order to ensure a positive development impact. (2006 IEG-MIGA Annual Report)</p>	<p>Done. At present, all projects underwritten are analyzed in detail in terms of their development impact, according to established guidelines and established practice among the members of the underwriting team responsible for this analysis. There is a specific set of guidelines for PPP's which the team at MIGEP utilized for this type of projects. MIGA Management will continue to exercise discretion in maintaining an adequate balance between the analysis needed to satisfy development impact criteria and market responsiveness.</p>	<p><b>Medium</b>—MIGA has taken some steps to develop rules of engagement for concession projects but not yet to a significant degree. (IEG's understanding is that MIGA's only available guidance to underwriters on PPPs/concessions is Section C</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
		(consisting of 3 paragraphs) of MIGA's 2004 Development Impact Guidelines, which pre-date IEG's recommendation. Evidence from recent project evaluations suggest that Section C of the DI Guidelines is not being followed and that clearer "rules of engagement" are needed for PPPs/concessions. If a copy is made available, IEG could consider revisiting its assessment based on the "specific set of guidelines for PPP's" referred to in management's comment.
<p><b>12. MIGA should strengthen its quality assurance especially before the project decision documents are finalized to ascertain that the analysis of project impacts is consistent with MIGA requirements and guidelines; are well documented; and are adequately reflected in the decision documents. (2007 IEG-MIGA Annual Report)</b></p>	<p><b>See #9</b>  <i>[IEG Note: Management comment on #9 has been re-copied here for the reader's convenience by IEG.]</i>  <i>"Done. MIGA has engaged in strengthening the development impact assessment and monitoring on three levels:</i>  <i>(i) validating its existing guidelines and methodology which is utilized for</i></p>	<p><b>FY10: Not known—IEG cannot determine status based on management comment.</b>  Management's comment is silent on strengthening</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
	<p><i>ex ante evaluation of project (while the training is focused on learning by doing given the small size of the team which is responsible for this analyses – 6 professionals located at MIGEP – MIGA is considering developing training material for these analyses for future professionals joining this team);</i></p> <p><i>(ii) MIGA is moving to implement a system of development metrics which will cover all newly issued projects and which is based upon IFC's Development Outcome Tracking System (DOTS) but on a scale which is appropriate to MIGA; and</i></p> <p><i>(iii) MIGA has launched a self-evaluation process, which has included a discussion with IEG on appropriate methodology for financial sector and real sector projects, as well as evaluating a sample of projects from the appropriate cohort."</i></p>	<p>quality assurance, and does not address IEG's recommendation that MIGA "strengthen its quality assurance of project decision documents."</p> <p><b>(Memo item: In FY09, implementation was rated "Low"</b>—MIGA's actions and/or plans are in a very preliminary stage.</p>
<p><b>13. MIGA should carry out, on a pilot basis, a quality at entry self-assessment of a sample of new guarantees underwritten in FY07 to enhance institutional learning.</b></p> <p>IEG would provide the methodology, benchmarks and templates and will independently review and validate MIGA's self-assessments. (2007 IEG-MIGA Annual Report)</p>	<p>MIGA management believes that the volume of business which the agency normally deals with does not justify a sample approach of QAE self-assessments.</p> <p>Institutional learning can be better achieved at this stage of MIGA's life by analyzing the outcomes of the self-evaluation exercise for lessons on quality (see subsection iii of Management Comments on Recommendation # 9 above).</p> <p><b>[IEG Note: Management comment on #9 has been re-copied here for the reader's convenience by IEG.]</b></p> <p><i>"(iii) MIGA has launched a self-evaluation process, which has</i></p>	<p><b>Low</b>—MIGA's actions and/or plans are in a very preliminary stage.</p> <p>IEG agrees that analyzing the outcomes of the self-evaluation exercise for lessons on quality would be an excellent basis for institutional learning.</p> <p>However, MIGA actions and/or plans to proceed</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
	<i>included a discussion with IEG on the appropriate methodology for financial sector and for real sector projects, as well as evaluating a sample of projects from the appropriate cohort."</i>	with such analysis are undecided or in a very preliminary stage.
<p><b>14. MIGA should adopt practical tools to guide the underwriting teams--such as sector-specific checklists and templates--in implementing its requirements and guidelines for development impact analysis. (2007 IEG-MIGA Annual Report)</b></p>	<p>Management does not believe that tools such as checklists and templates enhance underwriting quality or assist in implementing requirements and guidelines for development impact analysis, as the recommendation proposes.</p> <p>MIGA believes it is better to enhance underwriting skills through relevant training in substantive areas such as credit analysis, safeguard policies, development impact assessment, and through the lessons emerging from the integrated risk management framework analysis currently underway at MIGA — all of which are currently underway.</p>	<p><b>Low</b>—MIGA's actions and/or plans are in a very preliminary stage.</p> <p>IEG agrees that relevant training in substantive areas such as credit analysis, safeguard policies and development impact assessment is an excellent way to enhance underwriting skills.</p> <p>However, MIGA actions and/or plans are in a very preliminary stage, based on management's comment in #9 (i) "<i>MIGA is considering developing training material for these [development impact] analyses for future professionals joining this team</i>", and the IRM work</p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
