LEARNING PRODUCT

Supporting Transformational Change for Poverty Reduction and Shared Prosperity

Lessons from World Bank Group Experience

IEG
Independent Evaluation Group

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WHAT WORKS

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An IEG Category II Learning Product

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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Contents

Evaluation Managers

- **Caroline Heider** Director-General, Evaluation
- **Marvin Taylor-Dormond** Director, Financial, Private Sector and Sustainable Development
- **Stoyan Tenev** Senior Manager, Financial and Private Sector Unit
- **Andrew H.W. Stone** Advisor, Financial, Private Sector and Sustainable Development
- **Stephan Wegner** Task Manager

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Abbreviations

AAA	analytical and advisory activities
BACP	Biodiversity and Agricultural Commodities Program
CAT-DDO	Catastrophe Deferred Drawdown Option
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CCT	conditional cash transfer
CPIA	Country Policy and Institutional Assessment
EITI	Extractive Industries Transparency Initiative
GDP	gross domestic product
GPOBA	Global Partnership on Output-Based Aid
ICA	Investment Climate Assessment
IEG	Independent Evaluation Group
IFC	International Finance Corporation
KPLC	Kenya Power and Lighting Company
M&E	monitoring and evaluation
MIC	middle-income country
MIGA	Multilateral Investment Guarantee Agency
PPG-7	Pilot Program for the Conservation of the Brazilian Rain Forest
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SDG	Sustainable Development Goal

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Overview

Supporting Transformational Change for Poverty Reduction and Shared Prosperity

Transformational engagements are a critical pillar of the World Bank Group's strategy for achieving its twin goals of extreme poverty elimination and shared prosperity. This learning product uses evaluative evidence from the Independent Evaluation Group (IEG) to understand the mechanisms and conditions for transformational engagements and the implications for the World Bank Group if it seeks to rely on such engagements to more effectively pursue its goals.

The 2013 World Bank Group strategy posited that increasing support for "transformational" engagements would be a key means to enhance the impact of its assistance. Moreover, such an increase would help catalyze fundamental changes in developing countries that would advance progress toward the goals of ending extreme poverty and promoting shared prosperity by 2030. Such engagements are seen as having the potential to fundamentally improve the lives of poor and disadvantaged people. At the same time, they are more ambitious in scope, involve multiple instruments, and have higher risks and longer time frames. This report extracts lessons from the Bank Group's experience with transformational engagements, based on evaluative evidence from 2000 to 2014.

Building on the intent of the Bank Group strategy, IEG adopted a specific definition of transformational engagements to apply it to evaluative evidence: individual or series of interventions that support deep, systemic, and sustainable change with the potential for large-scale impact in an area of a major development challenge. Such engagements help clients remove critical constraints to development; cause or support fundamental change in a system; have large-scale impact at the national or global level; and are economically, financially, and environmentally sustainable. IEG's definition involves four dimensions of transformation: relevance of the development challenge being addressed, depth of change, scale of change, and sustainability. IEG used these dimensions to differentiate, for analytical purposes, transformational from comparator engagements – which often met their development objectives but did not meet one or several criteria of the four dimensions for transformation.

The Bank Group supported several successful transformational engagements in the 2000–14 period. These engagements were difficult to do, require sustained effort over a long period, and constitute a small proportion of the Bank Group's portfolio. Using its definition of transformation, IEG identified a purposive sample of 20 such engagements. They vary in form, size, and the development challenges they addressed. They included sector reforms and investments that helped increase access to electric power up to three-fold; interventions that introduced commercially viable approaches to help substantially increase access to electricity for the unserved; innovative instruments that transformed the provision of basic social services and significantly increased access to health and education services for the poorest;

global benchmarking and standard-setting that influenced change across multiple countries; and country-level engagements that supported rapid and sustained economic growth, poverty reduction, and improvements in social indicators.

Looking across all of these projects, it is evident that there is no single policy prescription for catalyzing transformational change. Economic and social development is not a mechanistic, linear process. It involves complex and multidimensional socioeconomic and political processes and interventions in systems that require contextualized and tailored solutions, adaptation, and active management of change processes.

It may therefore be difficult, even impossible, to identify transformational engagements ex-ante. However, this report provides insights into mechanisms and factors that can increase the likelihood of transformational impact by interventions implemented by Bank Group clients (and supported by its development partners), but does not and cannot provide a sure route to transformational success.

The Bank Group's experience reveals some salient characteristics of transformational engagements. Most of the engagements supported fundamental change in a market, system, or behavior. Project- or program-level interventions achieved large-scale impact through scaling up, replication, or demonstration effects of effective approaches and solutions. Transformational engagements were differentiated most clearly from nontransformational engagements by the extent to which the effects of the intervention were sustained, often because they involved comprehensive approaches to stimulating and sustaining systemic and behavioral change.

The review identified four mechanisms with potential to support deep and large-scale transformational change, which can be present in interventions either individually or in combination:

- **Binding constraints:** Identifying and addressing the binding constraints to progress toward a development objective

- **Cross-sectoral approaches**: Adopting systemic approaches that address multiple constraints in interrelated parts, including through cross sectoral approaches

- **Scaling up innovations:** Scaling up and replicating effective approaches and innovations and of novel financing instruments

- **Behavioral change:** Changing behaviors by modifying incentives of beneficiaries, introducing market forces, or increasing the flow of information.

IEG did observe transformational impacts irrespective of the size of the engagement, sector, or the choice of instrument (knowledge and financial product).

In its review IEG also identified factors that can enable or constrain effective transformational engagements related to the enabling context and the quality of design and implementation.

Regarding factors related to the **enabling environment**, transformational change sometimes was motivated by the political environment, crises, or recognition of an urgency to act, providing windows of opportunity. In these cases, the Bank Group showed adaptability and readiness to support clients wishing to undertake difficult reforms. Full alignment of the interests of the client with the transformational objectives significantly enhances the chances of realizing difficult reforms. In this context, it is important to assess and address the political economy dimensions of difficult and complex reforms. Early and broad engagement with stakeholders and building broad coalitions and political consensus around reforms early in the process was found in some cases to broaden support and maintain momentum behind reforms.

Regarding factors related to **design and implementation**, good knowledge and analytical work was critical for transformational engagements. This also facilitated adapting interventions to country context and capacity. Failure to adapt program design in some potentially transformative projects resulted in less successful outcomes.

Continuous, sustained engagements through series of interventions can help to realize transformational change. One-off projects are less likely to be transformational than sustained engagements. Consistent, ongoing support to clients facilitated the deep reforms associated with transformational change by helping build capacity and addressing several parts of a system through sequential interventions. Transforming institutions, which also takes sustained effort, contributed to the sustainability of transformational impacts. In some cases, effective communication with key stakeholders was critical to achieving broad-based and sustained impact by ensuring buy-in from beneficiaries and helping foster behavioral change.

The quality of Bank Group staff work--and in some cases, an entrepreneurial attitude--, as well as the appropriate use of different instruments helped support transformational change. The quality and technical skills and, in some cases, entrepreneurial attitude of Bank Group staff was important in developing and implementing transformational engagements. However, some evaluations also found that the Bank Group's institutional incentives are not rigorously focused on helping address the most binding constraints and, rather, tend to pursue interventions that may be relatively easier, that are too broadly diffused, or based on lending volumes. There is also a perception that such interventions are riskier and require additional resources for preparation and implementation. While engagements seeking to address the most challenging development issues and constraints, often using innovative instruments, entail higher risks, careful scaling up and adapting of approaches informed by rigorous evidence and learning from implementation can mitigate such risks. Notwithstanding these constraints, this report shows that successful transformational engagements can generate more "bang for the buck."

The operational implications of the Bank Group's suggest the following elements in supporting transformational change:

- **Identifying the most binding constraints in a country, sector, or development theme by consistently implementing rigorous diagnostic work.** The new Systematic Country Diagnostics tool has the potential to facilitate a rigorous understanding of binding constraints at the country level, but would need to be complemented by analyses of the most binding constraints at the level of sectors and interventions.
- **Focusing on binding constraints to development challenges to enhance the selectivity of assistance programs.** Based on a strategic understanding of the main constraints in a country, sector, or entity, the Bank Group can develop a strategic plan to address them through multiple interventions in the same or different sectors. From the interventions that can address the most binding constraints to development in a country, sector, or entity, the Bank Group can select those where it has the greatest potential to address a binding constraint given its comparative advantage, and where it has a chance to help affect deep,

fundamental, and sustainable change by working through a committed client counterpart.

- **Building on mechanisms of transformation in program and project design.** This includes shaping incentives to affect sustained behavioral change and strengthening institutions to support transformational impact, as well as harnessing competitive market mechanisms and the private sector as vehicles of deep change and long-term sustainability. Improve the capacity to identify and scale up innovations with the potential to overcome traditional barriers to basic service access by the poor, and deploy instruments that have the potential to deliver assistance more effectively and efficiently.
- **Building broad coalitions to enable transformational change** through early and broad engagements with all stakeholders. This may include involving targeted beneficiaries in the design and implementation of the intervention. An increased focus on transformational engagements will also involve exploring new partnerships and managing them effectively and efficiently to ensure alignments of interests.
- **Staying the course by undertaking more selective, longer-term, sustained, and programmatic engagements.** This may require reinforcing the Bank Group's capacity to undertake such sustained engagements. This would involve, at the country level, being more selective and engaging in fewer, more long-term, and focused interventions. Adapting programs to the local context, based on sound diagnosis, can enhance their chances for success. Sound reporting and monitoring systems for transformational engagements enhance the efficacy of programs and facilitate learning and adaptation of the program during implementation. Pursuing transformational engagements will require a focus on the quality of the Bank Group's work and the technical expertise of its staff. They also have attendant implications for the Bank Group's human resource policies and practices. Institutional incentives would need to be adapted to support a more systematic focus of assistance programs on binding constraints—including potentially more complex, longer-term, and higher risk engagements. The Bank Group could develop and apply lessons on risk mitigation to address perceptions of higher risk associated with transformational engagements.

This review of experience with transformational engagements leads IEG to conclude that there are ways in which the Bank Group can enhance the likelihood that interventions catalyze faster development progress by taking a strategic and programmatic approach to induce systemic and behavioral change based on sound diagnosis of binding constraints. This need not mean more complexity in individual interventions, but it does mean developing a thorough understanding of the main constraints and issues. Doing so would facilitate a plan of selective and sequenced interventions that can help address the constraints to the development of a country or sector.

In sum, there is scope for the Bank Group and its partners to enhance their focus and capacity to undertake transformational engagements, but these interventions are only one step to help clients accelerate their progress toward sustainable development.

1. Introduction

What Is a Transformational Engagement?

- Six million Kenyans gained access to electric power from the grid for the first time. Deep reforms also helped restore the Kenyan utility company to profitability and supported sector viability. A further 1.5 million Kenyans gained access to off-grid power while a private market for solar energy devices was created.
- 750,000 Bangladeshi girls gained access to secondary education.
- More than 1.3 million poor Argentinians obtained health coverage and services through an innovative program that rewarded covering the vulnerable.
- More than 14 million Brazilians obtained social assistance through a new delivery mechanism that encouraged use of services by the poor.
- 35,000 poor households in Colombia were able to pay for natural gas connections as a result of introducing an inclusive business model to a private operator.
- Sixteen Caribbean countries were able to protect themselves against catastrophic risks of earthquakes and hurricanes through a novel risk-pooling facility.
- Vietnam's GDP grew at an average of 5.5 percent per capita over a generation, and its poverty rate plummeted—lifting 40 million people out of extreme poverty—through a sustained reform program involving continuous World Bank Group engagement.

These are some of the headlines drawn from engagements at the project, program, sector, and country level that this report covers. They feature the results of interventions to which the World Bank Group contributed, demonstrating the possibility of rapid change toward poverty reduction and social progress. In this report, the Independent Evaluation Group (IEG) reviews the Bank Group's previous experience with such interventions to enhance the knowledge about approaches associated with transformational change.

"Transformational engagements" are expected to be a key part of the World Bank Group's move toward helping its clients accelerate development progress. As part of the Bank Group's objective to enhance its contributions to ending extreme poverty and boosting shared prosperity, the 2013 *World Bank Group Strategy* identities **seeking transformational engagements** as one of four key elements (World Bank 2013f). The

World Bank Group has thereby determined to increase its emphasis on "engagements that have the potential to have transformational effect."

"Transformational engagements" are identified as those that "improve fundamentally the lives of the poor and disadvantaged people." Such engagements may "produce demonstration effects that can be replicated or scaled up; generate spillover effects on multiple sectors of the economy, including broader changes that increase government effectiveness or stimulate private investment; result in far-reaching impacts; or help client countries, regions, or even the entire developing world shift to a higher and/or more sustainable development path" (World Bank 2013f, 23). Such engagements may originate from outside the Bank Group, and the Bank may play a supporting or leading role in them.

Transformational engagements are seen as involving more ambitious scope, higher risks, longer time frames, and multiple instruments. Some characteristics of transformational engagements identified by the Bank Group in the 2013 strategy are that they are often multisector in design; involve a mix of knowledge, policy reform, and investment services; and typically involve very strong client ownership. Transformational engagements also "generally involve greater risks and require longer time horizons to realize results." These engagements, moreover, may not be identifiable ex ante, as the transformation may not actually be apparent until after completion of the activity. Moreover, transformation may be the result of a sequence of incremental steps that in themselves may not appear to be transformational, but if carried out consistently over time may lead to transformational effects.

Building on the intent of the Bank Group Strategy, IEG adopted a specific definition of transformational engagements to help apply the concept of "transformation" to Bank Group interventions and to enable it to derive evaluative insights. Beyond the 2013 strategy document, there is no generally accepted definition of a transformational engagement or of how the concept applies to Bank Group operations. The strategy laid out characteristics, conditions and expected outcomes of transformational engagements as noted above. IEG used these to develop its specific definition to make the concept applicable to Bank Group operations and to ensure the concept was evaluable. IEG's definition encompasses transformations for a purpose—addressing major developmental challenges such as related to poverty or equity—to reflect the intention of the Bank Group strategy to "improve fundamentally the lives of poor and disadvantaged people."

Based on the Bank Group strategy, a review of relevant literature and Bank Group interventions, and discussions with Bank Group staff, IEG adopted the following definition for transformational engagements: *an intervention or a series of interventions that helps achieve deep, systemic, and sustainable change with large-scale impact in an area of a* *major developmental challenge*. The "engagement" can encompass different forms, approaches, intervention instruments (including knowledge, technical assistance, and lending), and sizes; can occur in different contexts; and can be a project, program, or series of interventions that address a common development objective.

IEG's definition has four dimensions: relevance, depth of change, scale of change, and sustainability (Table 1.1). These four dimensions permit a differentiation between transformational engagements from interventions that are "merely" highly successful, complex, or large in size.

Table 1.1. Dimensions and Characteristics of IEG's Definition of Transformational Engagements

Dimension	Description	Characteristics
Relevance	Addresses a major developmental challenge (or societal or global concern) – such as poverty, equity	Evidence from diagnostic or analytic work showing the constraint or problem addressed was of critical importance
Depth of change	Causes or supports fundamental change in a system or market; addresses root causes to support a change in trajectory	Evidence of market change, systemic change, or behavioral change
Scale of change	Causes large-scale impact at national or global level.	Evidence of scaling up of approaches and innovations, and replication; catalytic effects; demonstration effects; positive spillovers and externalities; acceleration/discontinuity in a development indicator
Sustainability	Impact has been economically, financially,[a] environmentally sustainable in the long term.	Evidence of financial, economic, environmental sustainability of results after engagement

Source: IEG.
[a]. All social programs require government transfers, although in the transformational cases, efficiency gains or cost recovery may have been present.

Why Focus on Transformational Engagements?

The global community has set ambitious objectives to promote sustainable development, end extreme poverty, and promote prosperity. The year 2015 marks an important point in the potential for progress in development for the next 15 years as the United Nations formally adopts the Sustainable Development Goals (SDGs). The SDGs embody a transformational agenda intended to "shift the world onto a sustainable and resilient path" (UN 2015). To meet the large financing needs of the SDGs, developing countries and their partners would need to move from billions to trillions of dollars in investments.1 To reach this level, domestic revenues in developing countries need to be complemented by enhanced development aid flows and a more prominent role for private finance. The ambitiousness of the development goals, scarcity of resources available to meet them, and challenges resulting from slower growth prospects in the developing world imply a need for assistance programs from development partners that support fundamental, deep change with the potential to reach large proportions of population to accelerate progress. These aspects are at the core of transformational engagements.

Development institutions are increasingly adopting the concept of accelerating development through transformational change. A potential avenue for the Bank Group is to enhance the impact and effectiveness of interventions by acting as a catalyst or connector in partnership with others. The Bank Group's development partners have also begun to consider ways to enhance the effectiveness of their aid by emphasizing concepts such as transformation, catalytic impact, and innovation. Although economic transformation—that is, changing the structure of production from an agricultural base to a more industrial/manufacturing and services base—has always been a critical part of economic development and poverty reduction, it is now attracting renewed attention in economic policy discussions and academia.[2] Several development institutions have begun to take a longer-term view of poverty reduction through economic transformation to accelerate progress toward achieving development goals (AfDB 2013; UNIDO 2013; UNCTAD 2013; European Union 2013). In addition, research has identified the need for "transformational policies" for markedly raising growth rates in countries or in improving the responsiveness of poverty reduction to growth through greater inclusion of the poor as critical in helping achieve the twin goals (World Bank 2014d). These initiatives require new thinking in the global development community about development processes and economic transformation.

In this context, the World Bank Group seeks to scale up its development impact by helping its clients catalyze more fundamental or transformational changes. In doing this, the Bank Group aims to encourage fundamental changes in client countries through taking on a more transformational role. A key challenge is how to increase the Bank Group's impact, given the huge gap between the magnitude of the development challenges and the resources available to finance and achieve the post-2015 agenda objectives. This implies a need to enhance the impact and effectiveness of interventions, to be more selective regarding the areas in which it intervenes, or to act as a catalyst or connector for transformational change in partnership with others. Achieving transformational impact will necessarily involve partnerships, knowledge generation and sharing, and being a connector or catalyst for transformational activities, whether they originate inside or outside the Bank Group.

In this report, IEG seeks to extract lessons from the Bank Group's experience with transformational engagements. The objective of this report is to inform Bank Group management, its Board, and other development partners about characteristics, mechanisms, and drivers of interventions in the Bank Group's experience that have helped achieve transformational change in developing countries. Its purpose is to help identify best practices and lessons that can be applied to future interventions to enhance for potential for transformational change. The study focuses on learning and not on accountability and derives its lessons primarily based on existing evaluative evidence.

Methodology

IEG identified a set of transformational engagements from the World Bank Group's experience by applying specific criteria. IEG distilled the findings of this report by applying a "transformative lens" based on the criteria of IEG's definition to purposively selected cases across a range of sectors and themes of Bank Group strategic priorities and operations.[3]

Transformational engagements were selected from candidates assembled from multiple sources, including the list developed for the 2013 corporate strategy, interviews with senior evaluators and (current and former) IEG and Bank Group staff, and analysis of discontinuities in national development trajectories (across multiple indicators and dimensions). IEG then screened possible engagements to ensure they were consistent with the four dimensions of the definition (see Table 1.1). The screening exercise was based on the ex post results of the engagements. The resulting purposive sample reflects diverse sectors, themes, and engagements at the sector, program, and project levels. It includes interventions involving both knowledge and financial support, interventions involving all three major Bank Group institutions, and interventions of different sizes. The sample comprises programs, projects, or series of projects or interventions and includes those implemented with partners (Table 1.2).

IEG also selected comparator nontransformational engagements to contrast pairs of transformational and nontransformational engagements. IEG paired engagements it had confirmed as consistent with its definition of transformational with comparator interventions that did not meet the criteria. Both the transformational and the comparator engagement had broadly similar objectives, scope, and country context. IEG reviewed a total of 37 interventions in 17 pairs or clusters.

IEG systematically captured information on differences and similarities among the pairs along several dimensions related to country context, design, and implementation in order to draw conclusions on enablers and constraints of transformation. The pairs ranged from long-term sector development for improving access to infrastructure services to programmatic approaches addressing human development, programs introducing financial innovations to enhance risk mitigation, and efforts promoting global standards and indicators. Many comparators to the transformational engagements successfully achieved their development outcomes but did not attain the higher standard of transformational impact and sustainability. This comparative approach enabled IEG to identify differences in design, implementation, and contextual factors within the pairs.

Table 1.2. Transformational Engagements and Comparators Reviewed by IEG

Sector/Theme	Transformational engagements and comparators
Access to basic infrastructure	• Long-term power sector reform • Targeted interventions for inclusive access • Off-grid access • Bus rapid transit • Rural roads
Human development	• Female education • Community school management • Health insurance • Conditional cash transfers
Global indicators and financial and private sector development	• Catastrophic risk insurance • Weather index insurance • Credit bureaus • Doing Business indicators
Rural development	• Community-driven development • Land tenure and administration
Climate change and natural resources	• Forest management • Promotion of standards

Source: IEG.

IEG used the four dimensions underpinning its definition to differentiate transformational and comparator engagements. Among the pairs of interventions that were broadly similar in scope and design, one engagement in the pair was assessed to have sufficiently met the criteria of "transformational" along these four dimensions. The comparators were often successful in achieving their more narrowly defined project development outcomes, but did not meet the high bar of being transformational in one or several criteria of IEG's dimensions. Indeed, IEG's earlier analysis indicated that only a small fraction of operations met the high threshold of transformativeness. And having received a "highly successful" rating for the achievement of development outcomes was not a sufficient predictor of transformation: only about half of Bank Group projects rated "highly successful" for their development outcomes (accounting for 2 percent of Bank projects evaluated by IEG between fiscal 2008 and 2013) met IEG's criteria of transformational.[4]

IEG also sought to assess the Bank Group's role in broad transformational change at the country level. IEG analyzed transformational change resulting in sustained economic growth, poverty reduction, and social progress at the country level. IEG reviewed the Bank's experience in nine countries with transformational changes that resulted in inclusive growth, poverty reduction, and social development.[5] IEG compared the Bank's experience in these "transformational" countries against its experience in a comparator group of countries with less or slower progress in these areas.

To facilitate and structure the review of country-level engagements, IEG defined four types of initiatives deemed as transformational at the country level in the 1990-2013 period: transition from planned economies to market economies; poverty reduction strategy initiatives; fragile and conflict affected states; and graduation of low or middle income countries to middle and high income status through long term engagements (see Table 1.3). Within each group, IEG selected a pair of countries from the transformational and less transformational cases in which the Bank Group had an active lending and nonlending program in order to draw appropriate lessons.[6]

Table 1.3. Review of Country Level Transformations

Major Bank Group and donor strategic initiatives	Transformational and comparator cases
Transition from planned central economies to market-based economies (1990–2013)	Poland versus Bulgaria and Romania
Poverty reduction strategy initiatives (PRS) (1999–2013)	Vietnam versus Nigeria
Graduation of fragile and conflict-affected states (FCS) status (2000--2013)	Rwanda and Mozambique versus nongraduates[a]
Graduation of low and lower middle income countries to middle and high income status mainly through long term engagements (1990–2013)	Peru versus the Philippines[b]

Source: IEG.
a. Fragile and conflict-affected countries reviewed in IEG's recent evaluation of World Bank Group assistance to low-income fragile and conflict-affected states (World Bank 2013a).
b. This group also included a brief review of the experiences of Chile, China, and the Republic of Korea.

The findings in the report are based on existing evaluation evidence and interviews of World Bank Group staff. IEG synthesized existing evaluative knowledge in the Bank Group and complemented that with insights from task managers and staff to distill information on mechanisms of transformation and its enablers and constraints. Evaluative evidence included project, sector, thematic, country, and global evaluations produced or validated by IEG during FY00-14, including case studies prepared for these evaluations. These were supplemented by a review of relevant literature and impact evaluations, as well as an analysis of relevant development indicators.

IEG also reviewed evidence from its past evaluations on key dimensions of transformations such as binding constraints, cross sectoral approaches, and innovation and scaling up. Consistent with a learning product, the findings are thus not based on new evaluations or feedback from clients and beneficiaries, but rather on new analysis of existing evidence.

This paper is organized as follows: Chapter 2 presents an illustrative sample of transformational engagements and their comparators. Chapter 3 discusses the mechanisms and factors enabling transformation based on IEG's findings from the analysis of projects, programs, and sector and country-wide interventions. Chapter 4 presents lessons and implications for the Bank Group to enhance its ability to support transformation through its engagements.

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[1] The Financing for Development Conference in Addis Ababa (July 2015) deliberated an ambitious and comprehensive proposal to mobilize funding to help support the SDGs (see AfDB and others 2015).

[2] A number of recent studies have focused on economic transformation through industrial or manufacturing development, industrial upgrading and diversification, and development of service sectors (such as information technology services and tourism) as a basis for rapid and sustained economic growth and development. Recent research in this area considers key variables such as comparative advantage, factor endowments, information externalities, technology transfer, supply chains, and globalization (see, for example, Lin 2012; Greenwald and Stiglitz 2012; and Rodrik 2003, 2013).

[3] Given the limited scope and budget for this learning product, IEG did not conduct a systematic review of the entire Bank Group portfolios to differentiate transformational from non-transformational interventions.

[4] An internal IEG discussion note concluded, based on a review of highly successful projects, that highly successful projects are an exclusive category, accounting for 2 percent of all Bank projects closed during FY08-13. IEG identified about half of the Bank projects rated highly successful for their development outcome during this period as transformational.

[5] See Appendix B for a detailed description of the approach for the selection and analysis of country level engagements.

[6] The country reviews were based on IEG country program evaluations, country strategy documents, and Country Assistance Strategy Completion Report Reviews, and were supplemented by thematic or corporate evaluations conducted for each of the four initiatives.

