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IEG WORLD BANK
INDEPENDENT EVALUATION GROUP

FAST TRACK BRIEF

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Annual Review of Development Effectiveness 2008: Shared Global Challenges

- Reducing poverty in any individual country is increasingly intertwined with making progress on shared global challenges—fostering global public goods (GPGs) such as climate protection and communicable disease control. This year's ARDE tracks Bank performance in Part I and examines the Bank's work in fostering GPGs in Part II.
- Development outcomes from Bank lending have improved over the medium term. But in FY07 over-optimism in the Bank's ongoing assessment of project performance rose sharply, while the share of projects rated moderately satisfactory or better dropped to 76 percent from 83 percent a year earlier.
- Vigilance is needed to identify problem projects in real-time and ensure that the FY07 drop in performance does not foreshadow a persistent decline. Practical steps can be taken to better use M&E in projects and programs, including proper baseline information and clearer links between outputs and outcomes.
- The Bank's country-based model has worked relatively well in fostering global public goods when national and global interests dovetail and grants support country investments. But the greatest challenges, such as climate change, arise where local, national and global benefits—actual or perceived—diverge significantly. Here the country model comes under considerable strain.
- To more effectively bridge the gap between global needs and country concerns, the Bank should consider: creating dedicated budgets and better incentives for country teams to work on GPGs; better deploying its global knowledge networks; and more powerfully using its standing to give greater voice to developing countries in the governance of global programs.

Part I: Tracking Bank Performance

Development outcomes from Bank lending have improved over the medium term. Over the three years to FY07, IEG's evaluations confirm that 80 percent of projects have been moderately satisfactory or better in meeting their development objectives. This meets the Bank's own performance target and is a significant improvement from the start of the decade. A Bank-supported water project in Cambodia, which brought clean water to 750,000 people in Phnom Penh, illustrates such development outcomes.

Project outcomes have improved in most sectors, but average ratings have slipped for projects in the fields of health and public sector governance over FY03-07 compared to FY98-02. Project performance among the Bank's Regions has improved most in Africa—about three-quarters of projects weighted by disbursement over FY03-07 have been moderately satisfactory or better in meeting development objectives compared to 60 percent over FY98-02. There is still a challenge for Africa projects to improve further and get closer to the performance in other Bank Regions.

But Bank management should avoid over-optimism in assessing ongoing project performance in order to improve real-time management for results. This is revealed by the considerable increase in FY07 in the difference between the Bank's self-ratings of project performance and IEG's final ratings of development outcomes (sometimes called the "disconnect"). In FY07, over two-thirds of projects rated moderately unsatisfactory or worse by IEG had been reported by the Bank as moderately satisfactory or better just before they had closed. Such a wide disconnect, about twice as large as in FY05 and FY06, means management is less likely to identify problem projects and take timely remedial action.

Such management attention is important given that the share of projects with moderately satisfactory or better outcomes has fallen from nearly 83 percent in FY06 to 76 percent in FY07. A single year's data is not itself a cause for alarm, but vigilance is needed to ensure that it does not foreshadow a persistent decline. Excessively complex project design and overly ambitious assumptions on political ownership and implementation capacity lay at the heart of many poorly performing projects that exited in FY07.

Securing strong development outcomes at the country level has proved challenging. Evaluations over the past 10 years of 81 Bank country programs—incorporating projects, policy and technical advice, and other types of assistance—show that three-fifths of them were moderately satisfactory or better in meeting their development outcomes. Looking at specific grades on IEG's ratings scale, the Bank succeeded in supporting satisfactory outcomes in 30 percent of evaluated programs, including several large and important countries such as Brazil and China, that have made strides in reducing poverty. A further 30 percent of country programs were rated moderately satisfactory. But the remaining 40 percent of programs—concentrated in countries that are smaller or have extensive poverty, such as Malawi—were moderately unsatisfactory or worse in meeting their stated development objectives. Very few country programs are producing best-practice results—indeed, of 36 programs rated since FY02, not one has been highly satisfactory. At the same time, no program has ever been rated highly unsatisfactory.