		<p>has just begun.</p> <p>In addition, specific practical tools to guide underwriting teams in implementing MIGA's requirements and guidelines for development impact analysis appear to be needed, based on evidence from recent project evaluations.</p>
<p><b>15. MIGA should ensure that closing notes are consistently prepared for all closed projects for institutional learning, analysis, and accountability, and to aid strategy formulation.</b> (2003 Report on Operations Evaluation in MIGA)</p>	<p>MIGA does not believe that closing notes are the best mechanism to achieve institutional learning, analysis, and accountability, and to aid strategy formulation.</p> <p>The current guidelines stipulate that these closing notes produced for all projects are designed only for a limited range of issues (such as investor's reasons for canceling). Institutional learning can be addressed in a more relevant, complete, and systemic way by self evaluation and development tracking indicators (see #9).</p> <p><i>[IEG Note: Management comment on #9 has been re-copied here for the reader's convenience by IEG.]</i></p> <p><i>"Done. MIGA has engaged in strengthening the development impact assessment and monitoring on three levels:</i></p> <p><i>(i) validating its existing guidelines</i></p>	<p><b>Medium</b>—MIGA has taken some steps to ensure Closing Notes are consistently prepared for all closed projects, but not yet to a significant degree (or not in key areas).</p> <p>Evidence from project evaluations indicates that (i) Closing Notes have not been consistently prepared for all closed projects; and (ii) that there are gaps in Closing Notes with respect to</p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
	<p><i>and methodology which is utilized for ex ante evaluation of project (while the training is focused on learning by doing given the small size of the team which is responsible for this analyses – 6 professionals located at MIGEP – MIGA is considering developing training material for these analyses for future professionals joining this team);</i></p> <p><i>(ii) MIGA is moving to implement a system of development metrics which will cover all newly issued projects and which is based upon IFC's Development Outcome Tracking System (DOTS) but on a scale which is appropriate to MIGA; and</i></p> <p><i>(iii) MIGA has launched a self-evaluation process, which has included a discussion with IEG on appropriate methodology for financial sector and real sector projects, as well as evaluating a sample of projects from the appropriate cohort."</i></p>	coverage of the issues stipulated in the Closing Note Guidelines.
<b><i>The following recommendation relates to EHS safeguards/performance:</i></b>		
<p><b>16. Strengthen environmental and social performance of projects beyond safeguard compliance to doing good.</b></p> <p>MIGA should proactively promote with its clients the potential benefits it brings to extractive industries and other complex projects through its internationally recognized and comprehensive set of safeguard policies and its environmental and social impact mitigation services. MIGA's engagement with these projects should move beyond compliance with its environmental and</p>	Done	<b>Completed—to be retired</b>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
social safeguard policies toward the promotion of sustainable development, by providing advice on environmental and social issues to bring projects closer to best practices in the industry. (2004 Extractive Industries and Sustainable Development).		
<i>The following recommendations relate to MIGA's Small Investor Program (SIP):</i>		
<p><b>17. MIGA should tighten the SIP eligibility criteria to ensure that the program is fully focused on its intended clients--small investors and small and medium sized enterprises.</b></p> <p>The program should explicitly exclude infrastructure, oil, gas and mining sectors; it should also exclude projects with concession arrangements, as these are more appropriate for MIGA's regular guarantee instrument, in line with MIGA guidelines for assessing projects impacts. (2007 IEG-MIGA Annual Report)</p>	Done	<b>Completed—to be retired</b>
<p><b>18. MIGA should strengthen and improve the quality and the documentation of the development impact analysis of SIP projects that underpins MIGA's support for them.</b> (2007 IEG-MIGA Annual Report)</p>	Done. IEG's recommendations in FY07 (cited here) were taken onboard by MIGA when it moved the SIP from a pilot program to mainstreaming it, and are reflected in the FY08 Board document to that effect. Notwithstanding this, MIGA continues to monitor the effectiveness of the program's objectives as, by design, it only aims to cover MIGA's variable costs associated with it. It is MIGA's management responsibility to ensure the continued cost-effectiveness of this program.	<p><b>FY10: Not known—IEG cannot determine status based on management comment.</b></p> <p>Management's comment is silent on improving the development impact analysis of SIP projects, and does not address IEG's recommendation that MIGA "improve the quality and the</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
		<p><i>documentation of the development impact analysis of SIP projects</i></p> <p>(The comment addresses issues unrelated to IEG's recommendation.)</p> <p><b>Memo item:</b>  <b>In FY09, implementation was rated "Low"</b>  - MIGA's actions and/or plans are in a very preliminary stage.</p>