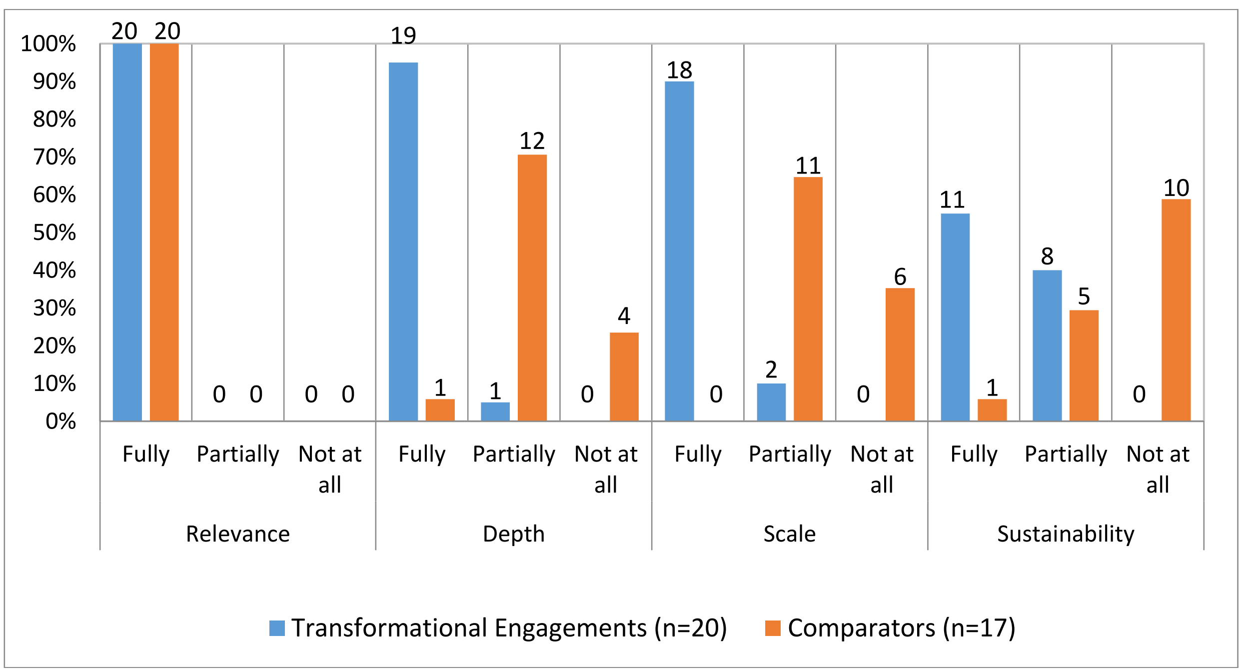
2. World Bank Group Transformational Engagements: Patterns and Characteristics from a Purposive Sample

Characteristics of Project and Program-Level Transformational Engagements

All the selected transformational engagements had several key characteristics in common. Although the nature of transformations differed across the diverse sample that IEG reviewed, common features emerged along the four dimensions of IEG's definition—relevance of the development challenge addressed, depth of change, scale of change, and sustainability. This chapter summarizes the main elements of transformational engagements and comparators in IEG's sample.

Many pairs presented themselves on a continuum between clearly transformational and clearly nontransformational, having aspects of both. The consistency of engagements with criteria of IEG's definition was assessed ex post, based on results captured in evaluative evidence. IEG differentiated transformational from comparator

Figure 2.1. Consistency of the Sample of Transformational and Comparator Engagements with IEG's Definition

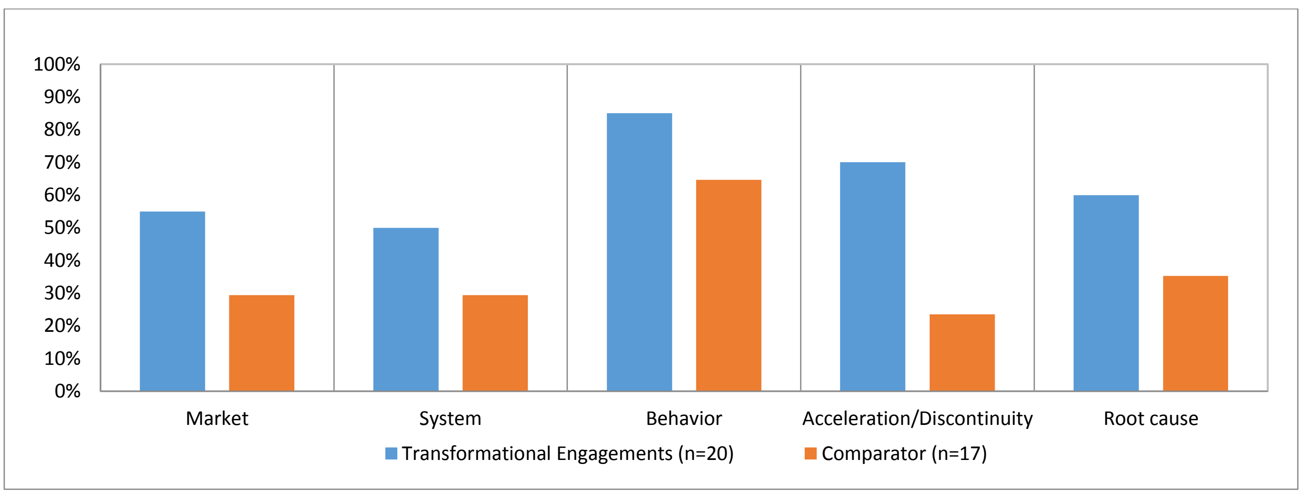


Source: IEG analysis.
Note: Although relevance was rated based on intent (a review of stated objectives and scope), the remaining dimensions were rated based on results (ex post).

engagements based on their achievement of depth and scale of change and their ability to sustain such effects. Figure 2.1 shows the extent to which the criteria for transformational engagements were met among the sample of engagements reviewed. IEG's analysis of the pairs of engagements showed common features among the transformational versus comparator interventions along the four dimensions.

- *Relevance of the development challenge being addressed:* As the sample of transformational and comparator engagements was selected on the basis of similar scope, objectives, and design, all the engagements addressed issues of national or global importance. The most frequent challenges were poverty, equity, and access to infrastructure.
- *Depth of change:* Most of the reviewed engagements aimed to support fundamental change in a system or market, or in behavior. They differed in the degree to which engagements succeeded in attaining deep change or change in the trajectory of an important development indicator (Figure 2.2).

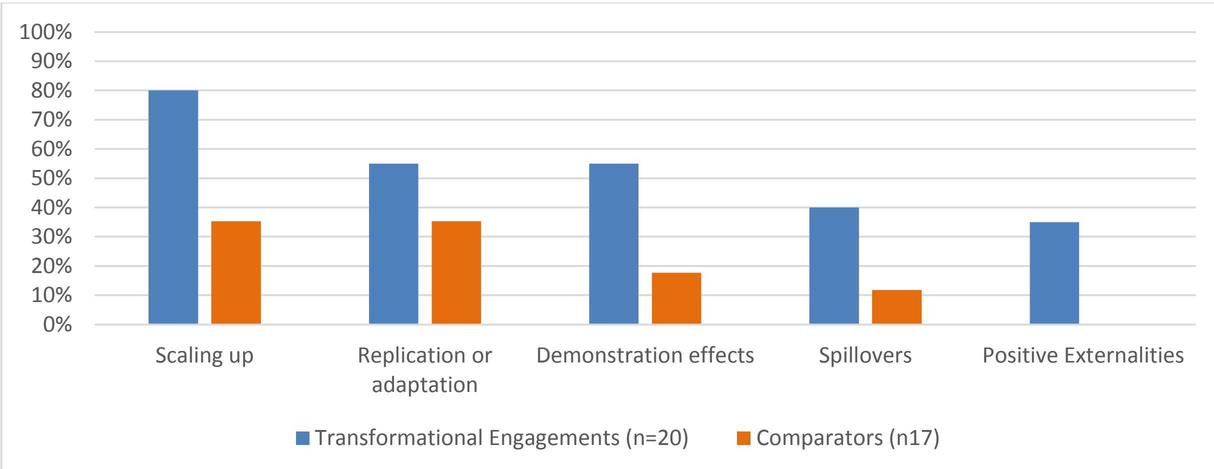
Figure 2.2. Incidence of Depth of Change in Transformational and Comparator Engagements



Source: IEG.
Note: ***Market change:*** *market transformations that influence the supply and/or demand of good and services in a significant way and contribute to country or sector wide development benefits (for example, a new industry or service introduced);* ***systems change:*** *changes that influence the performance of the entire system by addressing different parts of a system (such as change considering the performance of a sector, and entire supply chain);* ***behavior change:*** *change in the behavior of targeted groups (beneficiaries, government, private sector);* ***acceleration or discontinuity:*** *an observed change in the trajectory of an indicator;* ***root cause:*** *change addressing the underlying causes of a development issue.*

- *Scale of change:* Most of the transformational engagements achieved impact (relative to the development issue being addressed) through scaling up of interventions and solutions—many of them innovative approaches or products. Impacts ranged from local to global. The review focused on several key characteristics (or mechanisms) associated with magnifying impact, such as scaling up, replication, demonstration effects, and spillovers, which were often found in combination in the engagements. (Figure 2.3).

Figure 2.3. Types of Scale of Change of Transformational and Comparator Engagements

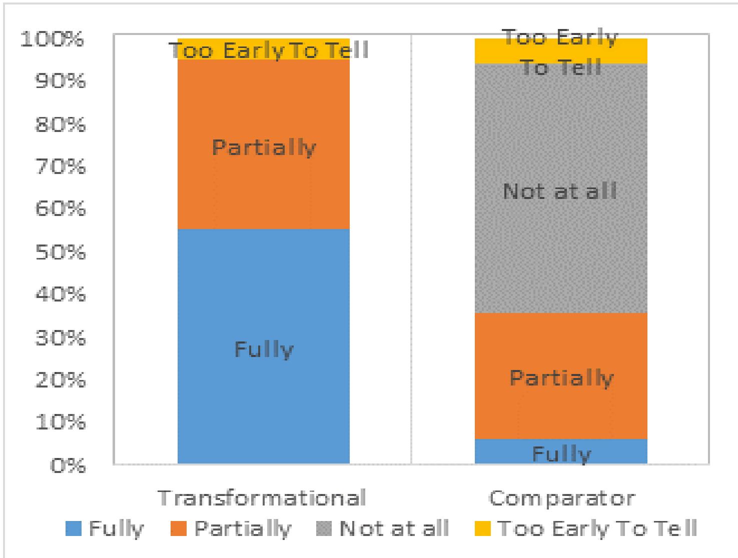


Source: IEG.
Note: ***Scaling up*** *refers to an increase in scope or coverage of a program or innovation.* ***Replication or adaptation*** *refers to a program being replicated or adapted in a different country, region, or sector.* ***Demonstration effects*** *refer to interventions demonstrating the feasibility or viability of a project, business model, or innovation, which are then copied by other players.* ***Spillover effects*** *occur when interventions in one part or sector create effects in a different sector not targeted by the intervention.*

- *Sustainability* of results is a key dimension of transformational engagements. As the Bank Group strategy notes, "sustainability ensures that today's development progress is not reversed tomorrow…." For this review, IEG assessed whether the outcomes of the engagements would likely be sustained beyond the duration of the intervention, based on available evaluative evidence—a high hurdle for any project. IEG considered aspects such as environmental, social, financial, and political sustainability. Whereas in 95 percent of transformational engagements in IEG's sample outcomes were assessed as sustainable or partially sustainable, this was the case for only 35 percent of comparator engagements (Figure 2.4).

Sustainability was attained through comprehensive approaches considering entire systems and targeting behavior change, building client capacity, and strengthening client institutions. These factors are discussed in detail in chapter 3.

Figure 2.4. Extent to Which Results of Transformational and Comparator Engagements Were Sustainable



Source: IEG.

In most cases, IEG assessed transformational change based on intermediate outcomes in specific areas. Linking results to changes in final outcomes was challenging because results frameworks captured mainly outputs and intermediate outcomes (such as the uptake of education or health services, rather than health or education outcomes) and because of well-known limitations of attributing changes in development indicators to specific interventions. Wherever possible, IEG used supplemental databases, and evidence from impact evaluations to explore links to final outcomes, such as poverty, equity, education, and health outcomes.

For investments in human development, the use of social services increased significantly (see data presented in the following section), although the impact on health or education outcomes can only be inferred through impacts on tracer indicators (such as, well-child visits or attendance). In the land administration and tenure reform project there was no evidence of an effect on poverty, but an impact evaluation reported welfare gains: investment in home construction and improvement was greater in the project areas than for the control group, indicating positive effects of land regularization (PRODEP 2013). For one of the *weather index insurance* projects (in Kenya) where a survey was conducted, there is evidence that the expansion of the insurance led to increased farm investment. However, the study did not provide any evidence regarding resilience or smoothing of incomes.

Research on efforts to improve investment climates suggests that simplifying business registration may or may not have an appreciable impact on business formation and investment, but some recent research using advanced analytical methods identifies a stronger causal link between *Doing Business* indicators and economic outcomes, such as investment and growth of private enterprises (Dethier, Hirn, and Straub 2010).

The ensuing sections provide background on the illustrative sample of the pairs of engagements selected and reviewed by IEG. They show how the characteristics of individual engagements compare to the dimensions of IEG's definition of transformational.

Access to Basic Infrastructure

ELECTRICITY ACCESS

Five engagements involving long-term power sector reform (in Kenya, Nigeria, Pakistan, the Philippines, and Uganda) were similar in scope, aiming to address the lack of access to electricity for a wide segment of the population. All five engagements aimed to expand generation and transmission capacities; improve the performance of national utilities; increase access to grid and off-grid electricity (including rural access); achieve sector viability through reform of pricing; strengthen institutional and human capacity; and attract significant private investments. The cases selected for comparison shared similar initial conditions characterized by power supply shortfalls, unreliable supply, system losses, and unviable utility companies, with attendant negative impacts on economic growth, welfare, and social progress.

Three engagements that aimed to improve access to electricity by focusing on underlying sector viability were identified as being transformational (Kenya, the Philippines, and Uganda; see Table 2.1). Engagements related to access to basic infrastructure services primarily targeted systems and market changes. In the transformational cases, these were achieved by contributing to sector viability, including a sound regulatory framework, financially viable utility companies, and sustained increases in access to electricity services (World Bank 2015e). In its analysis, IEG took into account country context and external factors, such as economic crises and political changes, and natural disasters, which affected the pace of reforms in all five countries.

In two low-income countries, Kenya and Uganda, support from the World Bank, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) helped improve sector viability through a holistic approach and long-term sector reform; their projects involved commercializing and strengthening the capacity of electricity companies, tariff reform, reform of the regulatory regime, and capacity building among regulators and other government officials. These reforms improved the countries' ability to create a favorable enabling environment and institutional capacity for sustaining and growing supply; at the same time IFC and MIGA played an important role in helping catalyze foreign investment in physical infrastructure. National connection rates for electricity more than doubled during 1990–2014: they increased from 11 percent to 23 percent of households in Kenya, and from 6.8 percent to 18.2 percent in Uganda.

These countries also expanded customer and geographical area coverage, built infrastructure that resulted in increased availability, and improved the reliability of electricity supply. Indicators of sector performance and viability (including the financial sustainability and capacity of utility companies) significantly improved in both countries—as a result of their transformation, both the Kenyan and Ugandan companies are now listed on the Nairobi stock exchange. World Bank Group financial, technical and capacity building support helped improve the financial and operational performance of utility companies, which had been seeing losses at the beginning of the engagements. Overall, the deep and sustained sector reforms achieved a viable electricity sector. These experiences also illustrate the potential of effective coordination and careful sequencing of activities across the Bank Group for transformational impact – where the three institutions have distinct roles to play to bring together public and private sector actors.

In the Philippines, the World Bank and IFC helped transform the sector from loss-making to viable through unbundling the national utility and reform of electricity pricing. This eliminated large government subsidies to the sector, a major cause of fiscal crisis. The World Bank and IFC supported system wide sector restructuring that improved the viability and performance of the national utility, the reliability and quality of supply through reduction in electricity losses and privatization of generation and transmission. The World Bank helped the government shift successfully from a bankrupt single utility model to competitive, wholesale electricity market—a significant system change.

The two comparator cases also implemented elements of sector reform but these did not lead to deep, fundamental change during the period of review. In Nigeria and Pakistan, efforts in the period between 1990 and 2010 aiming to transform the sector to sustainably enhance access to electricity in each country, and significant financial assistance yielded some positive results and met some of the programs' objectives but did not realize deep, large-scale, or sustainable change to improve sector performance or viability.[1] In Pakistan, despite progress in improving reported access rates, during the period of review the quality of supply and service remained poor and deteriorated because of load shedding and blackouts.[2] The sectors continued to be characterized by weaknesses in governance, and financial losses resulting in weak sustainability.[3] They also rely heavily on government subsidies.[4] This was largely as a result of issues with continuity and commitment to reforms and weak institutional and technical capacity.[5] Building on this experience, more recently, the Bank Group adopted programs in both countries that aim to address structural issues in the power sector, such as the Pakistan "Transformational Energy Program" initiated in fiscal 2013. These efforts are too recent to be evaluated and are not covered in this review.[6]

Table 2.1. Initial and Ex Post Conditions of the Power Sectors in Countries Reviewed by IEG

	Kenya*	Uganda*	Nigeria	Philippines*	Pakistan
Financial condition of utility(ies)	Losses to profits	Losses to profits	Insolvent to losses	Insolvent to profits	Insolvent to losses
Ownership structure of utility(ies) (2014)	Government corporation but listed	Private concession and listed	Private	Private	Primarily Government; 1 private
Sector structure (2014)	Hybrid	Hybrid	Hybrid	Mostly private	Hybrid
Electricity pricing (2014)	Full cost recovery	Near cost recovery	Below cost recovery	Full cost recovery	Below cost recovery
Private sector role (2014)	Generation	Generation and distribution	Generation and distribution	Generation and distribution	Generation
Reported connection rates (%)	10.9–23	6.8–18.2	41.8–55.6	65.4–87.5	59.6–93.6
Electricity losses (2014) (%)	18	21	n.a.	n.a.	25-35
Fiscal subsidy to sector (% of GDP in 2014)	0	n.a.	n.a.	0	2.75 (stock)
Collection rate (%)	60–99	56 to 99	n.a.	98	89

Sources: UN SE4All; KPLC Annual Report 2014; Umeme Limited Annual Report 2014; project documents.
Note: Status and data from 1990 unless otherwise indicated.
* Transformational engagements (Kenya, the Philippines, and Uganda).

OFF-GRID ACCESS SOLUTIONS

IEG reviewed two interventions related to off-grid access to electricity of the unserved, both of which used different approaches and were identified as transformational. The *Lighting Africa Kenya* project aimed to increase access of poor households to better, cleaner, and safer off-grid lighting by mobilizing and providing support to the private sector to supply quality, affordable, clean, and safe lighting for 1.5 million people in Kenya through the sale of 300,000 off-grid lighting units. Similarly, the Mongolia *Renewable Energy for Rural Areas Project* aimed to increase access to electricity and improve reliability and affordability of electricity services among herders and in off-grid soum (district) centers, principally by developing a rural retail and service network and providing subsidized financing for the acquisition of solar home systems by 50,000 herder families.

Lighting Africa enabled transformation at two levels. From a market development perspective, the project transformed the solar lamp market in Kenya by making modern, good quality, and affordable lighting products available to the very poor. It also demonstrated the commercial viability and sustainability of the approach to address the lighting needs of the base of the pyramid, in contrast to donor subsidized lending for the purchase of solar lamps. To achieve this, *Lighting Africa* considered constraints along the entire supply chain (such as high taxes on solar imports, lack of export financing, access to supplier credit, market analysis)—considering the entire system. At project start in 2009, only 2 percent of Kenya's population was using solar lamps for their lighting needs; this number had grown to nearly 10 percent in 2014 (although growth cannot be attributed solely to the project). About 850,000 solar lamps have been sold under the project from 2009 to 2014 (compared with an anticipated 300,000 units), benefitting an estimated 4.25 million people, mostly in poor areas of Nairobi and in rural areas. Household members using these lamps no longer inhale toxic fumes from kerosene lamps and paraffin. School children are able to study and do their homework at night. Households and small businesses had savings by drastically limiting their kerosene purchase.

Similarly, the Mongolia *Renewable Energy for Rural Areas Project* relaunched the commercial solar home systems market by establishing a reliable supply chain and a country-wide system of sales and service centers for maintenance and repair; it also enabled underpinning of manufacturer warranties and partial subsidization of the sale of solar home systems. The project transformed the market for solar lighting from a subsidized to a fully commercial basis, accelerated its expansion from a baseline of 15 percent of the herder population in 2006 to 85 percent in 2014, and catalyzed its expansion beyond lighting products to supply all kinds of appliances, such as television sets and satellite receivers. By mid-2014, the market for solar home systems and appliances had become established over the entire country.

TRANSPORTATION ACCESS

Infrastructure programs supporting rural roads addressed major development challenges related to poverty in remote areas by creating road infrastructure in rural areas where the poorer population is concentrated. The two engagements in Peru and India had broadly similar objectives: provide a rural roads system to help alleviate rural poverty through increased access to markets, income-generating opportunities, and basic social services.

The program in Peru was transformational. It supported systemic change by developing the institutional capacity for rural road decentralization at several levels. It also included specific pro-poor components, such as a mechanism to provide funds for local development that helped small associations of rural producers to develop business plans, obtain funding, and capitalize on the opportunities provided by the new infrastructure.

The maintenance activities from the program created job opportunities for poor men and women from rural communities living alongside the rehabilitated roads.[7] This concept was replicated in Bolivia, Ecuador, Guatemala, Haiti, and Honduras. The program in Peru was scaled up to eventually cover the entire country. An impact evaluation for Peru shows large impact on reducing extreme poverty for rural roads interventions (Macroconsult-Cuanto 2014). For the comparator program in India (2004-2016), which is still ongoing, early evidence suggests increases in employment and income in the three states covered by an assessment. However, despite this progress, the sustainable maintenance of rural roads still faces challenges, and the mid-term assessment also noted the need for complementary reforms to catalyze its goals of inclusion and benefits sharing--including strengthening local market centers, skills upgrading programs, support to microenterprises, and other measures to help people exploit new opportunities.

INCLUSIVE BUSINESS MODELS

Among targeted interventions to enhance access of the poor to infrastructure services through inclusive business models, the Global Partnership on Output-Based Aid (GPOBA) grant for *Promigas Colombia* can be deemed transformational, whereas that for *Manila Water* was incremental. The GPOBA *Promigas* project successfully transformed a major utility company's business model to be more socially inclusive by helping it design and pilot a credit scheme that reached the poorer strata of the population (the base of the pyramid) and allowed them to repay the connection fee in instalments.

Both the transformational and comparator interventions addressed a root cause, the lack of affordability of access to basic infrastructure services by the poor. The GPOBA *Promigas* project did so by demonstrating the ability of low income households to pay for services, and the ability to recover the cost of service expansions through an extended payment scheme. The objective was to connect about 35,000 families in the lowest income strata to the natural gas distribution network and to demonstrate the viability of this "base of pyramid" market by providing evidence with three months of paid bills for gas consumption. Based on the excellent experience with this pilot (which connected 34,000 poor residential customers, with a 98 percent repayment rate), since 2007 *Promigas* has vastly expanded the (non-Bank) credit scheme to finance the purchase of construction materials, gas and electric appliances by about 800,000 residential customers; of these, about 30 percent, mostly the poor, had no previous access to credit. This commercial approach proved to be sustainable following the end of the GPOBA grant.

The comparator GPOBA project, *Manila Water Company's Water for the Community program,* represented an important change in the water utility's approach to the expansion of service to previously unserved poorer neighborhoods within its service area. The project built on what the company had already achieved in terms of serving the base of the pyramid and was incremental, but not transformational. The *Manila Water Company* had already launched the Water for the Community program in 1998 and had reached 1.3 million people by 2007. From 2008 to 2013, a $2.8 million grant from GPOBA helped extend its reach to the poorest households through the provision of subsidies for reaching an additional 143,000 people. On this basis, the company's transformation into a more socially inclusive business appears to have occurred before the GPOBA project, which incrementally supported its extension.

Access to Basic Social Services

Poverty reduction and social progress were also addressed through improving access to (and use of) education, health care, and other basic social services. Equity of access to adequate basic services, such as health and education, helps level the playing field and open doors to fuller participation in economic growth, for example, by improving the opportunity for women and historically excluded groups to enter the labor force. Delivery of health and education produce mutually reinforcing effects—potentially breaking the intergenerational transmission of poverty. The interventions reviewed aimed to address aspects of social progress and inclusion through a variety of approaches and instruments, including support for female education, improved access to health care, and improved access to social services through conditional cash transfers (CCTs).

Four engagements expanding basic social services helped transform basic health and education systems: *Female Secondary School Stipend Program* in Bangladesh, *Plan Nacer* in Argentina, *Bolsa Familia* in Brazil, and *Educo* in El Salvador**.**

Fundamental change in the human development sector was generally achieved by providing incentives to modify the behavior of individuals. In all of the human development interventions, transformational and comparator alike, the primary means by which outcomes were to be achieved was through innovative incentive mechanisms to change the behavior of providers and/or users of services. The comparator cases used the same service delivery and incentives mechanisms but generally had shortcomings in design and implementation. Frequently, they failed to consider specific aspects of country context. Transformational interventions also fundamentally changed the way service delivery was financed through innovative instruments such as results-based financing or the way services were delivered, such as community school management. In each case, individual behaviors were targeted to improve final outcomes. In most cases, the rate of change in health and education indicators was dramatic. By contrast, comparator engagements suffered from a lack of effective targeting of behavior changes or of considering contextual factors in designing interventions.

The *Bangladesh Female Secondary Stipend Program* project transformed access to basic secondary education for girls by providing cash incentives for attendance, with possible additional effects on other socioeconomic indicators for females. Before the engagement, female attendance at the secondary level was low and lagged significantly behind that of boys. The project helped increase female secondary school enrollment from 462,000 in 1994 to 1.2 million in 2008. Although female enrollment increased dramatically, school attendance was less than required by the project (75 percent) at 50–60 percent. Aside from being among the first projects to incorporate monetary incentives to support female secondary school enrollment, the program produced unintended positive consequences. Community awareness surrounding the opportunities and benefits of girls' participation in secondary education and employment grew, marriage was postponed,[8] more married women entered the labor force, and women's demand for access to banking services increased.

The comparator, *Nigeria State Education*, achieved its objectives in terms of girls' education, but it was not transformational. Implementation issues delayed disbursements of the Bank loan and reduced its effectiveness. The evidence suggests that long term behavior change requires sustained and predictable payments over multiple cohorts of students.

Argentina's *Plan Nacer* transformed the health system by changing incentives to provide coverage for the poor and vulnerable—which had not been covered by comprehensive health insurance reform. *Plan Nacer* and its comparator, *Brazil Federal District Multisector Management*, both addressed inequality and inefficiency in the public health system. The objective of each intervention was to increase access and utilization of health services.

Plan Nacer, supported through World Bank policy and investment lending, was the first results-based financing operation in a Bank-supported health sector project. Policy lending supported the government's 10-year health sector reform program, which emphasized health service delivery for the poor with special attention to the design of an incentive framework to improve access to basic health care for uninsured mothers and children. Phased investment lending supported implementation of the program. *Plan Nacer* had strong and comprehensive incentives. Recognizing the central role of the provinces in providing health services, federal funding to the provinces was increased. Provincial governments received payments based on the number of individuals enrolled in *Plan Nacer*. Additional funding was contingent on attaining health outcome targets. Linking funding to outcomes increased competition among health services providers, creating an incentive to increase the number of services provided and to increase the number of individuals enrolled in the Plan. Patients benefited from improved quality of services and a cash subsidy for enrollment (IEG 2011d).

Coverage under *Plan Nacer* increased rapidly. By 2010, the plan covered 84 percent of the target population in Argentina's poorest provinces in the north (558,000 members). The plan was scaled up to the national level, covering 56 percent of the population in the remaining provinces. The enrollment rate was 100 percent among eligible children and 63 percent among eligible women at the end of the project. By 2010 more than 1.3 million individuals who previously had no health insurance were covered under *Plan Nacer*. The program has since been scaled up to nonmembers.