How well is the Bank using and learning from good monitoring and evaluation systems, which are key to improving its effectiveness over the longer term? The Bank's overall approach to M&E has many strengths, and in recent years there has been considerable progress in updating its policies on lending and country strategies to emphasize M&E. The introduction of results-based country assistance strategies has been a particularly significant step. But considerable room for improvement remains in putting all this into practice.

At the project level, the overall quality of M&E has been low—rated as modest or negligible in two-thirds of projects for which data are available—since FY06. Some of the factors contributing to low M&E quality assessments were poorly designed results frameworks, poorly articulated results chains linking outputs with outcomes, and performance indicators lacking baselines and targets.

Effective results frameworks at the country level are key to managing for results. While staff are gaining experience with results frameworks, too often such frameworks have been poorly formulated and hence their usefulness is undermined. In many cases, frameworks identify too many outcomes and monitoring indicators and lack baselines and targets. Their use for monitoring and managing the country program, and for informing country assistance evaluations, is very limited because of poor design and the absence of incentives to conduct M&E. Even so, there are examples of emerging good practice such as the "Moldova results scorecard" that links country program management and resource allocation.

The Bank has improved its approach to managing and monitoring global programs and partnerships (GPPs). The Bank now has more robust systems to track involvement in GPPs, encouraging selectivity and quality at entry. All programs receiving Development Grant Facility funding of $300,000 or more over the life of the program are also subject to independent program-level evaluations. But an IEG assessment of a cross-section of such evaluations found their quality frequently compromised by weak M&E systems, particularly a lack of systematic evidence on the achievement of programs' objectives at the outcome level. Thus, it is difficult to say whether the global programs reviewed—together accounting for around $100 million of annual spending—ultimately had a substantial effect on the ground.

Two recent developments may hold promise for the Bank's results agenda, although they are in their early days. The first is the use of impact evaluations, and the number supported by the Bank has more than doubled to 158 over the past year. Impact evaluations are not a panacea but can create better understanding of the causal links and factors contributing to the outcomes of projects, programs, and policies. However, they are concentrated in a few areas (education, health, and conditional cash transfers) and need to be managed more strategically to draw more knowledge from them.

The second development is a new approach to measuring and reporting on development results for IDA—the Bank's main concessional finance. The results management system for IDA, initiated in IDA14 and with commitments to enhance it for IDA15, tries among other things to spotlight changes in indicators, including access to water and measures of child health. It is premature to assess how well this will work, but it is an important step in corporate-level monitoring and evaluation. At the same time, there are difficult questions as to whether and how a more comprehensive results framework for the Bank as a whole could evolve. Currently it remains difficult to piece together the various M&E indicators to form a view of the Bank's overall development results.

There are two broad lessons for better tracking Bank performance. First, practical steps are needed (a) at the project level and in global and regional programs, to enhance the quality of the M&E systems, especially by working to put in place good baseline information and elucidate clearly the link between project outputs and targeted outcomes; (b) at the country level, to simplify results frameworks and so make them more useful in guiding and evaluating programs; (c) at the institutional level for the Bank and in partner countries, to manage and learn from a growing number of impact evaluations, including by better integrating them into country programs and exploiting cross-country synergies in conducting and sharing studies. Second, the Bank and IEG should strengthen the evaluation knowledge base for the Bank's corporate results. Progress on these two fronts will improve the prospects for greater development impact in the years ahead.

Part II: Shared Global Challenges

The Challenge of Global Public Goods

Tackling global climate change and providing other important global public goods present some of the greatest challenges of our time. Indeed, many global public goods are chronically under-supplied. Why? Because it is difficult to secure collective action among nations to provide a public good—such as keeping air clean—particularly when the costs are borne locally while the benefits are largely captured nationally or globally. Yet there is a growing interconnection between the different types of investments and actions needed at various levels to foster global public goods.