### ***III. Institutional Effectiveness Recommendations***

*The following recommendations relate to business development and client responsiveness:*

<p><b>19. Improve its client relationship management, including after-care, to enhance MIGA's value added and increase client retention.</b></p> <p>Improving client relationships could be the most cost-effective marketing that MIGA could undertake to increase its business volume. Managing client relationship requires a focused and coherent business development plan implemented by a staff with expertise in the guarantee business and/or financial markets. <i>(2009 World Bank Group Guarantee Instruments)</i></p> <p>Improve the effectiveness of its business development and client relationship functions. <i>(2008 IEG-MIGA Annual Report)</i></p>	<p>Not an actionable recommendation to the extent that there is no methodology with appropriate and relevant benchmarks, agreed upon with management, to determine when this recommendation has been satisfied. Business origination is obviously one of MIGA's core functions. The creation in early FY2009 of four Industry Teams headed by Sector Leaders hired competitively, with responsibility for business development and client relationships in their sectors, and the transfer of the management of existing contracts and staff to these groups, is aimed at improving business development and client relationship functions.</p>	<p><b>Low</b>—MIGA's actions and/or plans are in a very preliminary stage.</p> <p>IEG acknowledges the steps taken to improve business development; however IEG's 2010 assessment of MIGA's business development found that this recommendation had not yet been implemented to a significant degree.</p>
<p><b>20. Strengthen systematic support to innovative projects and improve</b></p>	<p>Not an actionable recommendation. Innovation is a core internal objective</p>	<p><b>Medium</b>—MIGA has taken some</p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p><b>product innovation and internal processes to meet investors' changing risk mitigation needs.</b></p> <p>The Agency needs to strengthen innovation through systematic support to innovative projects and for new product development and innovation. In the medium term, ensuring MIGA's innovation capacity, vital for its relevance and sustainability, may require changes to the Convention. (2008 IEG-MIGA Annual Report)</p>	<p>of the MIGA management team, as evidenced by work underway on a First Loss Facility for Conflict Affected and Fragile States; by the successful design and implementation of the IFI Initiative (along with IFC) to respond to the financial crisis; and by active discussions with the Bank's Carbon Investment Fund on the possibility of a new joint instrument. MIGA Management is working on developing a "culture of innovation" which responds to clients' and investors' needs.</p>	<p>steps to develop innovative products, but not yet to a significant degree.</p> <p>Several innovative transactions were underwritten by MIGA in recent years, but these remain one-off deals, and have not been replicated into successful "product lines" for MIGA).</p>
<p><i>The following recommendation relates to strengthening MIGA's ability to cost its business lines:</i></p>		
<p><b>21. MIGA should improve its ability to capture costs associated with underwriting, processing, and monitoring individual guarantees.</b></p> <p>This information would facilitate IEG's ex-post evaluation of the contribution of individual guarantee projects to profitability. (2006 IEG-MIGA Annual Report)</p>	<p>Done. MIGA has implemented the time recording system (TRS) as a means of extracting accurate data to examine how MIGA's resources are utilized. As a result of these efforts, MIGA has achieved a 100 percent compliance rate on the use of TRS, which in turn provides data that is analyzed and paves the way for management to make informed decisions on where staff efforts have been concentrated and where they can be redeployed.</p> <p>Costs associated with underwriting, processing, and monitoring individual guarantees are currently fully captured through TRS and can be analyzed through the recently introduced Guarantee Database. (The quarterly analysis of TRS data has also assisted in monitoring the Agency's operating effectiveness.) MIGA is now moving to a programmatic budgeting system</p>	<p><b>Medium</b>—MIGA has taken some steps to capture costs associated with underwriting individual guarantees, but not yet to a significant degree (or not in key areas).</p> <p>MIGA has begun to utilize the TYRS system to better capture costs, however to date only a limited share of the costs are in fact captured. A large share of MIGA's costs remain as</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
	based on full costing of each operation.	overheads not reflected in the cost of individual guarantees (for example, any costs incurred prior to receipt of a DA.)
<i>The following recommendations relate to addressing internal weaknesses in quality of underwriting, quality assurance and back office systems:</i>		
<p><b>22. MIGA should strengthen and formalize its systems and standards for underwriting and introduce a robust quality assurance system for its operations as a key element of enhancing its overall institutional effectiveness.</b></p> <p>The need to formalize systems and standards and to introduce quality assurance is particularly acute in light of the expansion of MIGA's mandate following the recent approval of changes to MIGA's Operational Regulations, and MIGA's rapid pace of hiring new operational staff and team heads. Formal written guidelines, business processes and procedures can enhance the consistent application of underwriting standards across projects and teams, by providing clarity and transparency on the standards expected. A comprehensive induction program for newly hired operational staff, and structured ongoing training are needed to promote a common skills set and understanding of requirements. MIGA should also step up the implementation of self-evaluation of guarantee projects. (2009 IER)</p>	<p>See #9 and #23, which respond in detail to these recommendations.</p> <p><i>[IEG Note: Management comment on #9 and # 23 have been re-copied here for the reader's convenience by IEG.]</i></p> <p><i>"#9: Done. MIGA has engaged in strengthening the development impact assessment and monitoring on three levels: (i) validating its existing guidelines and methodology which is utilized for ex ante evaluation of project (while the training is focused on learning by doing given the small size of the team which is responsible for this analyses – 6 professionals located at MIGEP – MIGA is considering developing training material for these analyses for future professionals joining this team); (ii) MIGA is moving to implement a system of development metrics which will cover all newly issued projects and which is based upon the IFC's Development Outcome Tracking System (DOTS) but on a scale which is appropriate to MIGA; and (iii) MIGA has launched a self-evaluation process, which has included a discussion with IEG on the appropriate methodology for financial</i></p>	<p><b>FY10: Not known—IEG cannot determine status based on management comment.</b></p> <p>Management's comment is silent on strengthening underwriting standards and quality assurance, and addresses issues unrelated to IEG's recommendation.</p> <p>Management comments #9 and #23 do not relate to strengthening MIGA's underwriting standards or enhancing quality assurance.</p> <p>MIGA needs to review and revise the range of underwriting-</p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG’s Assessment of Status of Implementation (Completed, Medium, Low)
	<p><i>sector and for real sector projects, as well as evaluating a sample of projects from the appropriate cohort.”</i></p> <p><i>[#23 copied here for the reader’s convenience by IEG: MIGA hired external consultants to validate the work of internal staff working groups on Business Process Reviews and on Integrated Risk Management. These have led, or are leading, to: (i) efforts to formalize “service” standards of the internal processes from the receipt of a definite application to contract signature and management; (ii) streamlined project review and approval processes; (iii) systematic on-boarding training; (iv) enhancing learning programs at various levels of staff at MIGA and introduction of specialized training events; and (v) updated and simplified document templates.</i></p>	<p>related guidance documents (templates, guidelines, procedures, etc) given to staff— identifying and removing inconsistencies and gaps - and create an environment in which they are consistently adhered to, with clarity on what constitutes good quality, strong managerial accountability for quality assurance and institutional processes supporting quality assurance.</p> <p><b>Memo item: This was a new recommendation in FY09 and therefore not rated.</b></p>