This is in marked contrast to the comparator project, the *Brazil Federal District Multisectoral Project*. The instrument was poorly chosen. The project was financed through a Sector Wide Approach, which requires strong government commitment and high quality staff, both of which were lacking in the project. Furthermore, the project design relied on a weak incentive structure (disbursement linked indicators) that was ultimately not introduced. The project did not record any measurable improvement in health outputs.

Brazil's *Bolsa Familia* CCT program transformed the country's social assistance program by providing adequate incentives for desired changes in behavior (for example, vaccinations and school attendance) among targeted beneficiaries. The program is addressing the significant gap in access of the poor to education and health services compared with the national average. It was designed to cover 32 percent of the population, including the poor and extremely poor. The program has been key to the reduction in poverty and equity, accounting for about one-fifth of the reduction in the Gini coefficient (Chioda, De Mello, and Soares 2012; Barros and others 2010). It ensures that beneficiaries understand the expectations for changes in behavior. The conditions under which cash transfers will be made have been widely publicized in Brazil. Under *Bolsa Familia*, the number of beneficiaries increased from 3.6 million in 2003 to 17.7 million in 2009.

By contrast, the *Turkey Social Risk Mitigation project* was only partially successful in publicizing the Social Solidarity Fund Program; some eligible beneficiaries were unaware of available support or of the "health facility use" condition. An impact evaluation found that 90 percent of education beneficiaries and 87 percent of health beneficiaries in Turkey did not know the conditions they needed to meet in order to maintain their eligibility. As a result, although the project helped improve immunization rates, health service use did not increase, and the project did not affect the behavior of beneficiaries.

In El Salvador, the Bank helped institutionalize an innovative system of community-established and -run schools in areas affected by civil war. Enrollment in *Educo* grew from 3,072 pre-primary and 5,344 primary students in 1991, when the Educo program was initiated, to 323,000 students by 2005; the program was managed by 2,122 school committees. *Educo* enrollment figures represented 50 percent of the total public enrollment at the preschool level and close to 37.5 percent at the primary level. Key program features focusing on incentives such as school authority and accountability strategies, as well as active parent involvement in school management, monitoring student and teacher absenteeism, began to spread to the more traditional system, and many of the policies piloted under *Educo* were mainstreamed, having demonstrated their efficacy.

A comparator project for community based education *(*Madagascar *Education Sector Development Project)* had limited impact as decentralization was imposed (top-down), hiring and dismissal of teachers remained centralized (lacking a critical accountability mechanism), and complex design resulted in low disbursement.

Global Indicators and Financial and Private Sector Development

Financial innovations aimed to mitigate and help manage climate and disaster risks. The disaster risk management projects in the Caribbean and Guatemala addressed the risk of adverse natural events such as earthquakes, hurricanes, and excess rainfall. Both projects aimed to provide immediate funds to allow governments to respond to a natural disaster. Although both programs aimed to create or improve a system or market, only the *Caribbean Catastrophe Risk Insurance Facility* (CCRIF) was deemed transformational, mainly because of the sustained nature of this engagement. It introduced a pooled catastrophe risk insurance instrument that was not previously available to small Caribbean countries. Thus it caused a change in the market for catastrophe risk insurance. The project design had several innovative aspects that lowered the cost of insurance and ensured that payouts were made quickly. *CCRIF* is being scaled up by adding new insurance products, and the model is being replicated in the Pacific. CCRIF appears to be financially sustainable, able to maintain current operations without further donor support.

The comparator, the *Guatemala Catastrophe Deferred Drawdown Option* (CAT-DDO), was potentially transformational in offering a new financial instrument that was recently developed by the Bank. However, the almost immediate exercise of the drawdown option by the government seemed to reduce its incentive to complete the loan's policy and institutional reforms. In addition, the *CAT-DDO* was a one-time financing instrument.

Both the *Doing Business* indicators and World Bank *Enterprise Surveys and Investment Climate Assessments* (ICAs) aimed to improve investment climates, addressing a main bottleneck to economic activity. Both provided information on the quality of the investment climate, reporting on costs to private firms. Enterprise Surveys covered a wide range of investment climate issues, including access to infrastructure and finance, whereas Doing Business was more narrowly focused on laws and regulations affecting the opening and operation of a business.

***Doing Business* has been identified as transformational, as it fundamentally changed the way the quality of the business environment is measured, and it catalyzed actions to address constraints.** It was the first global indicator project of its kind and scale to offer an objective, non-perception-based, and quantifiable approach to measuring business regulation on a microeconomic level across a very large number of countries.

In this sense, *Doing Business* indicators are considered a global public good. Its methodology of using a prototypical firm facilitated cross-country comparability and ranking of performance. The indicators provide actionable guidance to policy makers—prompting changes in behavior. Thus, Doing Business has raised awareness of the importance of laws and regulations affecting business activity, motivated reforms in a number of countries, and been used in hundreds of research papers. Engagements with clients through the global Doing Business appear to have found traction with clients far more frequently than country engagements through ICAs. Thus, Doing Business has been transformational in motivating governments to adopt reforms which have shown improvements in investment climates, at least as measured by Doing Business indicators.

However, as *Doing Business* does not measure all elements of the investment climate, there is a less-than-complete linkage between Doing Business-motivated reforms and actual improvements in the investment climate (Hallward-Driemeier and Pritchett 2010); and the link with the final outcomes of investment and enterprise growth has been questioned -- some studies find evidence of plausible causality, whereas others find little or no evidence.

Doing Business has been scaled up and replicated by the Bank Group in other areas (for example, *Investing Across Borders; Logistics Performance Index;* and *Women, Business and the Law*) on a grander scale than Enterprise Surveys, because Doing Business can economically cover all countries annually through a unique delivery model. Both Doing Business and Enterprise Survey data have been used in research on regulatory reform and the impact of regulation on economic and social outcomes, but Doing Business indicators have been used much more extensively. Doing Business is by far the most searched database of all of the Bank Group's global indicators. By contrast, although almost all ICAs now have a matrix of recommendations to address constraints, an IEG evaluation found that the reviewed ICAs had excessively generic, off-the-shelf recommendations, mostly too general to be operationally useful (IEG 2011c).

Rural Development

Land tenure and administration projects aimed to address intractable issues around land rights and tenure with a focus on equity and poverty. The reviewed programs in Nicaragua and Panama helped develop a framework for the administration of property rights to promote equitable access to land, including for indigenous peoples who lacked land titles. The lack of proper land tenure rights is an impediment for economic development. Land tenure issues have contributed to long-standing conflicts, with poor farmers and indigenous people losing land in the process.

The *Nicaragua Land Administration projects* (PRODEP) transformed the country's policy and legal framework for land rights, strengthened the capacity of key institutions (land agencies), and facilitated titling for indigenous people previously lacking land rights—involving deep systemic change. An impact assessment (PRODEP 2013) found that the key legal and procedural changes achieved under the project have established the conditions to implement a countrywide land regularization program. The project facilitated titling for indigenous peoples through a process of titling land under traditional territorial councils that by project end were reported to be respected by all government levels—a historic milestone with regard to the legal recognition of indigenous people's land rights.

A household survey (2012) found that investment in home construction and improvement was greater in the titled project areas than in the control group, consistent with the theory of the positive effects of land tenure regularization.[9] Despite having similar objectives, the comparator *Panama Land Administration Project* lacked the same deep focus on issues of indigenous peoples and understanding of interests of different groups.

Climate Change and Natural Resources Management

Engagements in the sample sought to address climate change and sustainability through forest management programs and addressing externalities associated with agriculture and extractive industries. Selected programs in Brazil and Indonesia *(Pilot Program for the Conservation of the Brazilian Rain Forest,* or PPG-7; *Sustaining Indonesia's Forests)* addressed the destruction of tropical forests and the attendant impacts on biodiversity loss and greenhouse gas emissions. Two other programs, the *Biodiversity and Agricultural Commodities Program* (BACP) and the *Extractive Industries Transparency Initiative* (EITI), responded to the need for major economic sectors to address negative externalities associated with their activities (agriculture and extractive industries, respectively) by supporting the development and implementation of voluntary global standards.

The PPG-7 program was transformational, but the program in Indonesia did not gain traction. The Brazil and Indonesia forest management interventions shared the objective of protecting global forest values through implementation of sustainable development approaches. They combined behavioral, systemic, and market change aiming to change the trajectory of sustainability of forest management. They both intended to change the sectoral, enterprise, and individual behaviors that were driving deforestation from an unsustainable to a sustainable trajectory, with traction in Brazil but little progress in Indonesia. Although only partially attributable to the Bank–administered PPG-7 program (1994–2012), data show that the rate of deforestation in Brazil has slowed significantly since the mid-2000s. Deforestation in Indonesia has continued to increase in the last decade.

PPG-7 supported numerous scientific research activities, strategy studies, capacity building, and piloting and demonstration projects, which prepared the necessary knowledge base for the transformation of Brazil's policy and institutional framework for forest protection and management. It also helped prepare numerous follow-up projects that helped strengthen Brazil's protected areas framework and consolidate the open agricultural frontier. All together, these interventions have helped to successfully reverse the trajectory of Amazon deforestation from an unsustainable to a sustainable trend. The program in Indonesia received only weak support at the national level; as a result, little government capacity building could be undertaken and though some policy reforms were enacted, they were not seriously implemented, and most sustainable forestry activities remain dependent on donor funding. As of 2012, the intended transformation was still a work in progress.

***BACP* and *EITI* both aimed to promote global standards by supporting policy and behavioral changes in individual firms and countries**, respectively. The BACP's engagement to support more sustainable management practices in agricultural production has been effective with the Roundtable on Sustainable Palm Oil. Since its launch in 2004, Certified Sustainable Palm Oil sales have grown to 5.4 million tons, about 18 percent of the global supply in 2014. As clearly stated in its objective statement, the BACP was designed to fundamentally transform the agricultural commodity market's behavior towards biodiversity through the promotion of Better Management Practices (that is, the development and adoption of a global standard for biodiversity protection). The main driver of this transformation was the self-interest of private companies to meet the consumer demand for sustainably produced oil, which *BACP* helped demonstrate.

By contrast, the *EITI* has been effective in achieving its contracted outcomes, but there has been far less evidence about its expected impacts. Thus, as of 2014, extractive industries revenue transparency had improved in the 48 implementing countries, including 18 of the 29 countries in the International Monetary Fund's list of "resource-rich developing countries." By empowering civil society organizations to participate as stakeholders, the *EITI* process catalyzed a fundamental change in the relationship between governments and civil society. However, in terms of the expected impacts on governance and accountability, a 2011 IEG review was inconclusive, and a recent analysis by the Natural Resource Governance Institute found that countries participating in *EITI* had experienced a reversal of key governance and accountability indicators after their *EITI* accession (Kaufmann 2014). While there are countries where *EITI* has helped improve accountability, the long-term sustainability of these achievements remains uncertain; it depends on the government's willingness to continue the initiative, which in turn depends on local political dynamics and the government's perception of *EITI's* influence on foreign investors.

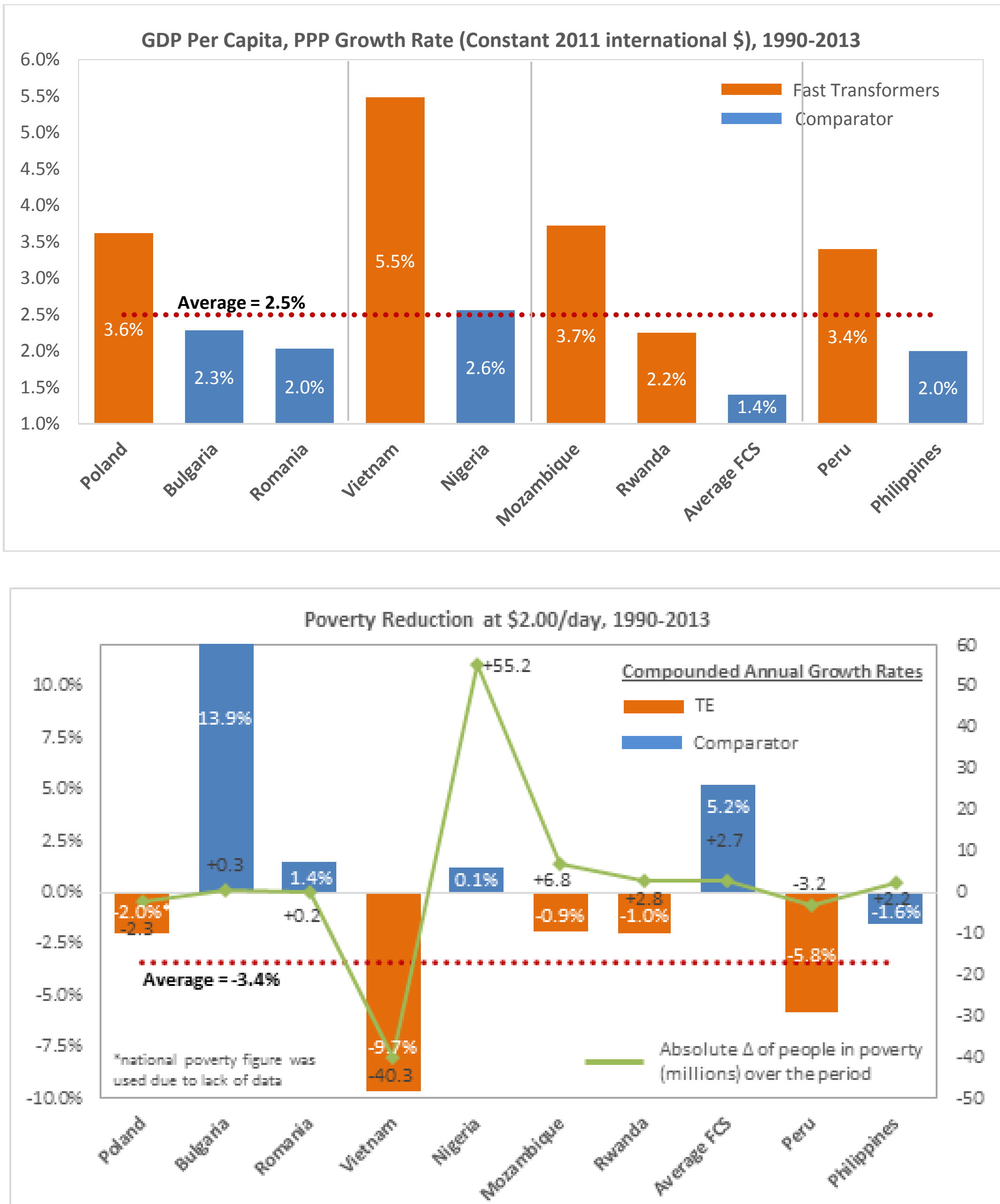
Country-Level Transformational Engagements

IEG reviewed possible contributions to transformational engagements by the World Bank Group related to sustainable and inclusive growth, poverty reduction, and social progress at the country level. IEG's review focuses on a subset of four strategic initiatives[10] and country programs implemented during the period 1990-2013 with an active assistance program by the World Bank Group and its development partners. The overarching goal of the four initiatives was to bring about a paradigm shift associated with transformational change to support sustainable economic and social transformation of Bank Group client countries. Each of these four initiatives was backed up by an innovative strategy underpinned by Bank Group analytical work and research, including a dedicated World Development Report. The country-level review complements the review of engagements at the project, program, and sector levels, applying the definition and criteria of transformation, and using a comparative analysis of transformational and comparator cases. Within the four strategic initiatives, IEG selected countries for this review based on an examination of their performance in substantially reducing poverty, making sustained progress in their social sectors, and achieving broad based and inclusive growth. The country reviews were based on existing evaluative materials, country strategies, and analytical products informing country engagements. (See Appendix B for the country selection and review methodology.)

Only a modest number of countries experienced successful transformations over the past 25 years. IEG found that out of more than 80 emerging and developing economies for which there are sufficient economic and social data for the period 1990–2013 to analyze, about two dozen economies experienced high, sustained, inclusive growth; poverty reduction; and sustained social progress that over time led to transformational and irreversible changes and welfare gains for a large majority of their population.[11] The role of the Bank Group and the nature of its engagement differed across these successful countries, based on the level of development, binding constraints, and pace of change in each country.

The transformational country cases that IEG selected for this review on average had much faster gross domestic product (GDP) per capita growth than their comparator countries for the entire review period, faster poverty reduction, as well as significantly faster social progress and more equitable distribution of income (or larger declines in income inequality) and sustained progress over a period of time compared to their respective group average and or their respective comparator countries (Figure 2.5).

Figure 2.5. Performance of Transformational and Comparator Countries (GDP per capita; poverty headcount, 1990–2013)



Source: IEG.

The evaluative evidence provided by nine country case reviews and sector and thematic evaluations related to the four initiatives (see Appendix C) yielded a rich and complex picture of the World Bank Group's support for developing countries through the four strategic initiatives examined. **Key factors that appear to explain much of the cross-country differences in Bank Group performance, and the effectiveness of its support to their observed transformative changes** includes differences in:

- Client country's implementation capacity
- Client government's political commitment to deep and sustained reforms
- Political economy factors/political cycles,
- The nature of the Bank Group's strategic initiatives
- The technical quality of the Bank Group's financial and analytical products
- The quality of Bank Group staff and its skills mix[12]
- The appropriateness and relevance of World Bank Group products to clients' needs**.**

The global economic environment (including external shocks) has also played an important role in determining the speed and nature of countries' transformations. The advent of hyperglobalization from the mid-1990s onward, combined with economic, social, and political reforms in many emerging, developing, and transition economies that started in the late 1980s, helped accelerate the pace of structural transformations in many countries. Nevertheless, the speed, depth, scope, and sustainability of the change varied widely across the nine countries (for a detailed analysis see Appendix C).

The centrally planned economies of Central and Eastern Europe made rapid progress toward transitioning to market economies during the 1990s, with the support of the World Bank Group, the International Monetary Fund, and the European Union. By the early 2000s, their transformation was incomplete, however, and profound economic, social, and political consequences that accompanied transition posed strategic challenges (IEG 2004). Nevertheless, in many countries, the key steps in moving to a market economy were well advanced. Early optimisms yielded to a realization that the Bank Group greatly underestimated the speed of transition and the impact of corruption and the weakness of core institutions and public administrations in managing the transition process. Poverty was also a far more serious problem than the Bank expected in countries making the transition from centrally planned to market economies. Despite these lapses, in a relatively short period (about a decade in most cases), the transition countries, such as Poland, had transformed into competitive, market-based economies; several moved from middle-income to high-income status.

The contribution of the Poverty Reduction Strategy (PRS) initiative varied widely across countries, depending mainly on the initial conditions in each country's public sector, government-partner relationships, and relations among donors. The PRS initiative was a comprehensive approach underpinned by Bank Group analytical work.[13] The initiative added the most value in countries where government leadership and aid management processes were already strong. It has had less effect in countries with weak public sector capacity and donor-dominated aid relationships. Because the initiative includes a uniform requirement (completion of an acceptable document), it was not sufficiently tailored to match the full range of capabilities and public policy priorities in low-income countries. Most PRS papers (PRSPs), for example, deal primarily with the composition of public expenditure, giving inadequate treatment to growth and other poverty-reducing actions. External partners supported the PRS process during formulation but did not systematically adapt the content of their assistance programs in a coordinated manner around the content of PRSPs, partly because of shortcomings in the strategies themselves. Nonetheless, the PSR initiative was a critical instrument in several transformational country engagements (for example, in Vietnam).

Fragile and conflict-affected states represent some of the most intractable challenges to development and human safety. Insecurity of people has become a primary development challenge (World Bank 2011). Although the number of interstate and civil wars has declined, many countries are experiencing new forms of violence and fragility, including repeated cycles of violence, weak governance, and instability (World Bank 2011). The understanding and definition of fragility and conflict are also evolving. The donor community has struggled to come to terms with how best to assist countries affected by fragility and conflict (IEG 2006).

Informed by research, in 2002 the Bank suggested that the challenge of aid effectiveness in poor countries with ineffective governments required different instruments, supplemented by financial transfers, to promote change. This helped initiate a new strategy (the 2002 Low-Income Countries under Stress initiative) for engaging with fragile and conflict-affected countries to facilitate policy and institutional change and improve basic social outcomes.

Two countries that have emerged from conflict (and have been identified as transformative by this review)--Mozambique and Rwanda--performed much better in terms of growth and poverty than the fragile and conflict-affected countries on average. Their results and the World Bank Group's role to help achieve them are nuanced and need to be interpreted with caution. Mozambique has emerged from the end of a two-decade long civil war as one of Africa's best performing economies. Sound macroeconomic management, large-scale foreign investments, political stability and significant aid flows contributed significantly to the country's performance. However, the impressive growth trajectory and gains in education and health have not resulted in inclusive growth, job creation, and reduced income inequality, which prompts questions about the current development model and the need for greater inclusiveness and diversification of sources of growth.

In Rwanda, IDA lending was substantial, accounting for almost 6 percent of GDP in the 1990s. The Bank Group and its development partners played an important role in Rwanda's transformation as it sustained rapid growth, and reached truly impressive human and social development milestones. However, poverty and inequality began to fall only from 2009 onward – and remain very high.

In long-term strategic engagements, the Bank Group has been more effective and relevant when it has applied its knowledge and evaluative evidence to the specific development challenges of middle-income countries (MICs) and customized its support to their development needs, which vastly differ from one country to another and evolve over time. Based on IEG's evaluations of the World Bank's performance in middle-income countries, the overall outcomes of the Bank's country programs in MICs were found to be moderately satisfactory in meeting country-specific development objectives of promoting economic growth and reducing poverty. In fact, IEG found that the outcomes in MICs were better than for the Bank's work in low-income countries, and indeed the outcomes in large MICs, such as Brazil and China, were assessed to have been fully satisfactory—a high evaluative mark. Yet IEG also found that there was significant pressure on the Bank Group to do better in an environment where MICs' demands had begun to become more challenging and they were facing more choices of support. IEG findings also highlighted the Bank Group's role in the MIC context as knowledge provider, broker, and facilitator of knowledge creation, where "AAA, not lending, is often the best instrument to deal with more sensitive policy issues" (IEG 2008b).

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[1] Findings are based on a review of Bank Group interventions evaluated during the 2000-2014 period, corresponding to programs and projects approved during FY1991-2010.

[2] According to the latest World Bank Enterprise Survey (2013), about 45 percent of companies in Pakistan identified access to electricity as a main obstacle—making it the most important constraint for private companies operating in the country. The survey also indicates that the typical firm experiences about 70 power outages per month. In Nigeria, access to electricity was among the top two constraints of firms surveyed (2014) and the top constraint among larger firms.

[3] Bank Group performance in Pakistan was assessed based on 6 ICR Reviews, 5 Project Performance Assessment Reports, 3 IFC XPSRs, and 3 CAS Completion Reports and one Country Assistance Evaluation (2006) completed during FY00-14. IEG complemented this with a review of relevant literature related to the power sector in Pakistan.

[4] In Pakistan, this reached crisis levels during the period under review, in part because of the circular debts emanating from the electricity sector.

[5] During the period under review, covering the 1990s and early 2000s, in Nigeria, the Bank Group was also not successful in helping develop and reform the natural gas sector, which can provide the feedstock for power generation.

[6] The Pakistan Country Partnership Strategy (2015–19) focuses prominently on energy as one of four areas to help the country tackle the most difficult but potentially transformational issues. In FY13, the Bank adopted a "Transformational Energy Program" aiming to support power sector reform. In Nigeria, formalized collaborative arrangements and senior management involvement helped foster greater Bank Group synergy with the Joint Energy Business Plan and a Joint Implementation Plan (April 2014) (World Bank 2015f). These programs and related operations are not covered in this review as its implementation is too recent.

[7] According to the Implementation Completion and Results Reports ICRs), by the end of phase 3 of the program, there were 857 microenterprises maintaining 16,867 km of roads in 143 provinces. The ICRs also report the following number of jobs created: 32,300 seasonal unskilled jobs through roads rehabilitation works and about 4,700 permanent jobs (phase 1); 10,000 one-year equivalent seasonal unskilled jobs and 5,500 one-year equivalent permanent unskilled jobs from road maintenance works (phase 2); and 3,250 additional one-year equivalent permanent unskilled jobs (phase 3). However, the 2013 impact evaluation found mixed employment effects.

[8] The program has been associated with an increase in the age of marriage of women by 1.4 to 2.3 years with some evidence suggesting that the age of marriage of men has also gone up (Hong and Sarr 2012).

[9] However, project and nonproject rural households did not differ substantially in their propensity to undertake commercial activities.

[10] To facilitate and structure the review of country-level engagements, IEG selected four World Bank Group strategic initiatives that were deemed transformational. All four were either initiated or strongly supported by the Bank Group during the review period: transition countries from planned central economies to market-based economies; (since 1990), poverty reduction strategy initiatives (PRS) (since 1998), fragile and conflict-affected states to graduate from fragility (since circa 2000) and long-term engagements that helped low- and lower-middle-income countries graduate to middle- and high-income status. See Appendix B for a more detailed discussion of the methodology.

[11] Although this approach, which is based mainly on economic and social transformations, does not deal with political transformation explicitly, the quality of institutions and their improvements over time are reflected/captured in some of the indicators that have been used in selecting countries and in preparing country level reviews. These include: the Country Policy and Institutional Assessment scores, IEG assessment of borrower performance, as well as governance- and institutional-related pillars in the Country Assistance Strategies/Country Partnership Strategies. Recent World Bank research (for example, Smets and Knack (2015) http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/15/090224b082e8a940/1_0/Rendered/PDF/World0Bank0pol0ic0sector0governance.pdf) shows that the Bank's policy lending for improving public sector performance has a significant positive impact on the quality of public sector governance in aid receiving countries. Going forward, this dimension is likely to become more prominent and explicit in the context of the Post-2015 development agenda. For a list of the Sustainable Development Goals, see: https://sustainabledevelopment.un.org/content/documents/1579SDGs%20Proposal.pdf, and the United Nation's Secretary General's Synthesis report which was adopted in September 2015: http://www.un.org/ga/search/view_doc.asp?symbol=A/69/700&Lang=E.

[12] This is consistent with a study by Denizer, Kaufmann, and Kraay (2011) that finds that the quality of the task team leader is positively and significantly correlated to IEG's ratings of World Bank projects' development outcome ratings.

[13] The *World Development Report 2000/01: Attacking Poverty* (World Bank 2000b) contributed to the analytical foundation of the Bank Group's strategy for development, recommending to address the needs of poor people in three areas: (i) promoting economic opportunities for poor people through equitable growth, better access to markets, and expanded assets; (ii) facilitating empowerment by making state institutions more responsive to poor people and removing social barriers that exclude women, ethnic and racial groups, and the socially disadvantaged; and (iii) enhancing security by preventing and managing economy-wide shocks and providing mechanisms to reduce the sources of vulnerability that poor people face. The report also formed the intellectual basis for the country-owned Poverty Reduction Strategy Papers that were being initiated as the report was being written.