The World Bank Group has emphasized the need to foster global public goods (GPGs) as one of its main priorities in the future. The effective provision of such GPGs increasingly influences development results (discussed in Part I above), especially addressing the many dimensions of poverty, including vulnerability. The Bank's framework for its role in GPGs strategy notes that it can connect global concerns to country programs and advocate for collective international action. How can the Bank enhance its effectiveness in this area?

Can the Bank's Country-Based Model Foster GPGs?

Relying on the country-based model as the platform for the Bank's work on GPGs is a double-edged sword. The model works well when national partners see an alignment between domestic and global benefits, and when the Bank has an attractive instrument to help implement action at the country level. For example, the Bank's successful work in client countries to help phase out ozone-depleting substances benefited from the existence of the Montreal Protocol—a binding agreement that committed countries to globally agreed action—and the Multilateral Fund that provided resources for investments. Global Environment Facility (GEF) grants have also been well integrated into Bank country programs, such as in China where a large GEF portfolio has buttressed growing attention to environmental issues. And in Vietnam, the Bank has been able to use its multisectoral expertise, combined with concessional finance, to help the authorities cope with the threat of avian flu, in part because there was a strong national interest in averting economic fallout in the domestic food industry.

But the country-based model comes under strain, especially when global and country interests are seen to diverge significantly and the Bank's traditional tools, including its lending, do not gain traction with clients. This makes it doubly difficult to secure progress with GPGs. Tackling climate change requires huge adjustments in various economic behaviors, including reducing emissions and improving economy-wide energy efficiency and use. For many countries the benefits of such actions seem remote while the costs accrue in the near term. To date, though, the Bank has not been able to call on an attractive large-scale funding program or invoke an international framework to encourage comprehensive action on climate change. It will be important to see how far the recently discussed Climate Investment Funds help improve this situation.

The Bank pays attention to fostering global public goods in its high-level corporate strategies and the topic has been emphasized by the President as one of the Bank's six strategic pillars. However, that attention wanes as one moves down from corporate strategies to sectoral or regional strategies, and then down one level further to country strategies. *The Bank's GPG Framework* and *Long-Term Strategic Exercise* both discussed GPGs extensively but lacked specifics on how to translate corporate priorities into country action. The treatment in strategies at the next level down—the Bank's Networks and Regions—varies significantly. Attention to GPGs is more prominent in both sector and regional strategies dealing with environment than in those dealing with the health sector. This may be due to the type of intervention needed in health sector GPGs—such as communicable disease control, which requires a strong national focus that might not be explicitly connected to global action.

The systems for integrating GPGs into country strategies are underdeveloped. Environmental commons is the GPG most frequently noted in country strategies (in part because GEF projects are mainstreamed in the Bank's systems), but other GPGs are less often emphasized. There is no evidence that over time the treatment of GPGs in Bank country strategies has expanded, but very recent examples of good practice—such as in Brazil—may pave the way for more thorough and consistent strategic planning.

The Bank has at least three levers to draw on to move from strategy to action at the country level—budget and trust fund allocation, financing instruments, and global programs. Each is discussed in turn below.

Resource Allocation

The Bank estimates its administrative expenditure on GPGs at around $110 million in FY07, nearly half of which is from sources such as trust funds that are outside the Bank's core budget. At about 4 percent of its overall operating budget, this is one of the smaller allocations for the Bank's six strategic priorities. These estimates should be treated with some caution since they may vary significantly depending on definitions and data classifications used. Going forward, a more precise definition and tracking of spending on global public goods would be a useful management tool.

A heavy reliance on trust funds for financing GPG work may itself increase the difficulties of mainstreaming such activity alongside long-standing work financed by the Bank's own budget. Spending on GPGs as a whole has risen rapidly over the past five years, with the biggest increase for work on environmental commons.