**RATINGS:**

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA’s actions and/or plans for adoption of the recommendation are in a very preliminary stage.

Outstanding IEG-MIGA Recommendations	MIGA Management Comments 2010	IEG's Assessment of Status of Implementation (Completed, Medium, Low)
<p><b>23. Address internal weaknesses that reduce efficiency and slow responsiveness without lowering MIGA's financial, social and environmental standards.</b></p> <p>These include organizational issues in staffing, performance review, and incentives as well as consideration of matters such as inflexibility on guarantee contract terms and conditions. However, efficiency in its underwriting process must not come at the expense of quality, risk mitigation, safeguards, and development impacts of the projects it insures. <i>(2009 World Bank Group Guarantee Instruments)</i></p>	<p>MIGA hired external consultants to validate the work of internal staff working groups on Business Process Reviews and on Integrated Risk Management. These have led, or are leading, to: (i) efforts to formalize “service” standards of the internal processes from the receipt of a definite application to contract signature and management; (ii) streamlined project review and approval processes; (iii) systematic on-boarding training; (iv) enhancing learning programs at various levels of staff at MIGA and introduction of specialized training events; and (v) updated and simplified document templates.</p>	<p><b>Medium</b>—MIGA has taken some steps to address internal weaknesses, but not yet to a significant degree (or not in key areas).</p> <p>MIGA needs to achieve faster turn-around time and deliver more projects that respond to development needs while maintaining institutional standards for due diligence and underwriting quality.</p>

RATINGS:

**Completed** = MIGA has fully adopted the recommendation or broadly incorporated and mainstreamed into policy, strategy, and/or operations.

**Medium** = MIGA has taken some steps to adopt/incorporate the recommendation into policy, strategy or operations, but not to a significant degree (or not in key areas).

**Low** = MIGA's actions and/or plans for adoption of the recommendation are in a very preliminary stage.