3. Mechanisms and Factors of Transformation

This chapter presents mechanisms of transformation and factors enabling or constraining transformational impacts based on the comparative analysis of the sample of project and program engagements, as well as the findings of the reviews of country-level engagements. This chapter first synthesizes evidence related to mechanisms of transformation based on the analysis of engagements presented in Chapter 2. It then presents findings on factors enabling or constraining transformational engagements.

Mechanisms of Transformation

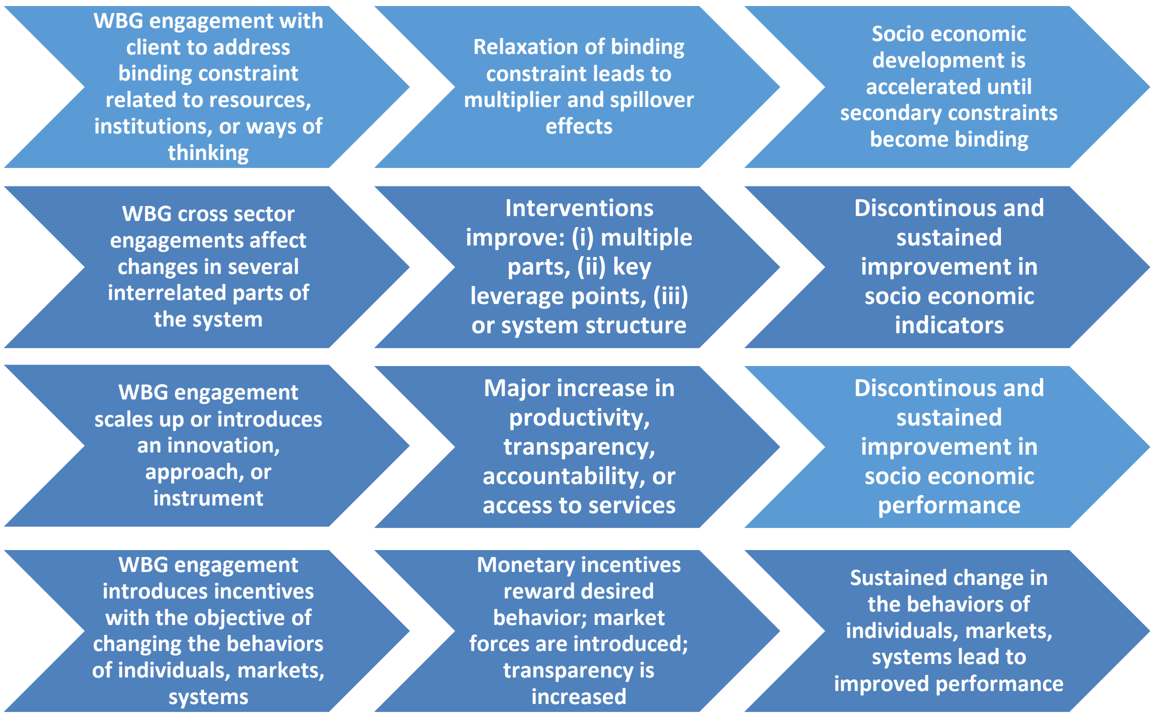
IEG identified four mechanisms of transformation, which can be present in interventions either individually or in combination: (i) identifying and addressing **binding constraints;** (ii) adopting systemic approaches that address constraints in interrelated parts of the system through **cross-sectoral approaches;** (iii) **scaling-up of effective approaches and innovations** (including technological, process, or Bank Group instrument); and (iv) **changing behaviors** through modifying incentives. IEG finds that these mechanisms can increase the likelihood of catalyzing transformational change in favorable country environments, but that these mechanisms are not sufficient conditions for transformation (Figure 3.1).

Identifying and Addressing Binding Constraints

IEG applied the concept of "binding constraints" to the project, program, and country-level engagements it reviewed. Binding constraints in a country or system refer to those constraints or distortions whose relaxation can generate the largest welfare effects (Hausmann, Rodrik, and Velasco 2005)—that is, alleviating constraints associated with the biggest "bang for the buck." Applying this concept implies uncovering the specific distortions behind the most severe of these constraints, and pursuing reforms that focus on alleviating them.

In this report, IEG differentiates two distinct concepts. The first is "relevance of the development challenge addressed," an upstream assessment that was used to screen transformational and comparator engagements to ensure a meaningful pair-wise comparison (Figure 2.1). Second, in its in-depth review of engagements, IEG identified whether interventions addressed a "binding constraint" underlying the development challenge (Figure 3.2). To illustrate, although both Brazil's *Bolsa Familia* and Turkey's CCT program aimed to address the same development challenges—the lack of access to education and health services for segments of the population—only *Bolsa Familia* systematically addressed the specific binding constraints relevant for Brazil: a lack of information on services, opportunity cost, and necessary infrastructure. Only this program had the right "fit" for the problem identified. *Bolsa Familia* was considered transformational while the Turkey program was not.

Figure 3.1. Mechanisms of Impact for Transformational Engagements

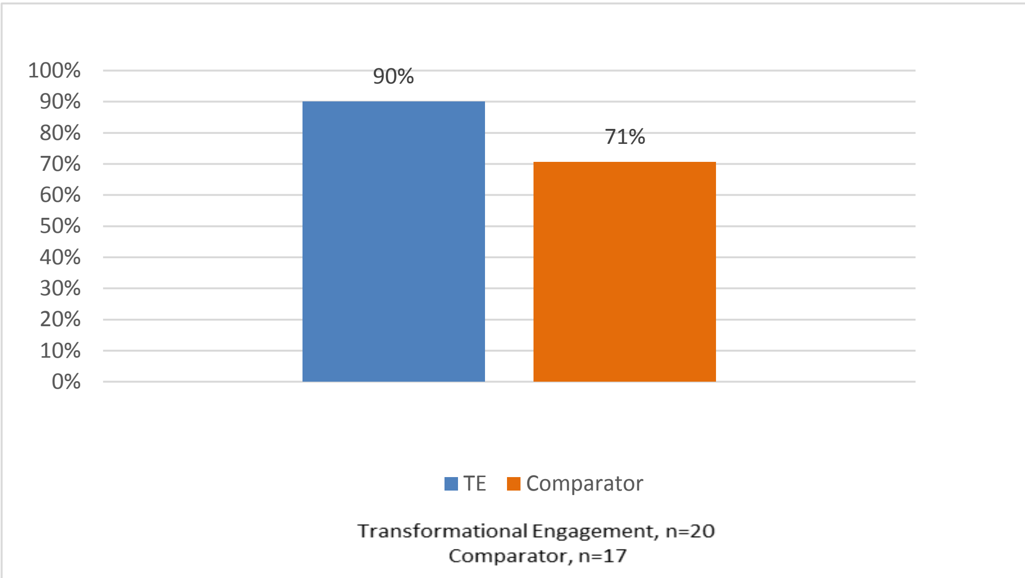


Source: IEG.

A somewhat higher proportion of transformational engagements identified and aimed to address binding constraints. The great majority of project- and program-level transformational engagements and a significant percent of comparators in the sample of project- and program-level interventions were designed to address such constraints (Figure 3.2). Many engagements aimed to address binding constraints by focusing on underlying issues that inhibit extending access to vital services such as electricity and other infrastructure services. Electricity access is a critical enabler for poverty reduction, facilitating access to education and health services, and fostering economic growth and job creation.

Similarly, interventions in human development addressed binding constraints to equity and poverty reduction by focusing on the lack of access to (and use of) education, health care, and other basic social services. The underlying reasons for the lack of access included lack of infrastructure, opportunity cost, and lack of information. Equity of access to adequate basic services, such as health and education, helps level the playing field and open doors to fuller participation in economic growth, for example, by improving the opportunity for women and historically excluded groups to enter the labor force.

Figure 3.2. Nearly All Transformational Engagements Address a Binding Constraint



Source: IEG.
Note: TE = transformational engagement.

Transformational engagements were more likely to succeed in addressing a binding constraint than their comparators. In assessing the results of the engagements ex post, IEG used the concept of "addressing a root cause" as a proxy for the engagements' ability to successfully address a binding constraint (Figure 2.2). IEG found that transformational engagements in 60 percent of cases were successful in addressing a binding constraint (or root cause), versus 35 percent of comparators.

In Kenya, the Bank Group focused on the need for power sector viability as a critical component of sector development—pursuing a systems approach.[1] Access to electricity ranks among the top (World Bank 2007, 2013) four constraints faced by enterprises in the country. The Bank's series of analytical work identified the need to address sector viability as one root cause of inadequate sector performance characterized by below cost pricing, operational inefficiency, non-commercial sector operation, and weak technical capacity and regulatory framework. Although efforts to implement cost-recovery pricing for electricity gained traction only in 2004, its effects on Kenya Power and Lighting Company (KPLC) were immediate. The utility began generating net profits the same year. Electricity pricing policy was further strengthened in 2008. The spillover effects of KPLC's profitability on the electricity service supply chain were profound, starting with its ability to make timely payments to Kenya

Generation Company, the government-owned generation company. The timely payments minimized budgetary outlays to the generation company (IEG 2000, IEG 2004b, World Bank 2015g).

Profitability improved the viability of the utility and enhanced the readiness of KPLC and KenGen for an initial public offering on the Nairobi Stock Exchange in 2010. KPLC was operated as a commercial entity, with market discipline imposed by its listing. Strengthening the viability of the utility enabled improvements in aspects of sector performance such as private sector investment in electricity infrastructure, the number of overall customers connected, the household electrification rate, and per capita electricity consumption.

By contrast, Bank Group support to Pakistan during the period of review (1990-2010) was characterized by short-term, ad hoc support reacting to power crises. Analytical work and comprehensive sector reform lagged behind the implementation of independent power producer programs, which had results in mounting government debt. Thus, the assistance program did not systematically address binding constraints related to sector viability.

More generally, in the electricity sector, severe power crises—representing most binding constraints as opposed to chronic power shortages--made governments more receptive to adopting and accepting World Bank-prescribed deep sector restructuring, as in the case of Kenya, the Philippines, and Uganda.[2]

Lack of knowledge or capacity was a binding constraint in several engagements. In both forest management interventions reviewed by IEG, the Bank produced significant knowledge work aimed at fostering a constituency for change towards more sustainable forestry management practices. It succeeded in Brazil. In Indonesia, progress was impeded by a secondary constraint, vested interests engaged in commercial use of forestry resources. The lack of a constituency for support was at the root of lack of traction in Indonesia.

Similarly, the private company *Promigas Colombia* lacked the knowledge that inclusive business models could be profitable based on the good payment record of base of pyramid customers. The GPOBA grant helped address this constraint. The lack of systematic information was also at the core of the *Doing Business* indicators; although investment climate issues had been identified as a main constraint for private sector-led growth, the indicators enabled objective measurement, comparability of countries, and allowed governments to formulate reforms. In Bank Group country-level engagements, there was initially a knowledge gap about the depth of problems associated with the transition from planned to market economies, which was closed over time through a focus of learning from implementation and knowledge work.

The *Kecamatan Development Program* in Indonesia addressed a binding constraint to alleviating rural poverty. One of the root causes of the poor coverage and quality of the Indonesian government's antipoverty programs was that the projects were selected and administered at the central government level, often ignoring the needs and wants of the communities themselves. This project turned this system on its head, inventing a new system whereby the design and implementation of subprojects was done at the village level.

Country-level engagements also highlighted the importance of addressing critical binding constraints related to growth and poverty reduction for an effective development strategy. Removal of these constraints requires a highly committed and skillful government and a proactive and technically strong World Bank Group that is always ahead of the curve and combines deep local knowledge with relevant cross-country knowledge and experience.

Each of the four strategic initiatives adopted by the Bank Group since the 1990s reviewed by IEG aimed to address binding constraints specific to a group of countries. These included stimulating private sector development in transition economies; addressing poverty and social development issues in countries covered by poverty reduction strategies; and strengthening institutional capacity to deliver basic services in fragile and conflict affected states. In the case of long term country engagements (mostly in MICs), binding constraints differed and evolved as countries developed. The Bank's strategies and support programs in successful transformers did focus on the most binding constraints or main development challenges as identified by analytical and advisory activities (AAA) and research.

Transformational countries were able to capitalize on AAA and managed to address constraints through implementing reforms. The more successful transformers tackled the most binding constraints first and in a more sustained and with greater political commitment. They then moved on to tackle other critical constraints by undertaking second- and third-generation reforms—institutional issues, labor markets, financial markets, pension reforms, environmental issues —which are more complex and difficult to deal with. Political economy factors stymied these reforms in many countries; only the most persistent and committed governments were able to sustain them (see Box 3.1).

Box 3.1. The Bank Group's Experience with Diagnosing and Helping Clients Address Binding Constraints in Country Programs – Evidence from Country Case Reviews

To find out whether the World Bank Group's approach actually helped its clients identify and remove the most binding constraints on their growth and poverty reduction, one would need to assess Bank Group performance in the context of each of the strategic initiatives.

Transition to a Market Economy: The most common objectives of Bank Group assistance to these countries over two decades —achieving stabilization and growth, spurring private sector development, and creating social safety nets— were relevant and appeared in roughly half of the Country Assistance Strategies. However, the effectiveness of the early strategy was limited. In Poland, AAA covered the major binding constraints to growth and development, and the synergy between AAA and the lending program remained strong throughout this period. The Bank Group's strategy in Romania evolved in the 2000s into more selective engagement in growth and job creation, private sector development (after some delay), public administration reform, and social inclusion, with a sharper focus on removing binding constraints such as bureaucratic management, soft budget constraints, difficulties for banks, and pervasive state ownership. Key binding constraints to faster growth in Bulgaria included fiscal problems, inadequate institutional capacity, and weak governance. The Bank Group addressed these in its strategies, but the effectiveness of its assistance has been hampered by the challenging political economy and the lack of government commitment to major reforms.

Poverty Reduction Strategy: The key objective of the initiative has been to assist low-income countries develop and implement more effective strategies to fight poverty (that is, strengthening the poverty impact of public actions, including policies and spending) by supporting and sustaining a country-driven PRS process. Vietnam's spectacular success in achieving rapid and inclusive growth and substantial poverty reduction in the 1990s and the 2000s demonstrates that once the most binding constraints to growth and poverty reduction have been identified and removed, a very poor country can lift itself out of extreme poverty within only two decades. Longer-term growth remains subdued by second- and third-generation policy challenges in state-owned enterprises and the banking sector, policy distortions, and gaps in infrastructure and trade logistic services.

Serious political economy and governance issues held back the pace of policy reform in Nigeria, where power and other infrastructure bottlenecks are major binding constraints to nonoil growth and poverty reduction. The Bank Group produced strong economic and sector work, but its efforts did not have impact. Overall, assistance did not achieve its objectives in important infrastructure subsectors such as roads, rail, and energy, which were identified as critical for inclusive growth and poverty reduction.

Long-Term Strategic Interventions: Many MICs continue to face development challenges such as substantial levels of extreme poverty. They may also be getting stuck in the so-called "MIC trap," where progress in their economic, social, and structural transformation reaches a plateau unless they undertake deeper set of "second-generation" reforms. The World Bank Group effectively helped the government of Peru implement a range of reforms to improve public expenditure efficiency, some rural infrastructure (especially rural roads), and environmental frameworks and regulations, as well as increased access to water, sanitation and electricity -- some of the key areas where binding constraints existed.

The economic and social transformation of the Philippines remains incomplete, in part as a result of poor governance and reduced fiscal space, and the country's stop-go growth cycles, which need to be broken by focusing on consolidating past gains, attracting private investment, and addressing infrastructure supply constraints. In addition, more work needs to be done to understand labor income sources and dynamics, including farm productivity and incomes, as well as trends in non-income dimensions of poverty.

Sources: Country Assistance Strategy Completion Report Reviews, Country Partnership Evaluations, CASs for nine countries reviewed by IEG.

In successfully transforming countries, governments and the Bank Group had a clear understanding of the most binding constraints to each country's growth and development, based on careful economic and sector work or Bank Group research and policy analysis (China, Mozambique, Peru, Poland, Rwanda, and Vietnam). In transition economies, the Bank Group—through good quality AAA products--helped countries identify the binding constraints in their transition to market-based, private-sector led economies, including stabilizing the economy while taking key steps in moving to a market economy. For the PRS countries, the Bank Group helped focus the attention of policy makers and direct financial and technical assistance to the measurement and analysis of key social indicators and poverty efforts.

The World Bank had real impact on building the reform momentum in China, for instance, by providing the first in depth analysis of China's development problems, as well as studies of key sectors. Consistent government commitment and effective management of the reform agenda were key factors underpinning positive Bank Group contributions over the review period in Peru and Rwanda.

In addition, **Bank Group support in transformational country engagements was based on well-articulated and broad-based strategies that focused on removing the most binding constraints** to growth, poverty reduction, and social progress as they evolve over time (China, Peru, Poland, and Vietnam). As countries evolved from low to middle-income (and in some cases, high-income) status, the type of assistance evolved consistent with their development stage. The nature of the Bank Group's activities in China changed significantly to meet the country's rapidly evolving needs—focusing its more recent assistance on areas such as education, health, transport and infrastructure, and the environment, which have emerged as new challenges and constraints.

In the transition countries in Central and Eastern Europe, such as Poland, Bank Group interventions evolved from early support to market reforms to focus more on changes in social policies, poverty, public finance, and institutional reform, and to helping countries in areas that were requirements for European Union accession. During the long-term engagement with the Republic of Korea, the Bank's work evolved to match the country's changing needs—as the country developed from one of the poorest in the world to manufacturing powerhouse—requiring more focus on skilled labor, research and development, and social equity.

However, some evidence suggests that World Bank Group may not have systematically focused its support on addressing the most binding constraints during the review period. Although the relevance of Bank Group strategies was typically high early in country engagements, particularly in fast transformers (such as in transition countries, fragile and conflict-affected countries, and some PRS and long-term country engagements), the focus on binding constraints and selectivity waned as the programs matured. As the countries developed, the Bank Group support tended to become less focused. In some cases, both the client and the Bank placed too much emphasis on lending volumes while spreading resources among numerous projects covering (too) many areas and sectors. With respect to the "lending culture", a significant percentage of staff (26 percent of all respondents and 40 percent of task team leaders) disagreed that World Bank Group prioritizes development results over the number of volume of transactions (World Bank 2015a, 18). Ravallion (2016) notes that "while the new Global Practices are a promising step, all indications are that the lending culture thrives today, and still with generally weak accountability to the Bank's overall goals." This may indicate internal incentives within the Bank Group during the review period that were not well aligned with a rigorous focus on addressing the most binding constraints to country's development.

Recent IEG sector and thematic evaluations also point to shortcomings in strategic focus and selectivity to help address binding constraints, in part because of a lack of adequate diagnostics and a lack of a holistic approach. A key conclusion of a recent IEG evaluation (World Bank 2013a) was that although Bank strategies have been highly relevant in the immediate aftermath of conflict and the early stages of post-conflict reconstruction, they have generally not been designed well for medium- and long-term development because they lack adequate strategic underpinning and focus. In many cases, necessary economic and sector work to underpin Bank operations was not undertaken. In addition, in several cases, the country strategies did not give sufficient priority to the drivers and implications of conflict.

The relevance and effectiveness of country strategies was also undermined by a lack of selectivity—as evidenced by a rush to do projects in every sector, often without the relevant AAA, and insufficient consideration of limited state capacity, and a need for strategic sequencing. For example, support to inclusive growth and jobs in fragile and conflict-affected states has been constrained by the lack of a clearly prioritized and sequenced support for a focused medium- to long-term strategy, and many such countries lacked adequate analysis of the conflict and fragility drivers and of binding constraints and opportunities for the private sector.

IEG's evaluation of support to small and medium-sized enterprises (World Bank 2014a) concluded that much of the support of the Bank Group institutions lacked a clear understanding of how its assistance would remove the main constraints to these enterprises and their ability to contribute to employment and growth. The Bank Group's support mainly addressed the financing needs of small and medium-size enterprises, even though other constraints they faced may have been more important in several country contexts. The evaluation concluded that greater selectivity would be needed to enhance targeting and efficiency of support.

The major societal issues related to extreme poverty and shared prosperity are complex, involving multiple interdependent facets. Identifying and diagnosing major societal issues thus requires adopting and applying a systems approach to development challenges. A systems approach views development challenges in a network of causes and effects, looks at direct and indirect links, and combines an in depth analysis of the issue with positioning the issue at hand in the broader context.

IEG evaluations emphasize the importance of holistic approaches—a closely related concept--in addressing complex challenges related to issues such as early child development, nutrition, and government effectiveness in service delivery (World Bank 2015f, IEG 2009, 2008b). However, holistic approaches should not be understood as advocating for complexity in program or project design, but should rather provide a framework for selectivity and prioritizing.

Identifying binding constraints is not an easy task, given the complexity and interdependence of development challenges. But it is an area in which the Bank Group can provide valuable service to its clients, leveraging in the process its knowledge and technocratic independence. IEG evaluations reveal several challenges for the Bank Group's ability to identify and diagnose binding constraints.[3] At the project and country levels, linear and overly simplistic result chains and weak results frameworks have been inimical to identifying binding constraints (World Bank 2015c). More complex and realistic causality chains that take the local context into account need to be developed.

More important, however, are incentive and organizational issues that inhibit the World Bank Group's ability to identify, diagnose and address binding constraints. For instance, incentives can support doing the easy things first, whereas "the challenges of the sector require that the most pressing of them need to be addressed first, even if the tasks involved are difficult" (IEG 2011e). The interplay of incentives between sector and country teams, tends to result in low selectivity in country strategies. The fact that sector strategies tend to be prepared independently from each other results in "silo-ized" strategies. Aligning country strategies with sector strategies is further complicated by the fact that individual sector strategies can sometimes act as lobbying documents for devoting more resources to that sector. Thus, the aggregation of these sector strategies does not provide good guidance for defining Bank priorities (IEG 2011b), resulting in overall weak selectivity in Bank country strategies.

The Bank Group strategy and organizational change process seek to address some of the issues related to identifying binding constraints at the country level. In particular, the newly instituted Systematic Country Diagnostics tool aims to identify the main policies and institutional reforms that could contribute most to the achievement of the common goals, irrespective of whether the Bank Group will address them. Prioritization of main policies and institutional reforms in the diagnostics is expected to set the basis for an effective approach to selectivity at the level of country strategies (World Bank 2015c), but this would need to be complemented by analyses of the most binding constraints at the level of sectors and interventions.

ADDRESSING MULTIPLE CONSTRAINTS THROUGH CROSS-SECTORAL INTERVENTIONS

Many complex development challenges are multidimensional and require cross-sectoral linkages. The relative low incidence of such engagements (identified in 30 percent of the transformational engagements in the sample) may be explained by IEG findings that more complex projects tend to be less effective: they require more coordination, more counterparts, involvement of individual specialists, and more relationships. Given that the initial identification of transformational engagements for this Learning Product was done ex post, this finding may not be all that surprising.

However, several engagements highlighted the importance and potential of addressing multiple constraints through series of sequenced interventions. The *Mongolia Renewable Energy for Rural Access Project* was linked to a coterminous Bank-supported energy project, rural education project, sustainable livelihood project and rural information and communication technology project; together these brought about a dramatic transformation of the herders' lives, greatly improving their living standards and integrating their nomadic way of life into a modern, growing economy. This combination of parallel interventions in several sectors was a rural development best practice (IEG 2015).

Brazil's *Bolsa Familia* took a comprehensive systems approach to social safety net reform by addressing the lack of access to services in several sectors. In addition to aiming to increase secondary school enrolment and attainment of girls, the *Female Secondary School Stipend Program* in Bangladesh targeted several socio economic outcomes such as delaying girls' marriage, improving earnings and employment, and empowerment through different program components. *Lighting Africa Kenya* also pursued a comprehensive approach in that it involved activities along the entire supply chain of solar home systems to address constraints related to the affordability of basic off grid power supply for the very poor.

Most of the major development challenges—from road safety to malnutrition, jobs, climate change, crisis management, and social protection—are inherently cross sectoral. This is because interdependence and synergies exist between various sectoral objectives that require instruments from different sectors in order for these synergies to be realized. IEG evaluations have repeatedly brought out this message. Many Bank Group engagements, even when apparently focused on one sector, were dependent on a more integrated, multisector approach in order to succeed.

When the Bank Group succeeds in bringing multisectoral instruments and expertise together in a client-focused solution, it contributes to the long-term transformation of complex, integrated structures. For instance, the IEG evaluation on water and development (IEG 2010) provides numerous examples of Bank experience showing not only that the multisectoral approach is doable, but that its results are more lasting and significant for more people than those of separate projects with shorter timelines. Too often, however, the Bank Group has not been able to deliver on the promise of multisectoral approaches. The *2009 Annual Review on Development Effectiveness* (IEG 2010) finds that complex projects— such as multisectoral investment lending and sector wide approaches— in low-capacity countries have been strongly associated with worse results than less complex work.

IEG's analysis of the experience with multisectoral approaches reveals common problems: overly ambitious goals, too much emphasis on data collection at the expense of implementation, imposition of new administrative structures, political naïveté about the scope for genuine consensus, poor quality dialogue between donors and recipients, and a lack of linkage between planning and implementation. Key challenges to cross-sectoral work include lack of knowledge about the impacts of related sectors, structural issues (such as institutional and sectoral administrative structures), staff time, budgets, related (dis)incentives and accountabilities, and the political economy of cross-sectoral work (World Bank 2013d). Similar if not more severe issues manifest themselves on the borrower's side in the public sectors of Bank Group borrowing countries. Although PRSPs have helped policy makers link sector strategies with poverty reduction, progress has depended on the capacity of the country's public sector, partner relationships with the government, and relations among donors (IEG 2004).

This analysis concludes that impediments to multisectoral approaches could be addressed by starting small, building in a bias to action, avoiding complex new bureaucracies, training staff in multidisciplinary work, and creating incentives for cross-sectoral work, for instance, through results agreements for Bank Group task team leaders and managers that reward cross-sectoral work and earmarked resources for cross-sectoral products/operations. The key is to strike the right balance between fostering a strategic understanding of key constraints in a sector or for a development issue, and then pursue reforms through sequenced and focused interventions, which limits complexity in project design and implementation. At the same this calls for taking on the key issues, incentives, and capabilities impeding cross sectoral work between and within institutions.