Financing Instruments

Concessional finance is important to foster many GPGs, and in recent years, the Bank has committed substantial IDA funding to help countries in programs with clear GPG dimensions, such as HIV/AIDS and environmental commons. Often country-level implementation capacity is stretched, however, and national priorities may take precedence over some GPG considerations. Staff report that there is great reluctance among national partners and Bank country teams to allow IDA allocations targeted for poverty reduction to be diverted to fostering GPGs whose benefits may not be immediately felt by the poorest. A recent innovation in IDA is a specific allocation for regional (multicountry) projects. Although it is too early to assess how well this is working, it should be monitored for lessons in mirroring this approach for some GPGs, although great care would be needed to avoid fragmenting IDA's overall framework.

When the Bank has had a clear and viable instrument to help its country partners take action on some GPGs, there has been progress—with the GEF being a good example. Where the Bank has not had an obviously attractive financial instrument—and/or where there has been a lack of demand from country partners—it is less easy to see progress. Measures to protect and conserve important forest resources around the world, for example, have produced a highly varied picture. In Indonesia, an evaluation of the Bank's country assistance program from 1999 to 2006 showed that it covered forestry issues with large-scale analytical work but little lending. Over that period the traction achieved by the Bank was very limited, and deforestation continued at a rapid clip.

There is often a mismatch between country needs (and resources) and global ambitions for GPGs. In middle-income countries, the Bank's ability to influence (or persuade) a country to take concrete action on some GPGs is inherently limited, even though effective provision of those goods requires deep participation by these middle-income countries. The limits of non-concessional finance are clear, for example, in the Bank's work on avian influenza, in which only 7 of the 50 projects approved are IBRD-financed, and to date only $12 million of the $94 million in IBRD loans have been disbursed.

Global Programs

The Bank is now a partner in some 160 global programs and partnerships, and around 90 percent of the total spending of these GPPs overseen by the Bank is directed at global public goods. A few large initiatives account for most of this spending: the Global Fund to Fights Aids, TB, and Malaria (GFATM), the GEF, and the Consultative Group for International Agricultural Research (CGIAR). The Bank's administrative effort in GPPs is not fully driven by GPG concerns, however, since more than 100 of these programs are focused largely on national public goods such as urban development or infrastructure market regulation.

Despite the Bank's direct role as a partner in global programs, systematic linkages to country programs have at times been lacking. For example, many of the programs had only modest participation by middle-income countries. Task managers for global programs have not commonly been required to demonstrate how such programs have added value to country programs and Bank operations, and often lack the incentive or administrative budget to do so.

Merely locating a global program in the Bank—as 57 such programs are—does not guarantee effective

country linkages. For example, linkages were weak in the Population Reproductive Health Capacity Building Program despite the potential synergies with Bank investment operations in various countries. IEG evaluations have also found that greater legitimacy of a global program does appear to foster stronger linkages with country operations.

In the Bank's efforts to provide regional public goods—and to link regional and country concerns and opportunities—it faces challenges similar to those for GPGs. Regional programs have risen in importance in recent years, but their integration into country programs remains the exception rather than the rule, and they still account for a modest share of Bank lending.

The Bank's Advocacy on GPGs: What Has Worked and What Has Not

Successful advocacy goes beyond encouraging action at the country level. It also involves producing collective global responses and promoting the development interests of the poor in international agreements and frameworks for action.

Promoting improvements in the global trading framework is an example of the Bank's advocacy at its best. Key ingredients included a long period of work directly with partner countries, the assembly of first-rate intellectual and analytical research capacity, and proactive and highly visible dissemination and the willingness to engage in public debate. These were combined to excellent effect, and the Bank's work also had an opportunity to gain traction in the context of "live" negotiations for the Doha round of a new trade agreement.