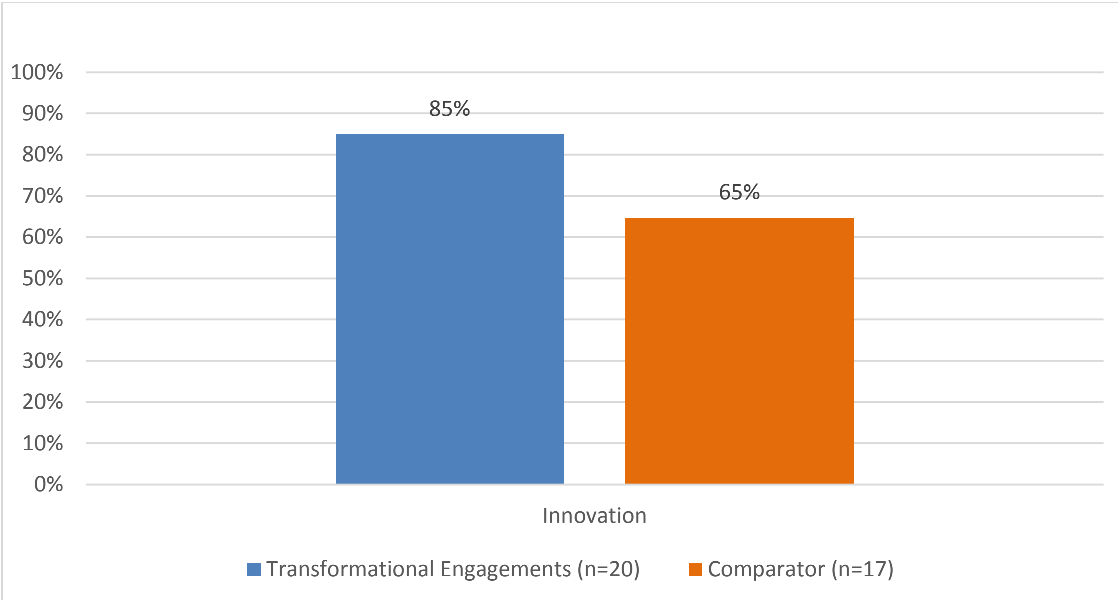
INNOVATIONS AND SCALING UP OF SOLUTIONS

Innovations and technological change provide a third mechanism of transformation. The trajectory of development can be changed by introducing or adapting a technology (physical, institutional or procedural) – fundamentally pushing out the production possibility frontier. Introducing an innovation that makes the economy or a sector of the economy fundamentally more productive represents the kind of discontinuous change referred to by the term "transformational." The mobile telephony "revolution" that has enabled, in some contexts, leapfrogging of developing countries in adopting technologies that can enable services (see *M-Pesa*) is a good example. Adoption of new technologies can increase firm-level productivity, which helps accelerate economic growth (Brynjolfsson and Hitt 2000; Stiroh 2002; Brynjolfsson 2007), but this may also lead to reduced employment. Technological change can also increase the efficiency of government functions and the delivery of services to citizens, such as in health and education.

In transformational engagements, innovations--comprising technological innovations, new approaches, (financing) instruments, and business models—helped scale up the coverage of service delivery to the poor and/or the underserved within a country or region. Projects and programs achieved this mainly by overcoming constraints to the reach of interventions, enabling more efficient, better targeted and cheaper service delivery, and by demonstrating the commercial viability of business models. Most of the transformational engagements reviewed involved some innovative aspects that contributed both to the success of the project and to external impacts beyond the project itself.

Many transformational engagements that achieved substantial scaling up did so through innovative approaches or products. Successful programs often evolved from piloting approaches, building capacity, and sequenced reforms, which helped build momentum and allowed the program to reach scale (Figure 3.3.).

Figure 3.3. More Transformational Engagements Include Innovations



Source: IEG.

Scaling up and replication occurred because the innovation addressed an information-related market failure (such as in the case of credit bureaus**), lowered the cost of the delivery of a product or service including in remote areas** (for example, catastrophe risk insurance, weather index insurance, CCTs, and provision of preventative health services, solar home systems), **provided a new benchmarking tool to motivate policy reform** (*Doing Business* indicators) (see Box 3.2.) **or demonstrated the viability of business models** (such as the expansion of access to services to poor in a financially sustainable way). Projects produced demonstration effects, and learned from implementation as they scaled up and adapted to local context.

Innovative Bank Group Instruments

Innovative Bank Group instruments helped catalyze systems as well as market and behavior changes. These included innovative approaches such as results-based financing, output-based aid, CCTs, innovations for risk mitigation, and—among country-level transformations—the PRS initiative. Innovative financing mechanisms such as results-based financing and CCTs affected behavior change to support improved health and education outcomes.

Programs targeting access to social services involved the successful scaling up of innovative approaches and instruments. Innovative instruments helped extend access to social services to millions of poor people. The Bank supported innovative solutions to address entrenched issues of inequitable service delivery such as introducing the first stipend program for girls' secondary education (*Female Secondary School Stipend Program* in Bangladesh), taking a programmatic approach to health system reform through results-based health financing reforms (*Plan Nacer* Argentina), or improving the breadth and efficiency of government social protection services (*Bolsa Familia* in Brazil). These programs involved new financing mechanisms and scaling up to larger groups of beneficiaries, building on the experiences gained in early implementation.

Other projects incorporated innovative components targeting the poor or aiming to ensure impact beyond the project, such as the Peru rural roads program, involving support for local communities for maintenance of the infrastructure, and to microenterprises, which contributed to their transformational impact.

Continuously exploring creative and innovative ways to expand product lines and tools to address challenges and risks to meet the evolving demands of client countries is key to transformation. In transformational country programs (Chile, China, Korea, and Poland) the Bank Group's work was proactive and identified emerging issues and changing needs of the clients and adjusted its strategy accordingly.

Box 3.2. World Bank Group Helps Launch and Scale Up Innovative Solutions and Products

Doing Business, the global indicator program, is an example of an innovative benchmarking product with global reach. It catalyzed dialogue on investment climate issues in developing countries and motivated policy makers to undertake reforms by focusing their attention on these issues, and enabling transparency, accessibility of data, and cross-country comparisons—motivating a series policy reforms in many countries over the past 15 years. Although Enterprise Surveys and ICAs, the comparator engagements, also have been used to promote dialogue with governments on investment climate constraints, the Doing Business information is more specific and actionable.

Source: IEG.

Scaling Up Innovations

Strengthening innovation capacity is an important factor in countries that have experienced rapid and sustained growth. IEG's work identifies five principles that can be useful in promoting innovation and entrepreneurship: (i) public investment in research and development; (ii) build domestic science, technology and innovation capabilities; (iii) strengthen linkages between public research and development and private sector users of technology; (iv) build a strong enabling environment including an effective use of information and communication technologies; and (v) provide flexible financing arrangement to encourage innovative firms to take risks to develop new products, processes and services. While innovation is inherently risky, Bank Group projects supporting innovation and entrepreneurship performed as well as other projects; for IFC, this was true on a portfolio basis. Across the Bank Group, projects were more likely to perform well where the Bank Group has operational experience: the Bank in support to research and development; while IFC and MIGA projects contributed to technology transfer and dissemination, upgrading of processes, and introduction of new products and services (World Bank 2013h).

The Bank Group's role is not necessarily that of an innovator, but it can help scale up technologies that have the potential to be transformational. Many technological, product, or process innovations and business models are developed by the private sector, often in conjunction with some seed funding from a donor, such as the delivery model for *M-Pesa* in Kenya. However, the Bank Group can help scale up technological innovations by systematically considering their potential in its engagements. *Lighting Africa Kenya* illustrates the role of the Bank Group in piloting and gradually scaling up an approach and business model—based on a technological innovation--that helped create a market (see Box 3.3). And the availability of a technology platform (mobile telephony) underpinned the business model of *weather index insurance in Kenya* by enabling the provider to lower the cost of the product, bundle it with other types of coverage, and reach customers through mobile phones. However, the World Bank's record in effectively using information and communications technology applications in projects for better service delivery to the poor or enhanced governance has been mixed; evaluative evidence suggests that the Bank lacked sufficient expertise in this area (IEG 2011a).

IFC can contribute to transferring and adapting innovations in technology, finance, and institutions, developing a portfolio of high-return options that can be scaled up and more widely deployed. Innovation involves higher than normal risks and higher than normal gaps between social and private risk-return ratios. Technology projects that succeeded in transforming existing industries or launch new ones on a sustainable growth path shared several key characteristics: First, they creatively used different instruments to align social and private risks and returns (IEG 2010b). Second, successful transformational engagements had a clear logical framework linking technology adoption with demonstration and diffusion and integrating mechanisms for demonstration and diffusion in project design. Conversely, technology transfer has foundered in the absence of project design based on logical framework that links interventions to technological diffusion, especially in the case of advanced technologies.

In general, projects that rely on demonstration effects for scaling up work best when it is clear what is being demonstrated, how, and to whom. It is essential for these projects to have good plans for monitoring their direct results. It has been a challenge to design projects effectively for learning and diffusion (IEG 2010b).

Box 3.3. Providing Affordable Lighting for the Poor by Scaling Up a Market-Based Approach

The World Bank and IFC piloted and scaled up *Lighting Africa*, an innovative program to address the lighting needs of a large segment of the population not served by the power grid. The program has been expanded successfully from its pilot phase within Kenya and replicated in other countries in Africa and Asia. Earlier efforts to provide solar lamps to poor families funded by donor grants and distributed free have had limited uptake.

The program design incorporated the entire supply chain and was informed by experience. IFC and the Bank initiated *Lighting Africa* in 2007 to accelerate the development of a sustainable commercial market for quality, clean, and safe solar lighting products that are affordable to very-low-income households and small businesses. The collaborative effort was based on each institution's core competencies and has benefitted from frequent, regular communication between the two teams.

The project design incorporated lessons from earlier IFC and donor grant-based solar lighting projects. Hence, the program focused on a market-based, commercially viable approach and aimed to address every aspect of the supply chain, including market intelligence, business development support to manufacturers and distributors, development of international quality standards in product design, product quality testing and certification, consumer education and financing, and training of women technicians. The program was designed as an experiment and given the flexibility to test market response, although the program designers determined at the outset not to subsidize solar lamps for end-users or consumers.

By design, replication and roll-out of *Lighting Africa* to other Sub-Saharan African countries was gradual. The Kenya pilot met its objectives of increasing the availability of quality and affordable solar lanterns in the market; distribution channels were enhanced; and the number of Lighting Africa-certified products sold exceeded targets by 2.5 times (686,000 units sold as of 2014), which suggests the commercial viability of the product. The project facilitated development of off-grid lighting market in Kenya. The pilot programs provided valuable lessons (including from the negative results in Ghana) that were used to adapt design and implementation of the program in several other countries.

Source: IEG, undisclosed report.

Interventions can have broader effects if they have demonstration effects that induce other public and private agents to participate. Scaling up is particularly pertinent for pilot interventions that seek higher impact through replication. Multiple examples show even successful pilots may fail in having higher impact when scaling up mechanisms have not been sorted out (World Bank 2015c).

A substantial number of innovative development projects are begun without evidence that the anticipated benefits will be of the magnitude anticipated. Faced with this uncertainty, a prudent approach would be to implement some projects on a modest scale for a few years, test the benefits rigorously, and scale up the project if the benefits prove worth the costs. This is one way to reduce the risk of large expenditures on unsatisfactory projects.

However, it is rare for Bank-financed projects to be pilots in this sense. The term is used loosely. Projects that claim to be pilots rarely contain midterm testing or enumerate objective criteria that will trigger scaling up (or they do not have a scaling-up plan within the life of the project), and they often do not collect baseline data. The pilot projects need rigorous evaluations to inform future projects, but this rarely happens. Lessons from experience in health, nutrition, and population suggest that for a meaningful valuation to be completed, the evaluation must be planned in detail while the project is being designed. When impact evaluations are undertaken, they usually did not discuss or hypothesize the validity of their findings to scaling up and varying contexts. Only 10 of 87 World Bank impact evaluations contained evidence that these evaluation have contributed to decisions to scale up or continue or to inform policy and/or project design (IEG 2012).

Then why are pilots not pursued more frequently? One possible answer is that they are inherently riskier than run-of-the mill projects. . In addition, "faced with pressure to meet short-term goals (lending and disbursement targets), Bank employees may feel that they do not have the time to search widely for knowledge or to experiment with new ideas and approaches" (World Bank 2015a). Staff also need support on how country programs could contribute to improving practices in a country, support innovation, or scale-up operations using non-Bank Group resources (World Bank 2015d).

CHANGING BEHAVIORS THROUGH INCENTIVES

Changing the behaviors of individuals, players, and entire systems is a powerful mechanism to attain deep change. Behavioral change may be achieved through monetary incentives to reward the desired behavior, through education campaigns, by introducing market forces, or by increasing transparency and information about program benefits—which can increase accountability and reduce the potential for corruption. These approaches can be mutually reinforcing. IEG identified this mechanism in transformational engagements across the sample, including in human development, inclusive and commercially viable business models, global standards, and approaches targeting sector viability.

Changing incentives (or conditionalities) with the objective of modifying behaviors of beneficiaries and providers to support uptake of services has the potential for long-term transformative impact. In all the human development interventions in the sample, transformational and comparator alike, the primary means by which outcomes were to be achieved was through innovative incentive schemes to change the behavior and providers and/or users of services. In some cases, cash incentives were used to reduce the barriers to service use—through direct payments to beneficiaries—or results-based financing. In the transformational engagements, cash payments were reinforced with information campaigns to raise awareness among beneficiaries about their responsibilities. These approaches have been effective in changing behaviors and are associated with enhancing human development outcomes.

Frequently, the comparator cases used the same service delivery and incentives mechanisms but failed to consider specific aspects of country context or other barriers to service delivery take-up. Turkey's social safety net program deployed only cash incentives, reducing its effectiveness. Comparator engagements generally had shortcomings in design and implementation—informational or cultural barriers to service utilization.

Ensuring that beneficiaries are aware of their responsibilities is a critical element in CCTs to achieve intended changes in behavior and support desired outcomes. The successful use of incentive frameworks requires clear and transparent rules to support the distribution of benefits and application of sanctions, which was the case in Brazil's *Bolsa Familia* and Argentina's *Plan Nacer*, and to a lesser extent, the *Female Secondary Stipend Program* in Bangladesh. The *Nigeria State Education* projects and Turkey CTT program fell short in this respect.

Argentina's *Plan Nacer* had strong and comprehensive incentives for beneficiaries, providers, and governments. As the country recognized the central role of the provinces in providing health services, federal funding to the provinces was increased based on the number of individuals enrolled. Additional funding was contingent on attaining health outcome targets. Linking funding to outcomes increased competition among services providers looking to contract health service delivery. Providers thus had an incentive to increase the number of services provided to plan members and to increase the number of individuals enrolled in *Plan Nacer*. Patients also benefitted from increased competition among service providers through improved quality of services, and from a cash subsidy for enrollment in *Plan Nacer*. Coverage increased rapidly. This is in marked contrast to the comparator project, the Brazil *Federal District Multisectoral Project*, which designed a weak incentive structure (disbursement-linked indicators) that was ultimately not introduced.

Brazil's *Bolsa Familia* ensured that program beneficiaries understood the expectations for changes in behavior. *Bolsa Familia* cash transfers were conditioned on all age-relevant family members complying with identified changes in behavior. The conditions under which cash transfers were to be made were widely publicized in Brazil, and given to each beneficiary family in a booklet. By contrast, the Turkey *Social Risk Mitigation* project was only partially successful in publicizing the Social Solidarity Fund Program. As a result, some eligible beneficiaries were unaware of available support or of the health facility use condition. An impact evaluation (IFPRI and AGRIN Co. Ltd. 2007) found that 90 percent of education beneficiaries and 87 percent of health beneficiaries did not know the conditions they needed to meet to maintain their eligibility.

In El Salvador, decentralized provision of education services increased a sense of ownership by empowering the local community with new roles and responsibilities in school management, changing the accountability route from the central government to the community level. Parents were more active in their children's education, for example, monitoring teacher attendance, which subsequently improved.

Engagements supporting market-based approaches enhanced the sustainability of business models to extend services to the underserved, or to implement more sustainable business practices. The private companies participating in the *BACP* initiative coalesced around the objective of voluntary global standards to address concerns about negative externalities related to their operations. In the case of *Promigas Colombia*, as well as for *BACP*, market forces and the buy-in from private entities was critical to maintain momentum and sustain the transformations. Private sector buy-in was also an important feature to ensure viability and sustainability of impacts in the *CCRIF*, which helped introduce and subsequently expand the catastrophe risk insurance market. Capitalizing on market-based solutions and a focus on the supply chain enhanced the chances for sustaining *Lighting Africa Kenya*, which was among the first commercially viable solar home systems, providing solar lamps to off-grid households.

Interventions related to enhancing access to basic infrastructure services primarily targeted behavioral change through systems and market changes. In the power sector, systems and market changes were achieved in the transformational cases by contributing to sector viability—changing incentives in the system--including a sound regulatory framework, financially sound utility companies, and sustained increases in access to electricity services. Sector structures varied among countries, but systemic and market changes following sector restructuring was more evident in Kenya, Uganda, and the Philippines. By contrast, in the comparator cases, comparable efforts during the period of review did not result in the depth of change in ensuring sector viability. This was because of frequent political changes, weak institutional and human capacity, and the small size of Bank Group sector support relative to country needs.

The Indonesia *KDP* program paid careful attention to incentives. The village facilitators were answerable to the communities, so they had an incentive to ensure that the sub-projects were delivered on time and were of high quality. Similarly, local nongovernment organizations and the media were used to spreading information about the performance of subprojects, changing incentives to help avoid corruption.

Enabling Conditions for Transformational Engagements

MOTIVATION TO CHANGE

Transformational engagements tended to be motivated by a sense of urgency on the part of the client of a need for change. Crisis situations, important political changes, and increased awareness can create windows of opportunity; such situations revealed preferences for the Bank Group and other donors to help clients pursue needed reforms. Crisis situations revealed binding constraints to development while providing development partners unique opportunities to help address them. Changes in government or in political systems in some cases enabled engagements to tackle long-standing issues. In other cases, global concerns raised awareness of negative impacts.

Several interventions in human development were responses to economic and political crises, which revealed preferences of the population (such as strong demand for health and education services). *Plan Nacer* in Argentina was motivated in part by the deterioration of health outcomes among the poor and most vulnerable in the aftermath of the country's 2000–01 financial crisis. It also reflected increasing awareness of the importance of providing guaranteed access to basic services for the most vulnerable. Community-run schools emerged in El Salvador during the civil war, revealing a strong inherent demand for education where no opportunities for government-provided education existed. In 1991 the World Bank supported the expansion of the prototype Community-Managed Schools Program (*Educo* El Salvador), which communities themselves had developed.

A political transition from one party to another created "windows of opportunity." *Bolsa Familia* was supported by the new Brazilian government that came to office in 2002, which provided an opening for an alternative approach to address poverty and exclusion.

The *CCRIF* project was motivated by an awareness in Caribbean countries of the frequency of adverse natural events and, because of the small size of their economies, the difficulty of financing recovery out of budgetary resources or reserves. Moreover, the possibilities for risk transfer through international insurance and reinsurance markets were limited. For these reasons, the governments of the Caribbean Community saw an urgent need for a new disaster response financing instrument. In addition, the devastation of Hurricane Ivan in 2007 was an immediate motivator. Although the government of Guatemala was also interested in securing untied financing for disaster relief and reconstruction, it was apparently less motivated to address the other policy and institutional constraints to disaster relief.

In India, once the Andhra Pradesh microfinance crisis occurred in 2010, the *Omidyar India Microfinance Credit Reporting* project catalyzed quick action on multiple fronts. Over-indebtedness and high levels of non-performing loans in portfolios of microfinance institutions created a sense of growing urgency, even before the onset of the crisis. The fact that this critical need was widely recognized, and that IFC and the World Bank were already engaged with key players and had done preparatory work, created the right environment and made a quick response possible once conditions became propitious.

The *Doing Business* program appears to have been successful in part because it developed an approach that catalyzed demand from countries for investment climate reform advice, reflecting a recognition of the need to address issues of the business environment to improve competitiveness and growth. *Doing Business* used media and public interest to catalyze action (fostering a sense of competition among governments and raising awareness on the part of the private sector). Because of the globalization of markets, the transition to market economies in the former Soviet Union, and the desire of many Eastern European countries to join the European Union, many countries were aware of the need to make it easier for the private sector to operate. *Doing Business* took advantage of this window of opportunity derived from countries' motivation to become globally competitive, leading to demand for benchmarking information and comparisons.

CLIENT ENGAGEMENT

Client ownership and political support are critical elements of transformations. Transformational impacts are achieved by willing and able clients, with the Bank Group and others providing knowledge and financial resources. Political consensus around a vision or direction for a country and support from broader coalitions helped maintain the momentum behind difficult reforms. Transformational engagements were typically associated with alignment of the transformational goal with the interest or incentives of a committed client counterpart, or champion.

Political economy factors strongly enabled transformational impact. These factors were important determinants of successful transformational engagements in the power sector, forestry sector, education, and health sectors. As transformational engagements target deep and large-scale change, they tend to affect vested interests in a more significant way. Therefore, working to alignment of interests with the desired transformational change becomes more important.

Embedding sector development within broader economic development objectives provides sector policy coherence and a basis for consensus. This can strengthen ownership, continuity, and impact – such as in the power sector reform in Kenya. In Argentina, disbursements of policy-based lending under *Plan Nacer* were conditional on meeting specific requirements. This helped increase the government's attention to politically difficult reforms in the health sector.

Relative political stability helps build political consensus and buy-in around a vision or direction for the country and ensures policy continuity. Several successful engagements built political consensus and engaged broader coalitions of different actors and stakeholders, including the private sector and consumers. Some took advantage or worked already committed clients. Changes in political leadership can be overcome if other high-level stakeholders provide continuity.

In the power sector, reforms had stronger support in countries with relatively stable political systems, such as in Kenya, the Philippines, and Uganda. Aside from policy consistency, relative political stability also allows the development of local sector technocrats and experts who can continue and advance the sector dialog and agenda despite changes in government leadership.

This technical expertise also strengthens the government's ability to coordinate the activities of the various development partners. In contrast, frequent changes in political leadership and winner-take-all political systems in Nigeria and Pakistan resulted in policy discontinuity, renegotiation, delays, and, more importantly, weakened technical capacity. As a result, sector policy dialogue and commitment during the period of review has been intermittent or absent. The client countries in *CCRIF* were members of the Caribbean Community, which provided a forum for them to reach consensus on the need for catastrophe risk insurance.

Most successful transformational engagements had strong alignment between the interests of the client and the objectives of the transformational engagements. For example, in the case of bus rapid urban transit, the role of a strong champion was critical to help overcome resistance to change from entrenched interests, such as traditional bus operators with inferior safety and environmental records.

The implementation of the *PPG-7* forestry sector program in Brazil coincided with a period of major environment-related policy and institutional reforms at all levels. The relative success of the transformation of Brazil's forest sector is at least partly a result of the degree of education and political openness in Brazil, which allowed the emergence of strong political support for a more sustainable development of forests—partly informed and strengthened by the World Bank-administered *PPG-7* program—from environmentalists, forest dwellers (rubber tappers, or extrativistas and indigenous peoples) and the more responsible business groups.

This is in contrast to Indonesia, where the dominance of the Ministry of Forests by entrenched interests (pulp and paper, palm oil) limited the impact of the policy reforms. Although in the early 2000s political changes in Indonesia brought about a repositioning in attitudes and roles among government, business, and civil society that opened up new opportunities for meaningful engagement, these efforts have not yet succeeded in reversing the alarming acceleration of Indonesia's deforestation trends. The main constraints have been related to the political economy (as of late 2011), specifically the limited interest of the Ministry of Forestry, which has the mandate to manage the forest estate, and where the influence and importance of the production objective (and the attendant vested interests) was far greater than that of the conservation objective.

Understanding the local political economy and affected communities was a key differentiating factor between the Nicaraguan and Panamanian land reform projects. The manner through which the World Bank engaged the affected communities, and its understanding and response to the local political economy, influenced the uptake and potential for transformation. These aspects included inter- and intragroup dynamics, incentives, and behaviors. Recognizing indigenous peoples' land rights in Nicaragua required a unique, innovative approach, taking into account traditional decision-making and consultation structures, collective tenure arrangements, and communal use of natural resources, as well as the culture and worldview of indigenous peoples. In Panama, the project lacked a (project-specific) Indigenous Peoples Development Plan, relying on a general regional analysis of indigenous peoples issues. It did not include an analysis of relationships and roles within the indigenous peoples groups with which the Bank was working.

At the country level, engagements between the country's authorities and the World Bank Group at the highest levels, underpinned by strong and sustained political commitment on both sides (China, Peru, the Philippines, Poland, and Vietnam). The positive contributions of Bank Group support in Peru reflected, among other things, its long-standing policy dialogue, maintenance of its reputation as a high-quality service provider, important intellectual contributions, and consistent dialogue with civil society. Peru seems to have valued the convening role and know-how of the Bank Group much more than its financing, which was relatively small compared with the size of the economy and of technical assistance. In Vietnam, assistance was provided at the right time and was responsive to country needs, sometimes expressed at the highest level of government, for solutions to problems and constraints the country had identified.

Early engagements and agreement among all stakeholders on common objectives with a clear direction for reform favored transformational impacts. In most transformational projects or programs reviewed, the Bank Group team was careful to engage country partners in project design and implementation. For instance, in the *Omidyar India Microfinance Credit Reporting* project, IFC engaged stakeholders from the beginning in establishing the necessary tools and processes to build the credit reporting system. Prior to the project, IFC had provided capacity-building technical assistance to the Microfinance Institutions Network. The network was receptive to having a dialogue with all stakeholders, and decisions were taken in an environment of trust and equity.

With World Bank support, IFC and the ministry also worked together on a code of conduct for microfinance institutions. IFC organized a workshop that brought the ministry together with the four existing credit bureaus—the first time the credit bureaus had come together. With IFC acting as facilitator, the participants agreed on a credit information collection model for microfinance institutions and a process for sharing microfinance borrower data with the credit bureaus. IFC also collaborated with the Reserve Bank of India. This early involvement of all key stakeholders was critical to build ownership and trust in the reform process.

In contrast, in the comparator program in Ghana, IFC met resistance from the central bank to the idea of cooperating with credit bureaus and other stakeholders. Similarly, the success of the *KDP* program in Indonesia was in part credited to early and substantive engagement of local government and local communities.

Design and Implementation Factors

DIAGNOSTIC AND STRATEGIC PREPARATORY WORK—READINESS

Good knowledge and analytical work are critical for properly diagnosing the binding constraint(s) and opportunities faced by a country or sector; the Bank Group's global knowledge helps define a menu of interventions to help address the constraint. Successful transformational engagements included a strategic understanding of all parts of a complex system, which may be addressed by a series of interventions.

When trying to explain why some projects are more transformational than others, it is easy to conclude that success was a result of "being in the right place at the right time," suggesting an element of luck. But in at least some of the projects reviewed, it appeared that **the Bank Group was ready to be in the right place at the right time**—that management and the task team were prepared by previous analytical work and operational strategies to be able to move when an opportunity appeared. In many transformational engagements, quality prior diagnostic or AAA/economic and sector work was undertaken that sufficiently took account of local circumstances and capabilities, which facilitated the Bank Group's deployment of its expertise and instruments.

***Plan Nacer* drew on the Bank's analytical work from its long-term engagement, which laid the groundwork for rolling out a program quickly.** The Bank had supported the health sector in Argentina for a decade prior to *Plan Nacer.* Lessons from analytical and operational work shaped the development of the new program: reforms of the national health insurance systems were not addressing the uninsured or reaching the poorest provinces. Addressing the inequalities and inefficiencies in service provision required a full range of Bank support including policy-based and investment lending, and technical assistance, which was carried out to implement *Plan Nacer*.

For Brazil's *Bolsa Familia*, programmatic analytical and advisory services and a dedicated evaluation program supported the design and scaling up of the program. In the cases of the *CCRIF*, *weather index insurance*, the *Doing Business* indicators, and Indonesia *KDP* program, among others, World Bank analytical work and academic research provided the intellectual underpinnings of project design.

By contrast, many comparator engagements lacked diagnostic or knowledge work that could have informed the program design and helped make the interventions more specific to the context (such as the *Turkey Social Risk Mitigation*, *Madagascar Education Sector, Nigeria State Education Project,* and the *Community Empowerment Projects* in Timor-Leste). The Bank Group's power sector engagement in Pakistan, and to some extent in Nigeria, lacked substantive diagnostic work during the period of review.

Because it is not possible to predict if and when analytical and strategic work will pay off, and the Bank Group's resources are finite, if it focuses its AAA work on issues related to binding constraints it can ensure preparedness when circumstances are right.

APPROPRIATE SCOPE AND DESIGN

Comprehensive versus Narrow Scope

Engagements in IEG's sample included both comprehensive approaches, such as sector-wide reforms, and targeted, individual interventions. IEG concluded that both approaches can lead to transformational change—and the right balance may depend to a significant degree on country capacity. It is important to have a strategic understanding of the constraints related to a development challenge and a strategy to address different parts in a system. Within an assistance program, interventions with simple designs appear to be associated with better outcomes. Sustained engagements through a series of interventions, rather than one-off projects, may enhance the likelihood of transformational impact.

Engagements varied in the extent to which the objectives were narrowly focused or whether they were more comprehensive. In some instances, starting from a basic level and adding products or reform over time proved to be an effective approach. For example, the *CCRIF* project team recognized that financing was only part of the bigger system of disaster risk management, which also includes measures to reduce risk (such as, through construction codes), improve risk information, integrate disaster risk planning into sector strategies, build the capacity of institutions to respond to natural disasters, and streamline budget allocation and purchasing processes during disaster response. Yet the *CCRIF* team chose to focus on one financial tool and not burden it by trying to address the other elements of the system. It has subsequently added more products incrementally. At the same time, however, the Bank and other development partners were working to solve other problems in the system. The Multi-Donor Trust Fund allocated 3 to 4 percent of its funds for technical assistance to member finance ministries to help with project execution, to ensure that the use of *CCRIF* payouts was not delayed.

Similarly, the *Doing Business* indicators measured only some elements of the investment climate and even then only the cost of regulations rather than both costs and benefits. This focus seems to have helped *Doing Business* send a clear signal to policy makers that the investment climate needed to be improved, but in many areas its indicators need to be combined with other information to design optimal regulations. *Doing Business* also started from a few indicators and increased the scope and coverage over time.

Transformational engagements in human development took a comprehensive approach to reform. For instance, *Plan Nacer* included a comprehensive approach to health insurance for the uninsured. Similarly, *Bolsa Familia* involved an integration of social assistance programs to improve overall efficiency and to assist in the expansion of social safety nets in health and education to the target population.

There was some evidence of greater impact in cases where the Bank Group tackled multiple binding constraints in a series of operations. For instance, approaches in the power sector that tackled sector viability and pricing reform as core issues rather than focusing on unbundling and liberalization were more successful.

In sustainable forest management programs, the Bank engaged with different stakeholders and coordinated a wide range of activities to address a variety of issues

related to sustainable forest management. Brazil's *PPG-7* program supported scientific research, policy analyses, pilot and demonstration projects that addressed Amazon deforestation from multiple parts and leverage points: policy reform, state and local institutional capacity strengthening and reform, academic research, and indigenous peoples and civil society organization capacity strengthening and participation. The only missing element was private sector participation, which was subsequently covered through two Development Policy Loans that rewarded the Ministry of Finance's issuance of a regulation requiring compliance with applicable sustainability standards as a condition for any business financing.

Within a development assistance program, simple project design appears to be more effective in achieving transformative objectives than complex multisector projects. During the period of review, Nigeria and Pakistan had several multisectoral projects with power being one of the critical components—including series of structural adjustment loans and development policy loans approved in the 1990s and early 2000s for Pakistan -- that did not achieve their transformational objectives in the power sector. They did not help remove bottlenecks and resolve the structural indebtedness and weak institutional capacity of the power sector. Crucially, conditionalities for the power sector in multisector projects tended to lag behind those of other sectors. Similarly, reform of service delivery in health was just one part of a multisector project in Brazil. Poorly designed and implemented conditions for disbursement affected the success in all sectors.

Tailoring Engagements to Country Context, Capacity, and Social Norms

Project design that was well tailored and adapted to local context and capacity were critical for the success of innovative financing mechanisms. In Bangladesh, stipends helped modify social customs in return for earnings and status. Award of the stipends postponed marriages for young girls. The comparator program in Kano State (Nigeria), a CCT, was successful in helping girls transition from primary to secondary school; however, increases in attendance after the first payment diminished because of disruptions in the program. Also, impacts were much stronger in urban areas than in rural areas. This was hypothesized to be linked to the intensity of supply-side constraints and also, possibly, cultural constraints.

In Argentina, *Plan Nacer* was preceded by technical assistance and policy-based financing and long-term, flexible investment lending that had led to a deep understanding of country conditions and facilitated the design of the program. The Bank facilitated sustained policy reforms by following sectoral adjustment lending with a 10-year adaptable program loan. A complex design resulted in low disbursement, leading to low success in the case of the *Madagascar Education Sector* project. Programs that transferred design features to different contexts without proper tailoring did not achieve their transformational impacts (Turkey *Social Risk Management Project)*.

The *KDP* program was successful in part because its design was based on extensive surveying of local villages to understand how community investment decisions were made and how people reacted to the current centralized decision-making system. By contrast, the community empowerment programs in Timor-Leste mimicked some of the design features of *KDP* but took limited account of local context. Project administration was not well integrated with local administration, and projects may not have consistently met community needs. The *weather insurance projects* were designed to use the existing supply chains in the agricultural sector to deliver insurance products. Similarly, *Lighting Africa Kenya*'s design aimed to address all aspects of the supply chain and the supply and demand side – including market intelligence, business development support to manufacturers and distributors, development of international quality standards, quality testing and certification, consumer education and financing, and training of technicians.

In some instances, the choice of instrument was inappropriate for the context and the capacity of country counterparts. The *Brazil Federal District Multisector Management Project* was financed through a sector-wide approach mechanism, which required strong government commitment and highly qualified staff, both of which the project lacked.

Creating and Strengthening Institutions

The role and quality of institutions is one of the main consensual factors underlined in the literature on the determinants of sustained growth. Institutions are defined by Douglass North (1990) as the "rules of the game" that shape incentives and opportunities. In the recent literature, the use of the term often includes a focus on private property rights protection, operation of the rule of law, and the extent of corruption. Research indicates that determinants of sustained growth are not sufficient without a good institutional environment.

As underlined by the Growth Commission (2008), economic growth is about more than economics. It also requires highly committed, credible, and capable government. Therefore, the economic literature increasingly emphasizes institutions as the fundamental determinant of development and hence of sustained and transformative economic growth (see, for instance, Acemoglu, Johnson, and Robinson 2005; and Kaufmann, Kraay, and Mastruzzi 2003).

Innovating and strengthening institutions that underpin growth and employment in countries and that mitigate risks have been central to country-level transformations

and their sustainability. Working with and strengthening existing institutions was part of deep, systemic reforms associated with successful transformations in forestry, human development, financial and private sector development, power, land administration, and rural roads infrastructure sectors. *Bolsa Familia* supported institutional innovations in designing and implementing a CCT program linked to the provision of social services to the poor, with Bank support focusing on strengthening the targeting mechanisms, developing a monitoring and evaluation system, and strengthening the institutional functioning of the program. El Salvador's *Educo* helped establish a system of community established and run schools; many of the policies and features piloted under *Educo* were later mainstreamed in the country's education system.

KDP aimed to institutionalize participatory processes in local government. In the rural roads project in Peru, support to strengthen the institutional and management structures for rural roads was an important aspect. The integration of transformational elements in the country's own system ensured the government's ownership. In this case, the Bank supported the creation of Provincial Road Institutes for province-wide strategic roads planning. This helped avoid duplication of efforts by other stakeholders. This model was replicated in other sectors in Peru. Sector reforms to improve the access to electricity services were based on strengthening policies, capacity and institutions.

As developing countries often lack well-functioning market and regulatory institutions, an important part of development is the creation or strengthening of these institutionalized capabilities (Commission on Growth and Development 2008). This is consistent with IEG findings from the nine country case reviews for this study. For example, the average Country Policy and Institutional Assessment ratings of the transformational cases (China, Chile, Korea, Peru, Poland, and Vietnam) over the period 2000–10 were substantially higher than these countries' respective comparators (4.1 versus 3.4). Similar results hold with World Governance Indicators and its various components, such as quality of government, corruption, the rule of law, and so forth. Though the transformational countries and their comparators had similar World Governance Indicator scores in the early 2000s, transformational countries moved ahead of their comparators by substantial margins in terms of improved governance and quality of institutions by 2014, which in turn appear to have helped sustain their inclusive growth performance by encouraging domestic and foreign private investment.

Lessons from the Bank Group's engagement in transition economies indicate that an appropriate institutional and regulatory framework and a capable, transparent public sector are central elements of an efficient, market-oriented private sector—after the Bank Group initially underestimated the weaknesses of institutions in these countries. Analytical work on governance and public sector management should precede large amounts of Bank lending, particularly where obvious problems are likely to affect assistance programs. The rationale of the Poverty Reduction Strategy (PRS) initiative was to specifically make state institutions more responsive to the poor: the comparator countries faced considerable challenges to governance and institutional capacity at different levels of government. In countries affected by fragility and conflict, focusing on building legitimate institutions is key to breaking cycles of violence (World Bank 2011). In the transformational countries reviewed, the Bank effectively contributed to macro and fiscal stabilization, strengthening economic governance, and public financial sector management, thereby strengthening country systems. An IEG evaluation, *World Bank Country-Level Engagements on Governance and Anti-Corruption* (IEG 2011f) found that the Bank has supported efforts to address deep-seated governance challenges such as civil service dysfunction, capture of natural resource rents, and political-institutional barriers to market entry and improved service delivery; but results have been limited.

Where its support was effective, the Bank was usually focused on specific governance and anti-corruption entry points and realistic in its aims. Also important was the choice of financial instruments and operational design, which were found to be associated with the achievement of certain governance and anti-corruption objectives.

Many interventions were designed to include specific components targeting inclusion objectives and fostering impact beyond the project. Among the sample, this included the inclusive business models of *Promigas* and *Manila Water*, the Peru *rural roads* program, *Lighting Africa Kenya*, Argentina's *Plan Nacer*, Brazil's *Bolsa Familia*, El Salvador's *Educo*, and the *Nicaragua Land Administration* project, among others. The intervention in Peru was innovative for including community-formed enterprises for routine maintenance of the roads. This led to job creation in poor areas, community ownership, and sustainability of the assets. The use of a local development window mechanism to fund productive activities in areas surrounding the rehabilitated roads stimulated local economic development that went beyond the rural roads sector. The comparator project in India lacked these features. Programs in human development all targeted inclusion: *Plan Nacer* was designed to focus on the most vulnerable; *Bolsa Familia* targeted dimensions of poverty; and *Educo* focused on provision of education services in rural areas which lacked such services.

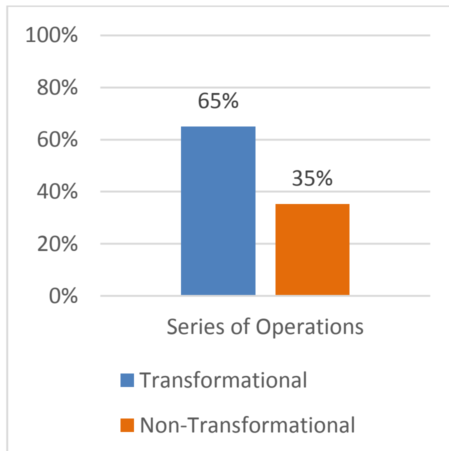
Maintaining Engagement Levels

Continuing, sustained engagements through a series of operations and supervision are more conducive to attaining transformational engagements than one-off interventions are. About two-thirds of transformational engagements reviewed in IEG's sample were part of a series of interventions or a program—significantly more than for comparator engagements (Figure 3.4).

In several projects reviewed, transformational impact seemed to occur over the course of sustained engagement by the Bank Group. Reforms took time to be fully implemented. The forestry reform project in Brazil (*PPG-7*) was implemented over a period of more than a decade, and follow-on engagements continue without Bank Group involvement. Similarly, support programs to sector development in electricity in the sample took a sustained, long-term approach in the more successful countries (Kenya, Uganda, the Philippines)—encompassing a series of sequential interventions from the World Bank, IFC, MIGA, and other development partners.

Community-driven development programs and CCTs were implemented through series of operations, multiple modalities, or both. This allowed for experimentation and learning from approaches, fine tuning and targeting the assistance, and scaling up aspects that had worked well. The rural roads program in Peru, which consisted of three sequential loans, introduced several innovative elements that would make systemic, institutional changes for which a phased approach over a long period of time was needed. This also enabled incorporation of lessons from previous operations and maintained continuity in the reform agenda, both from the Bank Group and the client's sides.

Figure 3.4. Transformational Engagements: Series of Operations



Source: IEG.

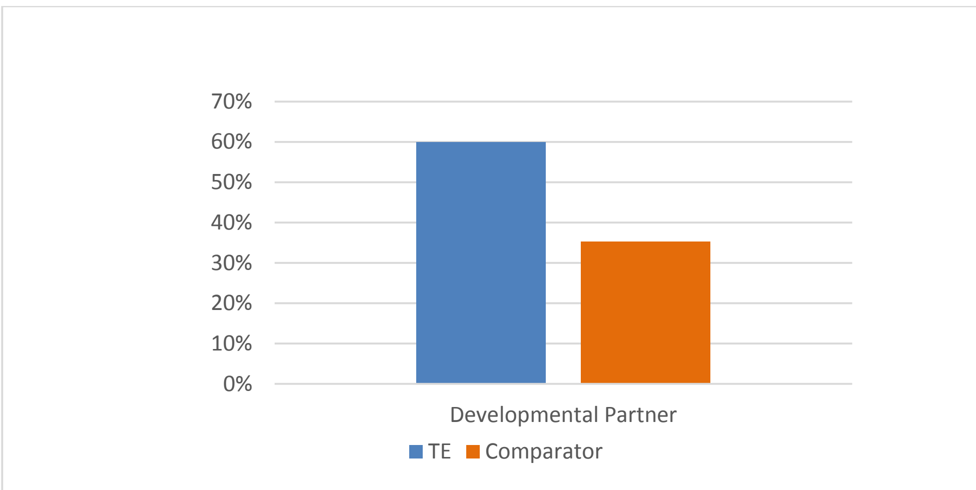
A contrasting example is the Guatemala *CAT-DDO*. Because it was designed as a single-operation development policy operation, and because full disbursement happened so quickly after approval, the Bank lost leverage. Many of the policy and institutional reforms necessary to improve the country's disaster risk management system were not implemented.

BLENDING DIFFERENT BANK GROUP ROLES AND INSTRUMENTS

In supporting transformational change implemented by its clients, the Bank Group played diverse roles, and the importance of its inputs to achieving the transformational outcomes varied, depending on the nature of constraint being addressed. In many cases, financing was not the most important component of Bank Group assistance. It also offered technical assistance and advisory services, played a convening role, and filled gaps in institutional capacity. The Bank Group played a central role as convener, connector, and provider of global knowledge and also commissioned local knowledge (*PPG7*)—indicating the importance of blending different roles and instruments to achieve transformational impact.

Partnerships and the Bank Group's role as a convener played an important role in transformational engagements. Sixty percent of the transformational engagements were implemented in partnerships with other donors, a stark contrast to the comparator engagements in the sample (Figure 3.5). Partnerships with other donors were critical in bringing in technical expertise and funding to complement the Bank Group's suite of instruments and supplement its limited financial resources. Partnerships can also provide necessary political support to difficult reforms; and funding sources (such as in the case of *PPG-7*) to add financial heft to the Bank Group's convening role.

Figure 3.5. Transformational Engagements: Partnerships



Source: IEG.
Note: TE = transformational engagement.

For example, **the World Bank played a leading role among donors in the power sectors in Kenya, the Philippines, and Uganda.** Its leadership role was largely a result of the significant share of its lending and nonlending support relative to other financiers in addition to its technical expertise. Consequently, the Bank has coordinated the donor group and served as the convener in Kenya, the Philippines, and until 2013, Uganda. In the Philippines, the Bank was co-chair with the government of the Development Forum, the primary mechanism for facilitating substantive policy dialogue among donors on the country's development agenda.

In comparator cases in the power sector, the Bank has not been able to assume the role of a convener and sector coordinator. The small amount of IDA resources for power sector projects may have constrained the Bank's ability to select the type of project it can finance and limited its leverage in influencing the direction of sector reforms.

Working in partnership at the country level was an important driver in land administration reform projects. In Nicaragua, key partnerships appeared to have played a strong role in building consensus around the reform agenda, piloting and adopting technology from other Latin American countries, and in working in tandem with the Bank on complementary technical components of the agenda. Other donors, such as the Nordic Development Fund and the Millennium Challenge Corporation, were aligned with the overall land reform objectives supported by the World Bank project, and provided complementary financing.

IEG's country-level reviews concluded that close coordination among development partners, with each partner focusing on its area of comparative advantage, was a key factor in transformational cases. Typically, the World Bank Group effectively used its convening powers to coordinate the supportive efforts while taking a leading role on poverty measurement and diagnostics (Mozambique, Peru, Poland, Rwanda, and Vietnam). In Rwanda, the Bank Group and its development partners played an important role (including through significant financing) in supporting the transformation from conflict-affected to developing country. The Bank Group's strategy emphasized coordination with other partners – and in recent years the assistance program has become more selective focusing on high priority sectors.

The nature of Bank Group support at the country level was often programmatic and underpinned by a highly effective and often customized mix of project and budget support financing, AAA, technical assistance, and its convening power (in China, Mozambique, Peru, Poland, Rwanda, and Vietnam). The strength of the Bank Group was its sustained support of an activity or program over many years. For example, as a result of its long-term involvement in China, the Bank had a substantial cumulative impact in a number of areas. Its views gained a respectful hearing and it was sometimes well placed to take advantage of opportunities when China was looking for support for change. In Vietnam, the Bank Group strategy consistently reflected the importance of the private sector in generating inclusive growth and poverty reduction.

STAFF SKILLS AND BANK GROUP PROCESSES

Staff technical expertise and "entrepreneurial" attitude matters. Several projects were led by entrepreneurial Bank Group staff with deep technical expertise and who had strong senior management support. These characteristics helped overcome obstacles in a highly bureaucratic environment. In the case of *Doing Business*, the leader of the project combined technical expertise on enterprise restructuring and privatization with an entrepreneurial nature and a willingness to take risks. Similarly, the *CCRIF* was catalyzed by Bank staff with deep expertise in disaster risk management.

Sector and technical expertise of Bank Group staff were critical in designing and implementing transformational engagements, including the *KDP* program in Indonesia, and *Omidyar India Microfinance Credit Reporting*. In the Nicaragua *Land Administration Project*, the Bank was in a unique position to support the country's land reform efforts given its extensive experience in land policy reform and land administration. In particular, for more than 15 years, its global scope had permitted the Bank to develop a deep understanding of effective models for cadaster and property registry systems as well as for land regularization.

Highly skilled and competent teams familiar with the country's binding constraints and political and social setting and committed to working closely with the authorities and in consultation with other development partners were key to transformational engagements at the country level. The Bank deployed high-quality staff when it first engaged with China, Vietnam, and several transition economies, according to country program evaluations. Bank staff were perceived as technical experts and impartial advisers – establishing a relationship based on trust. In Peru, the expertise of the Bank team was critical given the innovative nature of the analytical work.

Continuity in Bank Group task team leaders may be a key factor to successful outcomes. IEG finds that there is a negative correlation between the turnover of Bank project task team leaders and project outcomes (World Bank 2016). In addition, much of the Bank Group's operational and technical knowledge is tacit and not necessarily documented (World Bank 2015a). Given the longer-term, programmatic nature of many transformational engagements, there is a premium on ensuring the quality and continuity of staff.

In transformational cases, the **World Bank Group strategy was flexible and evolved in tandem with the country's economic and social progress and changing needs over time.** The Bank was perceived as a reliable partner and trusted advisor, especially in times of crisis (China, Peru, Poland, and Vietnam). IEG's country-level reviews indicate that the Bank Group showed flexibility in engaging with transition countries after it realized that its initial approach had been overly optimistic and it had underestimated the importance of institutions and governance. It subsequently customized its assistance to existing initial conditions and country capacity. In other cases, the Bank found ways to strengthen the private sector (through support to corporate governance and enterprise reform, for instance), although in the case of China the government was not ready to engage on the reform of state owned enterprises – which remains a binding constraint.

Flexibility in implementation and responsiveness to changes in the operating environment. In at least two projects, transformational impacts resulted from actions taken to modify project objectives and/or design to accommodate changing client needs or to use information gathered during implementation. In the *Omidyar India Microfinance Credit Reporting* project, IFC was able to adapt the project objective and expand its scope in response to the microfinance crisis. As the crisis evolved, the project scope was broadened to include preliminary implementation support. The revised objective of the project was to facilitate the integration of microfinance institutions with the licensed credit bureaus in India, going beyond the initial scoping, feasibility study, and awareness-raising.

In the *Nicaragua Land Administration Project* the Bank demonstrated flexibility in its approach and during implementation. It revised its implementation arrangements and reallocated credit proceeds to support the demarcation and titling of indigenous peoples' lands, which required additional funding. The project involved four extensions—and additional financing—to scale up project activities.

Communication with targeted beneficiaries or policy makers was critical for the efficacy in several transformational engagements. Aggressive communication and dissemination played an important role in *Doing Business*. Successful interventions in human development provided sufficient information to targeted beneficiary groups. A central element in the implementation of CCTs is to ensure that beneficiaries are aware of their required co-responsibilities. In Argentina, *Plan Nacer* incorporated a communication strategy to inform patients about the reforms. Information is often a critical missing link.

For *Bolsa Familia*, communication figured prominently throughout implementation; communication sustained the CCT program and promoted widespread buy-in. The CCT in Turkey did not establish a structured communication strategy to ensure dissemination of consistent and factually correct information on program benefits, eligibility, and criteria for inclusion or compliance. As a result, there was limited knowledge of the program's health and education conditionalities, and neither health utilization nor primary school attendance improved.

RISKS AND INTERNAL INCENTIVES

This section provides IEG's observations on the risks of transformational engagements based on the review of interventions and prior IEG evaluative work. This report, which for analytical purposes focuses on comparison of broadly similar interventions, designed to be transformational, is not structured to provide a systematic analysis of the relative riskiness of transformational engagements, which would have required an analysis of a control group of interventions designed as non-transformational.

As indicated earlier, Bank Group institutional incentives during the period of review may not have been fully aligned with supporting transformational change. In addition, IEG also finds that piloting of new approaches by the Bank Group is rare. These patterns may reflect several factors: lending pressures, a perception that such interventions are highly risky, and require additional resources for preparation and implementation. Internal incentives may also not be fully conducive to undertaking long-term, sustained engagements that are typical of many transformational engagements. The experience with the *Doing Business* indicators shows that it takes strong commitment from senior management and an entrepreneurial staff to support an innovative product. It also shows that transformational engagements can be controversial and politically difficult to implement.

Are transformational engagements on balance riskier than average projects in the portfolio? IEG did not assess the issue of risk systematically, given its small sample size. However, engagements aiming for deep, fundamental change, such as systems change and institutional transformations that affect political economy aspects of a country, or very large and complex projects (for example, large infrastructure), nearly always entail higher risks and require major risk mitigation measures on the part of the Bank Group and its partners than small, one-off projects. Moreover, innovations and pilots are inherently more risky than "business as usual" projects.[4] In addition, failure or shortcomings in a high-profile transformational engagement can have negative implications for the Bank Group's and its clients' reputation.

By contrast, successful transformational interventions can generate more "bang for the buck" because of the accelerations in development trajectories they support, and in the long run the stream of benefits would exceed costs by a large margin. Moreover, there are important ways to mitigate potential or actual higher risks in transformational engagements. IEG findings indicate that greater attention to design and supervision quality can compensate for higher risks (World Bank 2014c).

Furthermore, technological innovations allow the scaling up of solutions in a more cost-efficient manner. And gradual scaling up allows learning during implementation—taking to scale those elements that are successful and adapting or dropping those that are not-- while limiting financial exposure and risks (as in *Lighting Africa Kenya*).

In other cases, the Bank Group's strategy was to support the scaling up of innovative instruments developed and piloted by others (*Bolsa Familia, KDP*). The key is to mitigate risks effectively such as through proper diagnostics including of political economy aspects, alignment of interests between client and the Bank Group to ensure political commitment of the client, the use of phased interventions, thorough analytical work on the social, poverty and environmental impact of project, relevant and timely technical assistance and capacity building built into the project, and flexibility and resources to manage risks throughout the program cycle. Setting the right tone by Bank Group management would be critical to encourage more informed risk taking and innovation.

MONITORING AND LEARNING FROM TRANSFORMATIONAL ENGAGEMENTS

For many transformational engagements, a sound monitoring system was key to project efficacy—especially those targeting behavior change through incentives. Successful transformational engagements had strong monitoring systems in place to track conditionalities and requirements of targeted beneficiaries and providers. *Plan Nacer's* monitoring and evaluation (M&E) system is considered best practice. The M&E system was simple, which limited administrative burden and increased the likelihood of compliance. The robustness of the system, which included combining patient-level data and feedback of results to individual providers and independent audits, improved transparency and accountability.

The comparator Brazil *Federal District Multisector Management Project* lacked effective M&E design and implementation, which reduced the validity of the data used for its results-based disbursement mechanism. Lessons from the successful *Female Secondary School Stipend Program* (Bangladesh) also support the use of simple, monitorable criteria for participation, improved targeting, and greater program achievement. By contrast, the *Nigeria State Education* project had an overly complex M&E system considering the low-capacity environment.

Some transformational engagements proactively monitored and evaluated their performance to learn from experience and adapt program design. The *Nicaragua Land Administration Project* and *Peru Rural Roads* program had well-established M&E frameworks that collected data related to outcomes and conducted impact evaluations. The project in Nicaragua had a system that carried out validation and consultation workshops with beneficiaries and conduct studies relevant to the measurement of the project's economic, environmental, social, and gender impacts.