The experience with avian flu also illustrates the Bank's strengths as an advocate and convener. The Bank's contributions to a global response built on robust economic analysis, convening power, fiduciary reputation, and multisectoral expertise. It also helped that the ground was fertile for the Bank's advocacy, given that global and national concerns aligned as country needs were urgently felt.

Advocacy on the environmental commons has proved a more complex challenge. The Bank has played a positive advocacy role in some very practical settings, including the securing of resources for the GEF, the launch of the Prototype Carbon Fund (and subsequent Carbon Funds), and methodologies to put the Clean Development Mechanism into action. The extent to which the Bank has been a leading influential advocate on climate change is more debatable, but there is now a platform on which to build, including the Bank's new Strategic Framework for Climate Change.

Advocacy through global programs has become an increasingly important channel for fostering GPGs, and proper voice and representation of developing countries in such programs improves their responsiveness and long-term sustainability. Yet developing country voices remain underrepresented—not least in the governance of many global programs—and whether the Bank could have pushed harder on this remains a question. It is encouraging that governance arrangements in several programs, including the GEF and CGIAR, have improved over time. For large new global programs aimed at climate change, it is critical to ensure sound and equitable governance arrangements that balance the interests of the key parties involved.

Improving the Bank's Support for GPGs: Lessons from Experience

The Bank's country model has its place in fostering GPGs. It has worked well when national and global interests coincide—often with an agreed international framework for action, such as the Montreal Protocol—and when grant finance supports country-based investments.

Looking ahead, some of the great shared global challenges arise where national and global benefits diverge significantly—most notably in climate protection. In tackling those, the Bank—including through cooperation with the IFC and MIGA—needs to find a way to bridge the gap more effectively between global needs and country preferences. Lessons from this review suggest some effective measures in five areas that may help the Bank upgrade its ability to foster GPGs.

First, the Bank can create better incentives to deliver GPGs effectively at the country level. This would include new approaches to setting budgets and recognizing performance of managers and staff. On budget setting, one option is to set aside at the corporate level significant administrative funding to be allocated to country teams—transparently and possibly competitively—to high-priority GPG work at the country level. Care would be needed to make sure such funding was used as a genuine addition by teams and not simply displace other activity. To provide better incentives to staff, managers at all levels need to consider recognizing country and global-level work on GPGs in performance management systems.

Second, the Bank can consider clearer organizational arrangements to best select, and indeed link together, responses at country, regional, and global levels. Some Regions may want to have dedicated staff advancing work on regional programs (and regional public goods), as has been done in Africa, and perhaps expand their remit to cover GPGs as well. But this is not a one-size-fits-all prescription, and other Regions may have different arrangements suitable to their circumstances.

Third, a more effective approach to the delivery of the Bank's global knowledge and capacity to country teams working on GPGs would be beneficial. To this end, the way the Bank can best deploy its expertise, particularly that of its specialists located at the center of the institution in the Network anchors, should be reviewed.

Fourth, the Bank and its stakeholders could renew attention to ensuring that the perspective of developing countries is connected effectively with global responses. The Bank might be able to use its standing more powerfully to give greater voice to developing countries in the governance of significant global programs. It should take a more proactive stance in advocating for development interests—and developing country partners—in international forums (and agreements) dealing with GPGs. That would include the Bank continuing to secure additional development assistance and promote the design and use of market-based instruments to help developing countries provide GPGs. The Bank could also explore further ways to stimulate South-South exchange of knowledge and the development and application of new technologies designed with and for the South to contribute to GPGs such as climate-friendly energy production and use.

Finally, a firmer and more precise justification is needed for the costs and benefits of actions being proposed for the Bank's work on fostering GPGs, to ensure that such work in financially and institutionally sustainable over the long-term. Particularly for global programs, the Bank must redouble its efforts to be more selective in its engagement and more forthright in exiting those programs whose benefits and cost-effectiveness are questionable. It should also be insistent on putting in place—and using—sound results frameworks underpinned by realistic and cost-effective monitoring and evaluation systems.

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