However, current Bank Group M&E systems do not sufficiently capture transformational engagements. As these engagements may encompass or cut across multiple interventions and often involve long-term, sequential engagements to address constraints, the combined impact or effectiveness in addressing binding constraints is not captured in project M&E methodologies. For instance, individual lending or investment projects do not typically capture sector or country-wide indicators.

Instruments aiming to capture programmatic results have shown methodological shortcomings. Quite often, the transformational goals (and effects) differ from specific project objectives measured by the M&E framework. External effects associated with transformations, such as multiplier effects, spillovers, demonstration effects, and replication are not systematically captured in the current M&E frameworks. As the Bank Group moves to more programmatic support across different institutions and interventions, it could explore the use of adapted M&E tools that seek to capture the combined and multifaceted effects at the program level, based on a well-defined theory of change and indicators for transformational change. This could also reinforce current efforts on developing results frameworks for program and country level interventions, and build on approaches capturing effects beyond projects.

Finally, successful transformative interventions at the country level appear to be under-evaluated by IEG—perhaps because of the higher frequency of knowledge products versus lending in some of these country cases; there is currently no monitoring or evaluation system for World Bank knowledge products. Taken together, these issues may prevent learning from transformational engagements and may in some cases lead to mis-estimation of their full impact.

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[1] CASCRRs and CAEs for Kenya, the Philippines, and Uganda, various years.

[2] Severe power crises triggered adoption and acceptance of World Bank prescribed sector reforms in Kenya (1999-2011 drought), the Philippines (1988-90 fiscal crisis and drought), and Uganda (1999-2000 drought).

[3] For instance, the evaluation of Bank Group support for investment climate reforms identified gaps in the coverage of Bank Group diagnostic tools for investment climate. Moreover, the ability to identify binding constraints can't be guaranteed by using partial and incomplete tool kits (IEG 2006).

[4] IEG's evaluation of *World Bank Group Support for Innovation and Entrepreneurship* (2013b) identified incentive problems relating to risky innovation investments, with uncertain outcomes. It found that this inherent uncertainty resulted in limited financing.

4. Lessons and Implications for the World Bank Group

The Bank Group supported several successful transformational engagements over the 2000–14 period. **These engagements were difficult to do, require a long time commitment and sustained effort, and constitute a small proportion of the Bank Group's portfolio.** They vary in form, size, and the development challenges they address. Applying its definition of transformational engagements, IEG's review developed lessons that can help inform the Bank Group and its partners as they seek to help developing countries accelerate progress toward sustainable development.

Rapid and sustained transformations are possible. Deep changes, the potential to scale up solutions, and sustainability of impact of transformational engagements are apparent prerequisites for the Bank Group, other donors, and development country governments to attain ambitious goals for eliminating extreme poverty and promoting shared prosperity. But they require selective, strong, and sustained political commitment to deep and broad-based reforms. This has to be coupled with a strong commitment by Bank Group management (and key development partners) to apply its services effectively and selectively and to provide high-quality, customized advice. The range of development challenges—persistent poverty, rising inequality and exclusion, governance and institutional decay, lack of access to basic services, environmental degradation and climate change—require nuanced and customized development strategies.

Looking across the projects that achieved transformational change, it is evident that there is no single policy prescription for success. Economic and social development is not a mechanistic, linear process. It involves complex and multidimensional socioeconomic and political processes and interventions in systems that require contextualized and tailored solutions, adaptation, and active management of change processes. Therefore, it may be difficult--even impossible--to identify transformational engagements ex ante. However, in this report IEG provides insights into mechanisms and factors that can increase the likelihood of transformational impact for interventions implemented by Bank Group clients (and supported by its development partners).

The sample of 20 projects revealed some key characteristics of transformational engagements. Most of the engagements supported fundamental change in a market, system, or behavior. Projects achieved large-scale impact through scaling up, replication, and demonstration effects of interventions and solutions (including innovations). Successful transformations were differentiated most clearly from nontransformational engagements by the extent to which the effects of the intervention were sustained, often because they involved comprehensive approaches considering entire systems, and targeting behavior change.

Emerging Lessons

IEG's review identifies four mechanisms with the potential to support deep and large-scale transformation: (i) binding constraints, (ii) cross-sectoral approaches; (iii) scale up of effective approaches and innovations; and (iv) behavioral change. These four mechanisms have the potential to support deep and large-scale change in critical development challenges:

(1) **Identifying and addressing the most binding constraint in a country, sector, or entity is a key mechanism for transformational change.** Nearly all transformational engagements in IEG's sample tackled a relevant binding constraint related to a major development challenge. The review of country-level interventions showed that the more successful transformers tackled the most binding constraints first and then moved on to address other constraints, and Bank Group support evolved with the needs of the country. However, overall the record of the Bank Group in diagnosing and addressing the most binding constraint has been mixed.

(2) **Several successful transformational interventions addressed multiple binding constraints through cross-sector approaches to affect changes in interrelated parts of a system.** Most major development challenges are inherently multidimensional, requiring interventions with cross-sectoral linkages. Prior IEG evaluation findings point to the need to avoid overly complex project design in a single intervention. Findings from IEG's sample differed as to whether comprehensive reforms or a more focused and incremental approach were more effective to address binding constraints. What matters most is to have a strategic understanding of the main constraints and a strategic plan to address different parts in a system through multiple interventions. The key is to strike the right balance between fostering a strategic understanding of key constraints in a sector or for a development issue, and then pursue reforms through sequenced and focused interventions, which limits complexity in project design and implementation. At the same this calls for taking on the key issues, incentives, and capabilities impeding cross sectoral work between and within institutions.

(3) **Innovations can catalyze transformational change because of their potential for scaling up, reducing cost, mitigating risks, and providing new channels for**

increasing coverage of target population, all if which can magnify the impact of interventions. Most of the transformational engagements involved some form of innovation related to technologies (such as digital technology), products, processes, and/or financing mechanisms. Such innovations introduced or contributed to expansion of services to the underserved, mainly by reducing cost, using new delivery platforms to increase the reach or utilization of services, and addressing information asymmetries and incentives for beneficiaries. The Bank Group's role has been mainly to support scaling up innovations; rather than in developing them. **Innovative Bank Group instruments have catalyzed changes in systems, markets, and behaviors**. Continuously exploring creative and innovative ways to expand product lines and tools to address challenges and risks to meet the evolving demands of client countries is key to transformation. These included innovative approaches such as results-based finance and output-based aid. When designed properly, innovative approaches were scaled up successfully to help extend services to the underserved.

(4) **Transformational engagements frequently changed the behaviors of individuals, players, and entire systems.** Behavioral change may be achieved through monetary incentives, by introducing market forces, and by increasing transparency and informational flows among actors and beneficiaries. Changing incentives is an important driver for modifying behaviors to support improved outcomes. Several successful engagements focused on commercially viable approaches, taking advantage of market mechanisms and private enterprises as vehicles to reach scale and extend services to the poor and underserved. Several engagements used alternative mechanisms to create incentives, such as empowering beneficiaries or removing affordability constraints.

IEG also identified lessons related to factors that can enable or constrain transformational engagements. These are related to the enabling context for transformational engagements, client commitment, and the quality of design and implementation of interventions.

- **Alignment of the interest of the client with the transformational objectives significantly enhances the chance of success for deep changes and difficult reforms.** In this context, assessing and managing political economy dimensions of difficult and complex reforms to help remove binding constraints are key to successful transformations.
- **A rigorous diagnosis and clear understanding of the most binding constraints is key to designing an intervention or series of interventions with the potential to address the context-specific constraint**. As constraints vary across different entities, rigorous diagnosis will help identify the most binding constraints to the

development challenge being addressed and is the basis for designing an effective assistance program. Transformational engagements can be motivated by political transitions, crises, or the recognition of an urgency to act, providing windows of opportunity. In the successful cases reviewed by IEG, the Bank Group showed readiness to support clients that wished to undertake difficult reforms**.**

- **Early and broad engagement with stakeholders to forge agreement on common objectives enhanced the chance of successful transformation.** Building broad coalitions and political consensus—beyond the immediate client counterparts—around reforms early on in the process was effective in broadening support and maintaining momentum behind reforms in some cases. Successful transformations often were implemented in partnership with other donors, underlining the importance of the Bank Group's convening role.
- **Adapting interventions to local context and capabilities and social norms is critical in successful transformational engagements.** Appropriate analytical and diagnostic work can help adapt and tailor program design to local context, and identify the need for complementary capacity building.
- **Continuing, sustained engagements and series of interventions are conducive to attaining transformational engagements.** One-off projects are less likely to be transformational. Ongoing support to clients facilitated the deep reforms associated with transformations by helping build capacity and address several parts of a system through sequential interventions.
- **Transforming institutions is at the core of transformational engagements.** Building and strengthening local institutions contributed to the sustainability of transformational impacts**.**
- **Communicating with key stakeholders and policy makers is critical to achieving impact.** Communicating the program benefits, eligibility, and requirements was critical for the efficacy of programs and buy-in from beneficiaries, and critical to foster behavioral change.
- **The quality of Bank Group staff and appropriate blending of different instruments and roles is critical for successful transformations.** The quality and technical skills and, in some cases, entrepreneurial attitude of Bank Group staff was important to developing and implementing transformational engagements. However, some evaluations also indicate that the Bank Group's institutional incentives may not have been fully aligned with helping address the most binding constraints.

- **Despite a perception that such interventions are riskier and require additional resources, this report shows that successful transformational engagements can generate high returns in terms of development impact.** . While engagements seeking to address the most challenging development issues and constraints, often using innovative instruments, entail higher risks, careful scaling up and adapting of approaches informed by rigorous evidence and learning from implementation can mitigate such risks.
- **Finally, robust monitoring and reporting systems** ensure proper targeting of beneficiaries and facilitate learning, as well as adjustments to the project or program during implementation. However, current monitoring systems are not well equipped to capture transformational impacts.

Implications

The operational implications of the Bank Group's experience suggest the following elements in supporting transformational change:

- **Identifying the most binding constraints in a country, sector, or development theme by consistently implementing rigorous diagnostic work.** The new Systematic Country Diagnostics has the potential to be an important instrument to facilitate a rigorous understanding of binding constraints at the country level, but this would need to be complemented by diagnostics at the level of sectors and interventions.

- **Focusing on binding constraints to development challenges by enhancing the selectivity of assistance programs.** Based on a strategic understanding of the main constraints in a country, sector, or entity, the Bank Group can develop a strategic plan to address them through multiple interventions in the same sector or different sectors. From the interventions that can address the most binding constraints to the development in a country, sector, or entity, the Bank Group should select those where it has the greatest potential to address a binding constraint given its comparative advantage, and where it has a chance to help affect deep, fundamental, and sustainable change by working through a committed client counterpart.
- **Building on mechanisms of transformation in program and project design.** This includes shaping incentives to affect sustained behavioral change and strengthening institutions to support transformational impact and harnessing competitive market mechanisms and the private sector as vehicles of deep change and long-term sustainability. Improve the capacity to identify and help

scale up innovations with the potential to overcome traditional barriers to basic service access by the poor, and deploy instruments with the potential to deliver its assistance more effectively and efficiently.

- **Building broad coalitions to enable transformational change** through early and broad engagements with all stakeholders. This may include involving targeted beneficiaries in the design and implementation of the intervention. An increased focus on transformational engagements will also involve exploring new partnerships and managing them effectively and efficiently to ensure alignments of interests.
- **Staying the course by undertaking more selective, longer-term, sustained, and programmatic engagements.** This may require reinforcing the Bank Group's capacity to undertake longer-term, sustained, and programmatic engagements associated with deeper and more fundamental change and institution building. This would involve, at the country level, to be more selective and engage in fewer, more long term, and focused interventions. Adapting programs to the local context, based on sound diagnosis, enhances their chance for success. Sound reporting and monitoring systems for transformational engagements enhance program efficacy, and facilitate learning and adapting the program during implementation. Pursuing transformational engagements will require a focus on the quality of the Bank Group's work and the technical expertise of its staff and has implications for its human resource policies and practices. Institutional incentives would need to be adapted to support a more systematic focus of assistance programs on binding constraints—including potentially more complex, longer term, and higher risk engagements. The Bank Group could develop and apply lessons on risk mitigation to address perceptions of higher risk associated with transformational engagements.

In this review of the experience with transformational engagements, IEG concludes there are ways in which the Bank Group can enhance the likelihood that interventions catalyze faster development progress by taking a programmatic approach addressing systemic change and behavioral change based on sound diagnosis of binding constraints. This need not mean more complexity in individual interventions, but it does mean developing a thorough understanding of the main constraints and issues. Doing so would facilitate a plan of selective and sequenced interventions that can help address the constraints to the development of a country or sector.

In conclusion, there is scope for the Bank Group and its partners to enhance their focus and capacity to undertake transformational engagements, but these interventions are only one step to help clients accelerate their progress toward sustainable development.

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Appendix A
Transformational Engagements and Comparators Reviewed by IEG

Sector/Thematic Area	Type of Engagement	Transformational Engagement	Comparator
Access to basic infrastructure	Long term sector development for enhanced electricity access Low Income countries Middle income countries	 Kenya (WB, IFC, MIGA) Uganda (WB, IFC, MIGA) Philippines (WB, IFC)	 Nigeria (WB, IFC, MIGA) Pakistan (WB, IFC, MIGA)
	Targeted interventions for inclusive access to the poor	Promigas Colombia (WB GPOBA, IFC AS)	Manila Water Philippines (WB GPOBA, IFC AS)
	Off-grid/Rural Electricity	Renewable Energy for Rural Areas Project (Mongolia) (WB)	
		Lighting Africa (Kenya) (IFC, WB)	
	Bus Rapid Transit System	Transmilenio Bus Rapid Transit System in Bogota, Colombia (WB)	Regional Cities Bus Rapid Transit (Colombia) (WB)
	Decentralized management of rural roads	Peru Rural Roads (WB) (Rural Road Rehabilitation and Maintenance Project; Second Rural Roads Project; and Decentralized Rural Transport Project)	India Rural Roads (WB) (Rural Roads Project and PMGSY Rural Roads Project)
Human development	Female education	Female Secondary Stipend Program (Bangladesh) (WB)	Nigeria State Education project (WB)
	Community School Management	Educo (El Salvador) (WB)	Madagascar Education Sector (WB)
	Results-based health financing	Plan Nacer (Argentina) (WB)	Brazil Federal District Multisector Management (WB)
	Conditional Cash Transfers	Bolsa Familia (Brazil) (WB)	Turkey Social Risk Mitigation (WB)
Global indicators and FPD	Disaster Risk Management	Caribbean Catastrophe Risk Insurance Facility (CCRIF) Project (WB)	Guatemala DPL with CAT DDO (WB)

Sector/Thematic Area	Type of Engagement	Transformational Engagement	Comparator
	Weather Index Insurance	UAP/Syngenta (Kenya) (IFC)	Rwanda MicroEnsure (IFC)
	Credit bureaus	Omidyar India Microfinance Credit Reporting (India) (IFC)	Africa Credit Bureau Program 2 (Ghana) (IFC)
	Global Indicators	Doing Business indicators (WB/IFC)	Enterprise Surveys/ Investment Climate Assessments (WB)
Rural development	Land administration and tenure reform	Nicaragua Land Administration Project (PRODEP I) (WB)	Panama Land Administration Project (WB)
	Community-driven development	Kecamatan Development Project (Indonesia) (WB)	Community Empowerment Projects (Timor Leste) (WB)
Climate Change and Natural Resources	Forest management	PPG-7 (Brazil) (WB)	Sustaining Indonesia's Forests (WB)
	Promotion of global standards	Biodiversity and Agricultural Commodities Program (IFC)	Extractive Industries Transparency Initiative (WB)

Note: AS = IFC Advisory Services; DPL = Development Policy Loan; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PRODEP = Nicaragua Land Administration Project' WB = World Bank/

Appendix B
Methodology for Assessing Country-Level Transformational Engagements

This appendix describes the approach and methodology used for screening and selecting developing countries for an evaluation-based review of their economic and social performance since 1990, with a greater focus on the 2000–13 period. The objective of this review was to identify country cases that were considered to have succeeded in being transformational in terms of inclusive and sustainable growth, poverty reduction, and rapid social progress partly as a result of significant lending and non-lending activities by the World Bank Group and other development partners.

General Criteria for Transformation

The main criteria used for assessing countries' performance with regard to transformation was whether the country substantially reduced poverty, making sustained and significant progress in its social sectors, and achieved broad-based and inclusive economic growth over an extended period of time during the review period.

The approach used compared the performance of a set of relatively more successful countries with respect to these criteria against the performance of a set of countries that were deemed less successful and assessed the Bank Group's role and contribution with respect to each subgroup, either as the lead development institution or in partnership with other development agencies. On identification of the more successful and less successful countries, a sample of countries (from both groups) was selected in which the Bank Group had active lending and non-lending programs during the period covered by this study. The ultimate objective of this segment of the study was to draw lessons concerning the Bank Group's faster "transformational" as well as slower or non "transformational" country-level engagements and to identify some common determinants of success and lack of success.

Country-Level Transformations

Taking the above definition of country-level transformational engagements, key Bank Group strategic initiatives were reviewed over the last two decades that were deemed as transformational in nature. Nearly all of them entailed partnerships in which the World Bank Group played either a leading or a significant supporting role.

The First Lens

For the purpose of this study, evaluative evidence was reviewed on the impact and effectiveness of the Bank Group's role in three major and (by their very nature) transformative initiatives:

- Transition from centrally planned to market-based economies (transition initiative): 1989-present
- Poverty Reduction Strategy (PRS) Initiative: 1998-present
- Fragile and conflicted-affected states initiative (focusing on countries that graduated from this status): 2002-present

In addition, the analysis considered member countries in which the Bank Group has been actively engaged as a development partner over a long period, often stretching over several decades. Examination of long-term strategic engagements (mostly in countries that had achieved middle-income status starting in the 1990s) would begin in the 1960s or 1970s and continue to the present. This category included client countries that transitioned from the low-income to the upper-middle or even high-income category with the assistance or active involvement of the Bank Group.

The Second Lens

An analytical/statistical framework was developed to screen selected countries' growth and development performance and identify relatively more successful and less successful economies using objective and quantitative criteria. To develop the simple and transparent framework, around 85 developing countries were selected for which the following data were available for the period 1990-2013: gross domestic product (GDP) per capita (in real terms); headcount poverty (both national and $2/day using purchasing power parity); the Human Development Index and its key nonincome components (that is, life expectancy at birth, mean years of schooling); income inequality (the Gini coefficient and Palma ratio of the share of the top 10 percent to the share of the bottom 40 percent).

In addition, the following indicators were examined to differentiate among the selected countries in terms of environmental sustainability, social inclusion, as well as the Bank Group lending and extent of engagement by the private sector: greenhouse emissions (in metric tons per unit of GDP) and other relevant indicators, such as the Eco-system Sustainability Index of the Social Progress Index ; World Bank/IDA lending (as a percent of the recipient country's GDP and as a percent of the World Bank/IDA total commitment); and foreign direct investment inflows (as a percent of the recipient country's GDP). Countries with incomplete data, including most of those countries with relatively long-periods of internal and external conflict were excluded from the sample.

The overarching goal was to come up with a list of countries that may have been able to achieve sustainable and inclusive development over the last 25 years. A simple and statistical method of ranking each country's sustained progress relative to the other countries was used in the sample (83 countries) across five indicators: average annual per capita GDP growth, average annual rate of poverty reduction, average annual rate of increase in life expectancy, average annual rate of increase in years of schooling, and average change (and its direction) in measures of income inequality over the entire period of evaluation (1990-2013), though with a particular focus on the most recent 13 years.

Following this procedure, countries were ranked by their pace of transformation as measured by their sustained rate of progress across the five indicators, each of which were normalized using the min-max procedure,[1] and then combined into a single index for each country, using geometric aggregation (using equal weights). Following this method, the average rank for each country i was calculated by the following transformation:

$R_{i,\ t\ to\ t+n} = [\ \prod_j X_{i,t\ to\ t+n,\ j}\ ]^{1/5}$, where i = 1, 2, ….,83; j=1, 2, …, 5; and t=1990 or 2000.

According to this geometric aggregation method, if a country ranks first across all of the five categories, its average rank would be first as well, but it would penalized heavily in its overall ranking if it does poorly in one or two areas, such as in education or equity, even if it performed exceptionally well in terms of economic growth and poverty reduction. Using this method, the 83 countries were divided into three groups: the top 25 percent of countries by ranking, the middle 50 percent, and the bottom 25 percent.

This second lens essentially provides the most critical screening tool for country-level assessment, which is presented in Table B.2, and it is consistent with the screening criteria identified and applied for analysis of transformational engagements (since the five country-level indicators chosen for this review measure the key dimensions of sustainable and inclusive transformation and its pace across countries and time):

- *Importance*: Addresses a major developmental challenge: Substantial economic growth combined with poverty reduction and or social progress.

- *Depth of change*: Causes or supports fundamental change in system or market; addresses root causes (a change in trajectory). This element is captured by the proposed buckets (categories): Transition from Plan to Market (for example, Bulgaria and Romania versus Poland); Poverty Reduction Strategy Initiative (for example, Nigeria versus Vietnam); fragile and conflict-affected state graduates (for example, Mozambique and Rwanda versus fragile and conflict-affected state nongraduates); and long-term strategic engagements that have proven transformative (for example, the Philippines versus Peru, along with Chile, Korea, and China). This element is also implicit in the country rankings (for each indicator, higher-ranked countries are associated with fundamental changes). The methodology also implicitly identifies "inflection points"— discontinuities in development indicators related to poverty, social progress, and inclusive growth -- by basing the country rankings on the speed of change for each indicator.

• *Scale of change:* Causes or has the potential to cause large-scale impact at the national level. By definition all country-level transformations are large (national) in scale.

• *Sustainability:* Has impact or potential impact that is economically, financially, environmentally, and socially sustainable in the long term. This element, evaluated over an extended period of time (1990-2013), facilitates the identification of country cases with sustained transformational change in indicators related to poverty, social progress, inclusive growth and environmental sustainability (which in this version of the report is not included in the rankings but assessed ex post instead).

The Third Lens

The third lens consists of each country's average Country Policy and Institutional Assessment (CPIA) score (which varies between 1 and 6, with 6 indicating exceptionally sound or effective policies) over the period 2000-10 *and* whether the country graduated from low-income to middle-income and eventually to high-income classification over the review period 1990-2013. This lens attempts to identify those countries that had achieved a substantial progress in improving their social indicators, raising their standard of living and reducing their extreme poverty in the 1980s and 1990s (for example, Chile, the Republic of Korea, and Poland), that is prior to the period of review for this review. In this context, all those countries that had moved from low-income status to high-income status (according to the World Bank classification) while maintaining a superior CPIA rating for an extended period (for example, average of 4 over the 2000s) were included among rapidly transforming countries. In fact, countries, such as Chile, Korea, and Poland consistently rank high among all countries in the sample in terms of *level of development*.

Selection of Case Studies

All three lenses were used to come up with a proposed list of potentially transformed countries. A-list (transformed or rapidly transforming) countries are in the top 25 percent of rankings, have high CPIA scores (4 or more over a 10-year period), and in most cases moved up the income classification ladder. B-list (partially transformed or slowly transforming) countries are in the middle 50 percent of rankings, have modest CPIA scores, and may or may not have moved up the income classification ladder. C-list countries failed to sustain the pace of development despite having received assistance from the Bank Group and other donors. These countries are in the bottom third of rankings (except for countries that achieved sustained development and growth in the earlier decades), have low CPIA scores, and failed to move up the income classification ladder (see Table B.1). Country performances were also differentiated within each of proposed country groups by analyzing the change in the average level of CPIA between the first and the second half of the review period.

Using this methodology and taking account of the evaluative evidence available (that is, relevant thematic IEG evaluations, such as evaluations of transition economies, Poverty Reduction Strategy Initiatives of PRSCs, and middle-income countries; the country case studies for IEG's recent poverty evaluation, including Peru, the Philippines, and Nigeria, as well as relevant Country Assistance Evaluations/Country Partnership Evaluations, relevant Country Assistance Strategy Completion Report Reviews and Project Performance Assessment Reports, and so forth), a list of potential country-level transformational and nontransformational engagements by the Bank Group was prepared.

The review was based on comparison of at least two country experiences in which the Bank Group actively engaged through any one of the four initiatives. It used a calibrated/modified version (to fit the country-level review) of the "In-Depth Review of Transformational Engagements" template for this study. Within the fourth category (long-term strategic initiatives), a light review of important transformative engagements by the World Bank Group over the past 30–40 years was conducted (in countries such as Chile, China, and Korea). Based on the methodology, the following country cases were selected for review:

- Transition from plan to market: Bulgaria and Romania versus Poland
- PRS Initiative: Nigeria versus Vietnam
- Fragile and conflict-affected state graduates: Mozambique and Rwanda versus nongraduates
- Long-term strategic engagements: the Philippines versus Peru, along with Chile, Korea and China (light review).

A synthesis of these reviews as well as a brief summary of each country review is presented in Appendix C.

[1] Min-max procedure standardizes each indicator by applying the following transformation: for each country i, its j indicator at time t is transformed $X_{i,\,j,\,t}$ = [$X_{i,\,j,\,t}$ – minimum $X_{i,.,\,t}$(across all countries)]/K, where K=maximum $X_{i,.,t}$-minimum $X_{i,.,t}$. These normalized indexes have values between 0 and 1.

Table B.1. Transformational Engagements: Key Program Initiatives at Country Level (2000 – 13)

[Definitions: a = GDP per capita LCU 1990-2013, b = # of people lifted from poverty at $2/day poverty line 1990-2013, c = Δ Income Classification 1990-2013, d = average CPIA 2000-2010]countries

World Bank Group Transformational Engagements by Type of Program		List for Country Selection (Bold = Focus countries)
A. Transition from Plan to Market (1990-Present)	A-list	Lower and Upper Middle Income Azerbaijan, China, **Vietnam** (a=5.5%, b=-40.3M, c=L→LM, d=3.7), Kazakhstan, Belarus, Armenia High-Income **Poland** (a=3.7%, b=-2.3M, c=LM→UM, UM→H, d=4.5), Slovenia, Estonia, Lithuania, Russia
	B-list:	Lower and Middle Income **Romania** (a=2.0%, b=+0.2M, c=UM→LM, LM→UM, d=3.8) High Income Czech Republic, Hungary, Latvia, Slovak Republic
	C-list:	Albania, **Bulgaria** (a=2.3%, b=+0.3M, c=LM→UM, d=4.3), Montenegro, Kyrgyz Republic
B. Poverty Reduction Strategy (PRSP, 1998-Present**)**	A-list:	Ethiopia, Mali, Nepal, Cambodia, Bolivia, Uganda, Armenia, Zambia, **Vietnam** (a=5.5%, b=-4.3M, c=L→LM, d=3.7)
	B-list:	Bangladesh, Lao PDR, Guatemala, Cabo Verde, Malawi, Tanzania, Tajikistan
	C-list:	Albania, Chad, Burkina Faso, Ghana, **Nigeria** (a=2.6%, b=+55.2M, c=L→LM, d=3.1), Sri Lanka, Guinea, Nicaragua, Madagascar, Senegal, Kenya, Kyrgyz Republic, Benin, Cameroon
C. Fragile and Conflict-Affected States (FCS, 2000-Present**)**	A-list:	Nepal, Burundi, Angola, **Rwanda (graduated**) (a=2.2%, b=+2.8M, c=L, d=3.6) , **Mozambique (graduated**) (a=3.7%; b=+6.8M, c=L, d=3.5) Cambodia
	B-list:	Lao PDR, Tajikistan
	C-list:	Chad, Guinea, Cameroon
D. Long-Term Transformational Engagement (MICs, 1980-Present)	A-list:	Lower and Upper Middle Income **Peru** (a=3.4% , b=-3.2M, c=LM→UM, d=4.1) Thailand, Turkey, Brazil, **China** (a=9.3% , b=-714.5M, c=L→LM, LM→L, L→LM, LM→UM, d=4.0) Botswana, El Salvador, Colombia, Mexico High-income: **Chile** (a=3.8%, b=-1.5M, c=LM→UM, UM→H, d=5.3), **Korea** (a=4.4%, b=no data, c=UM→H, H→UM, UM→H, d=4.9), Uruguay
	B-list:	Lower and Upper Middle Income Tunisia, India, Malaysia, Costa Rica, South Africa, Egypt, Ecuador, Pakistan, Iran, Jordan, Namibia, Panama, Paraguay, Morocco High Income Argentina, Venezuela Indonesia, **Philippines** (a=2.0%, b=+2.2M, c=LM, d=3.8), Jamaica, Dominican Republic, Lesotho, Papua New Guinea
	C-list:	

Selection of countries for Categories A, B, C is based on the methodology described in Annex 4. A = Top 25% of all countries ranked based on the overall development performance in 2000-2013; B = Middle 50% of all ranked based on the overall development performance in 2000-2013; C = Bottom 25% of all countries ranked based on the overall development performance in 2000-2013.

Note: The country selection in each of the four strategic initiatives is based on a ranking 83 of countries with available data for several development indicators, including GDP per capita PPP growth rate; poverty reduction at $2 per day, Human Development Index (HDI) Mean Years of Schooling; HDI Life Expectancy; and Palma Ratio. This table is available as part of a background paper for this report.

Appendix C
Selected Strategic Interventions to Support Countries in Achieving Transformational Changes

This appendix summarizes the findings of the Independent Evaluation Group (IEG) from its comparative review of the experience of country cases for the four strategic initiatives, transition from plan to market, poverty reduction strategies, fragile and conflict affected countries, and long term engagements, covering the period 1990-2013. The performance of countries reviewed by IEG in key indicators of inclusive growth and poverty reduction is in Table C.1.

Transition from Central Planning to a Market-Based Economy (Central and Eastern Europe)

The centrally planned economies of Central and Eastern Europe made rapid progress toward transitioning to market economies during the 1990s, with the support of the World Bank Group, the International Monetary Fund, and the European Union. By the early 2000s, their transformation was incomplete, however, and profound economic, social, and political consequences that accompanied transition posed strategic challenges (IEG 2004). Nevertheless, in many countries, the key steps in moving to a market economy—liberalizing markets and trade, creating new businesses, achieving price stability, and moving toward clear property rights—are well advanced and provide important lessons for late reformers.

The *World Development Report 1996: From Plan to Market* (World Bank 1996) concluded that even where the institutional underpinnings of a market system were weak, consistent policies could achieve a great deal. Sustained and consistent reform was needed, with a critical mass of support. The report emphasized the need for clear property rights, a prerequisite for market processes that would eventually require widespread private ownership. It pointed out that major changes in social policies were needed to complement the move to the market—a focus on relieving poverty, coping with increased labor mobility, and addressing the effects of reforms on the very young and elderly. The report also stressed the importance of reform of legal and financial institutions, as well as of government itself.

The Bank Group shared the optimism of many early reformers and Western observers about the speed with which economic liberalization and legal and policy changes would produce robust supply responses in the transition economies—particularly countries in the Commonwealth of Independent States—and consequently about the depth and duration of the initial declines in output and employment and the related social costs and political turbulence. In large part, this optimism was related to the expectation that the rapid shift of control over resources to private hands, along with the liberalization of prices and trade, would quickly lead to more rational resource use under market discipline. In the event, these changes did not occur in many countries.

Along with other donors, the Bank Group also greatly underestimated the impact of corruption and the weakness of core institutions and public administrations in managing the transition process. It did not address these areas adequately in its assistance programs. It now understands that an appropriate institutional and regulatory framework and a capable, transparent public sector are central elements of an efficient, market-oriented private sector. Analytical work on governance and public sector management should precede large amounts of Bank lending, particularly where obvious problems are likely to affect assistance programs.

Poverty has also been a far more serious problem than the Bank expected in countries making the transition from plan to market, most notably in the Commonwealth of Independent States.[1] In the future, the Bank should be much better prepared to identify and address rapidly growing poverty by monitoring poverty levels from the very beginning of its involvement in a country.

The transition from a centrally planned economy requires a vast web of interrelated changes in attitudes and concepts, as well as laws, policies, and institutions. One of the key generic lessons that emerges from evaluations of the transition experience is that a carefully crafted external assistance program can help policy makers design and implement these changes and ameliorate their social costs but that however well designed a program of reform may be, it is the government's ownership of it and the degree of consensus it is able to mobilize in society at large that will largely determine the rate of progress. A well-informed civil society can be a major driver for change. Stakeholder analysis is an important input to understanding the political and social processes at work in a country that can have a major impact on the outcome of assistance.

A related theme that emerges from assessments by IEG of Bank Group assistance to transition economies during 1990-2003 is the limited capacity of most borrowing governments to design and implement complex and difficult programs and legal structures and the tendency of the Bank to underestimate the duration and intensity of the assistance needed. Rehabilitation and other projects with short-term objectives should be designed to minimize delays (using negative lists rather than trying to identify critical imports, for example); do without project implementation units; and forgo long-term reform objectives. Beyond the short term, capacity building should be central to any country strategy.

Despite these lapses, in a relatively short period (about a decade in most cases), the transition economies increased the share of the private sector in the economy from about zero in the late 1980s to about 70 percent by the early 2000s. By 2013, several countries in Central and Eastern Europe—led by Poland, the Czech Republic, and the

Baltic states—had transformed their economies into competitive market-based economies and moved from the Bank's lower-middle- or upper-middle-income categories to its high-income group.

To gain a better understanding of the mechanisms at work that link policies, initial conditions, the internal political economy environment, and external factors in the transition economies of the Central and Eastern Europe to their development outcomes, IEG selected three countries: Bulgaria, Poland, and Romania. These reviews are summarized below.

POLAND, BULGARIA, AND ROMANIA

Bulgaria, Poland, and Romania received substantial financial and nonfinancial assistance from the World Bank Group (as well as the European Union and the International Monetary Fund) in support of their *transition* from centrally planned economies to market-based and private sector–led economies, staring in the early 1990s. In all three countries, the quality of lending and non-lending support, as evaluated by IEG, was mostly moderately satisfactory or better. In all three countries (albeit with a significant degree of variation in terms of quality and timeliness of the outcome), Bank Group support through good-quality analytical and advisory products helped countries identify their binding constraints to growth and development and to focus on transitioning their centrally planned economies to market-based, private sector–led ones.

Among these economies, Poland was the fastest transformer. It moved more quickly in developing a credible and dynamic private sector and building on its institutional and human capital strength as well as its sizable domestic market and relatively large workforce. Over the past 25 years and following painful reforms, Poland underwent massive economic and political transformations. It was the fastest growing country within this group with average annual growth of GDP per capita of 3.6 percent compared with 3.1 percent for all transition economies in Central and Eastern Europe and only around 2.1 percent for Bulgaria and Romania (1990-2013). Poland was also more successful than either Bulgaria or Romania in reducing poverty. Between 1990 and 2013 nearly 2.3 million people were lifted out of poverty ($2/day) in Poland compared to an increase of 0.2 to 0.3 million in the number of poor people in Bulgaria and Romania and a reduction of only 0.2 million people for Central and Easter Europe transition countries as a group. Poland also had superior achievements in the social sectors and in terms of environmental sustainability and was able to maintain a relatively equitable distribution during the same period.

As a result of these transformations, the Polish economy emerged from decades of socialist state control of the economy. Much of its industry has been privatized, and its economy has become increasingly market based and competitive. Per capita GDP has more than doubled, and millions of people have been lifted out of extreme poverty, despite the sharp rise in both unemployment and poverty in the initial years of transition. Poland is one of very few countries that moved up in the Bank Group's income classification from lower-middle to high-income status in just two decades. Despite its progress, Poland has not completed its transformation. It must close the productivity gap with Western Europe, by reining in its public sector, investing in growth industries and becoming more global.

Both Bulgaria and Romania made significant progress on the economic and social fronts and in transitioning toward a market-based, private sector–led economy. But they have gone through a difficult and prolonged adjustment period. They lag far behind Poland in private sector development and in the degree of their integration with the Euro area and the global economy. Both countries have a challenging reform agenda ahead in order to speed up their transition to market-based and competitive economies.

Poverty Reduction Strategies

The *World Development Report 2000/01: Attacking Povert*y drew on a large body of research to conclude that major reductions in poverty were possible despite the mammoth proportions of the problem.[2] To reduce poverty, the report recommended a more comprehensive approach that directly addresses the needs of poor people in three complementary areas: (i) promoting economic opportunities for poor people through equitable growth, better access to markets, and expanded assets; (ii) facilitating empowerment by making state institutions more responsive to poor people and removing social barriers that exclude women, ethnic and racial groups, and the socially disadvantaged; and (iii) enhancing security by preventing and managing economy-wide shocks and providing mechanisms to reduce the sources of vulnerability that poor people face. It noted that actions by countries and communities would not be enough: global actions needed to complement national and local initiatives to achieve maximum benefit for poor people throughout the world.

The report contributed to the analytical foundation of the Bank Group's institutional strategy for development, as articulated in the following years. It formed the intellectual basis for the country-owned PRS Papers (PRSPs) that were being initiated as the report was being written. It also served an important informational role in quantifying and describing the evolution of poverty since the previous poverty-oriented *World Development Report* (World Bank 1990).

The contribution of the PSRP varied widely across countries, depending mainly on the initial conditions in each country's public sector, government-partner relationships, and relations among donors. The initiative added the most value in countries where government leadership and aid management processes were already strong. It has had less effect in countries with weak public sector capacity and donor-dominated aid relationships. Because the initiative includes a uniform requirement (completion of an acceptable document), it has not been sufficiently tailored to match the full range of capabilities and public policy priorities in low-income countries. Most PRSPs, for example, deal primarily with the composition of public expenditure; they give inadequate treatment to growth and other poverty-reducing actions.

External partners have supported the PRS process during formulation but have not systematically adapted the content of their assistance programs in a coordinated manner around the content of PRSPs, partly because of shortcomings in the strategies themselves. The PRS initiative is an improvement over the Policy Framework Papers of the 1990s, but it remains a work in progress. It had not yet fulfilled its potential to enhance poverty-reduction efforts in low-income countries at the time of the IEG evaluation (IEG 2004c). To gain a better understanding of the key drivers of transformation (and the World Bank Group's role) within the PRS approach, IEG selected two countries—Nigeria and Vietnam.

NIGERIA AND VIETNAM

In Vietnam and Nigeria, the PRS process seems to have played an important role in improving growth performance and moving forward on the social front, particularly given relatively weak local capacity. It did so by focusing the attention of policy makers and the donor community and directing their financial and technical assistance toward the meaningful measurement and analysis of key social indicators and poverty efforts. Key targets and instruments underpinned an actionable overall poverty reduction strategy in a programmatic fashion. Vietnam has been significantly more successful than Nigeria in transforming its economy, raising the standard of living in a more inclusive manner, and moving to middle-income status.

Vietnam was one of the fastest growing economies in the past 25 years, and the fastest growing within the PRSP group with average annual growth of GDP per capita of 5.5 percent (compared with 1.9 percent for PRSP countries and 2.6 percent for Nigeria). Vietnam was very successful in translating its rapid growth into a very rapid poverty reduction as nearly 45 million people were lifted out of extreme poverty ($2/day) during 1990-2013 compared to a reduction of just 0.8 million people for the entire PRSP group during the same period. Vietnam also succeeded in improving its average social indicators and in maintaining a relatively equitable distribution of income compared with the PRSP group as a whole.

Overall, Vietnam has made substantial progress in transforming its economy and society into a dynamic market-based economy with sustained rapid growth, relatively low poverty, and high social indicators. Along with other donors, the Bank Group made substantial contribution to these achievements, through its policy advice; the policy conditionality of its lending operations, especially the budget support instrument PRSC; and its high-quality analytic and advisory activities. A key feature of these interventions was that they provided assistance at the right time and were responsive to country needs, sometimes expressed by the highest level of government, for solutions to problems the country had already identified. Its assistance contributed significantly to a much improved policy environment over time.

In contrast, although Nigeria has accelerated its GDP growth since 1999, its impact on reducing poverty has been very limited. In a sharp contrast to Vietnam, the number of people in extreme poverty ($1.25/day) in Nigeria rose by more 38 million between 1990 and 2013 compared with a sharp reduction in Vietnam during the same period. Nigeria will not meet most of the Millennium Development Goals. The low growth elasticity of poverty reduction in Nigeria reflects a growing inequality which remains quite high despite some decline in recent years. The Bank Group's role in terms of financing is not large and has been declining relative to Nigeria's economy. It could have influence through policy advice and analytic and advisory activities, as well innovative projects that could be scaled up (there are a few good examples). If implemented in a satisfactory manner, the current country strategy could contribute to more sustainable and inclusive growth and a more meaningful poverty reduction than the previous one.

Fragile and Conflicted-Affected States

Fragile and conflict-affected states represent some of the most intractable challenges to development and human safety. Insecurity has become a primary development challenge, according to the *World Development Report 2011: Conflict, Security, and Development*.

As of 2016 the World Bank classifies 35 countries as fragile or conflict affected, up from 25 countries classified as low-income countries under stress in 2005. Extreme poverty is becoming increasingly concentrated in FCS countries, the group of countries where progress toward inclusive growth and poverty reduction has been most difficult to achieve. Some 1.2 billion of about 5.8 billion people in developing countries are estimated to live in countries affected by fragility. Economic growth in these countries is very low, and poverty and social indicators are substantially worse than the averages for developing countries. More than half (51 percent) of the half a billion people living in these countries live on less than $1.25 a day. Addressing fragility and conflict will therefore be central to attaining the twin goals of eliminating extreme poverty and achieving shared prosperity.

Conflict and fragility manifest themselves in different forms and have evolved over the past quarter century. Although the number of interstate and civil wars has declined, many countries are experiencing new forms of violence and fragility, including repeated cycles of violence, weak governance, and instability (World Bank 2011). The understanding and definition of fragility and conflict are also evolving. The Organisation for Economic Co-operation and Development (OECD) recently proposed a new multidimensional framework of fragility comprising five dimensions: violence, justice, institutions, economic foundations, and resilience.

The donor community has struggled to come to terms with how best to assist countries affected by fragility and conflict (IEG 2006). Informed by research, in 2002 the Bank suggested that the challenge of aid effectiveness in poor countries with ineffective governments required different instruments, supplemented by financial transfers, to promote change. The poor performance of these countries had led to an increasing concentration of (performance-based) assistance in low-income countries with reasonable policies, institutions, and governance. At the same time, it was recognized that disengagement from fragile countries carried with it regional and global risks (such as risks related to failed states). This work helped initiate a new strategy (the 2002 low-income countries under stress initiative) for engaging with fragile and conflict-affected countries to facilitate policy and institutional change and improve basic social outcomes.

Donor coordination, which is generally satisfactory at the level of the country strategy formulation, is often inadequate at the operational level and during the implementation phase. In the fragile and conflict-affected countries, where capacity to coordinate, prioritize and manage aid flows tends to be weak, lack of adequate donor coordination among donors may substantially reduce the effectiveness of aid.

There is a startling relationship between fragility and poverty (Collier 2007), and chronic insecurity is a main threat to development (World Bank 2013a). Repeated cycles of conflict and violence exact human, social, and economic costs that can last generations, wiping out development progress. Bank research on conflict, security, and development indicates that the average cost of civil war is equivalent to 30 years of GDP growth for a medium-size developing country (World Bank 2011). Addressing these cycles of violence and helping build legitimate institutions are therefore central to the Bank Group's mission of alleviating poverty (World Bank 2013a). The selection of countries for review (Mozambique and Rwanda, having graduated from fragile and conflict-affected state status) was based on IEG's evaluative work.

MOZAMBIQUE AND RWANDA

Among the FCS reviewed for this study, two graduates, Mozambique and Rwanda, performed much better in terms of growth and poverty reduction than the average performance by FCS countries. Their results and the Bank Group's role to help both countries achieve them are nuanced, however, and need to be interpreted carefully.

Since the end of the bloody two decade long civil war that left the country in ruin, Mozambique has emerged as one of Africa's best-performing economies. Annual GDP per capita growth averaged 3.7 percent over the past two decades. Sound macroeconomic management, large-scale foreign investments, political stability, and significant donor support contributed significantly to the country's solid performance. Mozambique also succeeded in making substantial progress in social sectors (for example, increase in average years of schooling was more than twice the average gain by the fragile and conflict-affected group). However, the impressive trajectory of growth and gains in education and health have not resulted in poverty reduction, job creation, and reduced income inequality as had been hoped for, prompting questions about the current development model and the need for greater inclusiveness and diversification of sources of growth.

IDA lending to Mozambique was substantial in the 1990s, accounting for almost 6 percent of the country's GDP; it remained significant, at 2.5 percent of GDP, over the past decade. IDA was Mozambique's largest development partner, providing more than $1.3 billion in funds. The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) also played active roles, supporting several megaprojects. Going forward, the challenge is to translate the sizable level of aid and the resulting economic growth into deeper poverty reduction and more sustainable development outcomes.

The Bank Group and its developmental partners played an important role in Rwanda's transformation in the areas of sustainable economic growth and rapid social progress. IDA made constructive contributions to Rwanda's substantial progress in the past 20 years. Rwanda graduated from fragile and conflict-affected status, sustained rapid economic growth, and reached truly impressive human and social development milestones since the end of the civil war in 1994. However, as of 2013, the poverty level was still higher than what it was before the start of the civil war, in 1990. Its growth, however, has not been as equitable or its poverty reduction as rapid as it could have been. Only since 2009 have poverty and inequality, which remain very high, begun to decline significantly.

Recent positive trends in poverty reduction and economic equality are encouraging signs that highly successful social sector development paired with strong economic growth are crucial in the process of transformation. It is still too early to make a call on the fiscal and environmental sustainability of Rwanda's achievements. However, stronger country ownership and a very selective Bank Group program since the mid-2000s contributed to the observed development shift. These lessons can be applied in other fragile and conflict-affected states, even if Rwanda's dependence on aid creates a sense of uncertainty about the sustainability of its impressive progress.

In sum, both Rwanda and Mozambique have succeeded in sustaining economic growth and social progress over an extended period and in initiating their respective transformations into less fragile and more dynamic economies compared with the fragile and conflict-affected states as a group, though they both face difficult development challenges and will continue to require sustained technical and financial assistance to ensure their future growth is more inclusive and environmentally and socially sustainable than has been the case in the last decade.

Long-Term Strategic Interventions (Mostly in Middle-Income Countries)

Although the global rate of extreme poverty has fallen by half since 1990, progress in the developing world has been uneven. Extreme poverty remains widespread in most low-income countries, roughly half of which are classified as fragile and conflict affected. In addition, many middle-income countries continue to have substantial levels of extreme poverty, and many people who escaped extreme poverty remain poor and vulnerable to slipping back into it. Progress in sharing prosperity is decidedly mixed, with inequality accompanying growth in many countries as they move up the national income ladder and extreme poverty declines. Indeed, in many upper-middle-income countries, the share of population living on $2-$4 (PPP) a day often increases sharply.

The Bank Group has been more effective and relevant in cases where it has applied its knowledge and evaluative evidence to the specific development challenges of middle-income countries and customize its support to their development needs, which vastly differ from one country to another and evolve over time. This is clearly supported by recent evaluative evidence. Based on IEG's recent evaluations of the World Bank's performance in middle-income countries for the periods what overlap with this review's evaluative period, the overall outcomes of the Bank's country programs in middle-income countries (MICs) were found to be moderately satisfactory, on average, in meeting country-specific development objectives of promoting economic growth and reducing poverty. In fact, IEG found that the outcomes in MICs were better than for the Bank's work in low-income countries, and indeed the then (the first of the 2000s) recent outcomes in large MICs, such as Brazil and China, were assessed to have been fully satisfactory—that is, at least a notch higher on the rating scale than moderately satisfactory.

Yet IEG found that there was significant pressure on the Bank Group to do better in an environment where MICs' demands had begun to become more challenging and they were facing more choices of support. In addition, other indications, ranging from client surveys, to in-country consultations, and reviews of projects and programs, suggested that for the World Bank's "work to have a more pivotal demonstration effect, a greater proportion of it must reach the highest standards of effectiveness" (IEG 2007).

IEG's evaluative findings from a subsequent evaluation of the Bank's support for earning growth and employment creation in three middle-income countries (Colombia, Tunisia and Turkey) reinforced the finding of the earlier evaluation that from a more general cross-cutting perspective, the World Bank could usefully strengthen its role as knowledge provider, broker, and facilitator of knowledge creation. The Bank is in a good position, IEG argued, to exercise leadership on employment issues as it has demonstrated capacity to use research for developing operationally relevant policy. In this regard, IEG recommended that "[analytic and advisory activity], not lending, is often the best instrument to deal with more sensitive policy issues" (IEG 2008a). The outcome of the Bank support was evaluated to have been mixed. Despite notable progress in economic growth, earnings, and poverty reduction in the countries reviewed, unemployment rates remained high, which was assessed to have been at least partly due to the lack of sufficient focus of the support programs on the main binding constraints on the functioning of the labor markets and lack of attention to related political economy issues.

World Bank Group assistance to support transformational changes in its clients through long-term engagements with them range from those who have recently graduated from IDA to those who have recently been moved to the high-income category. IEG conducted country reviews based on the IEG's existing evaluative for Peru and the Philippines.[3]

PERU AND THE PHILIPPINES

Peru and Philippines are two countries with which the Bank Group has maintained long-term strategic engagements. Peru experienced strong growth and development outcomes over the last 25 years. In the Philippines, transformation was more modest, but it, too, made good progress, particularly over the last decade.

Peru experienced average annual GDP per capita growth of 3.4 percent during 1990-2013 compared with only 2.1 percent for MICs as a group, and 3.2 million people were lifted out of extreme poverty ($1.25/day) during this period. Peru's pace of progress in social sectors was significantly faster than the average for middle-income countries. Consistent government commitment and effective management of the reform agenda were key factors underpinning positive Bank Group contributions over the review period. Positive outcomes of Bank Group support also reflected, among other things, its long-standing policy dialogue, maintenance of its reputation as a high-quality service provider, important intellectual contributions, and consistent dialogue with civil society. Peru seems to have valued the convening role and know-how of the Bank Group much more than its financing. The team working with the Peruvian authorities had a high level of expertise and commitment to the Bank's program of support for Peru. Their skill was critical given the innovative nature of the analytical work; it raised the quality of the dialogue and the level of trust.

Moving forward, a stronger push in growth-promoting reforms, combined with continuation of sound macroeconomic policies, will be needed to bring Peru to a higher income level. Peru will also need to continue strengthening the links between growth and equity. A large share of the Peruvian population remains vulnerable to shocks and could fall back into poverty, reversing the progress achieved over the course of the past decade. The government has identified priority areas to prevent slippage from occurring, including increasing the quality of basic services, such as education and health; expanding access to markets for the poor and vulnerable segments of the population; and closing infrastructure gaps in rural and peri-urban areas, increasing access to markets and services.

The Philippines has maintained a wide-ranging engagement with the Bank for almost 60 years. But despite strong economic growth, extreme poverty did not significantly decline since the early 1990s. Its real per capita GDP grew at an average annual rate of 2 percent in 1990-2013, and the number of persons in extreme poverty ($2/day) actually increased by 2.2 million people (of a total population of about 100 million) during the same period while its income inequality remained among the highest in East Asia. In addition, data and methodological issues raise questions about the reliability of poverty statistics. Beyond data issues, the limited poverty reduction experienced over the past two decades can be explained by high population growth among the poor; low factor productivity; frequent and severe natural disasters; persistent conflicts in parts of the country; and the resilient dominance of various families, who deter necessary reforms for deepening democracy and creating a sustainable social market economy.

The Philippines' engagement with the Bank Group is ongoing and adapting to the country's immediate and long-term needs. Since the 1980s, the Bank Group has tried to help the authorities improve governance and increase fiscal space issues, but efforts have not been successful. The country has been constrained by stop and go cycles in reforms.

Moving forward, the Bank Group's role, according to the latest Country Assistance Strategy, will need to focus on improvements in governance. Analytical and advisory activity will likely remain at the heart of the program, because as the economy continues to grow, lending will be less significant and advisory work more relevant. The Bank Group is expected to be more selective and strategic, in order to avoid overly ambitious programs that may be difficult to implement.

Broad Conclusions

World Bank Group support for transformative country-level changes depended to a large extent on countries' own initiatives and political commitment to transformative growth and development and the quality of the Bank Group's policy advice and analytical work on identification and removal of the major binding constraints to growth and development.

The reviews suggest that World Bank Group support for growth, poverty reduction, and social progress made positive contributions but to varying degrees in these countries. Except for a small number of cases, client countries generally responded positively to World Bank Group efforts, which largely focused on inclusive growth and poverty reduction, taking advantage of the institution's technical expertise and cross-country experience where relevant. That said, only the successful transformational cases (in this study, Mozambique, Peru, Poland, Rwanda, and Vietnam, as well as a few other successful long-term strategic clients, such as Chile, China, and Korea, whose experiences are briefly reviewed in this study) appear to have truly benefited from the Bank Group's lending and nonlending services. A key to the Bank Group's success in these countries was being ahead of the curve and changing its support and the mix of the services it provided in line with these countries' changing needs. Getting stuck in a business as usual mode could inadvertently contribute to countries falling into the so-called middle-income trap.

In this context, important lessons could also be drawn from the Bank's transformational engagements in highly successful clients of the 1970s, 1980s, and 1990s, such as Chile, China, and Korea. In each of these countries, the Bank's support contributed to far-reaching changes or help client countries shift to a higher and/or more sustainable development path. The assistance programs entailed partnerships in which the Bank Group played a leading or supporting role. In all three countries, Bank assistance has evolved to meet their changing economic circumstances and development needs. The Bank often made critical initial contributions in these successful transformation cases through research and technical assistance to introduce basic economic reforms, modern project management methodologies, new technologies, international procurement and competitive bidding, and then later shifted its assistance to help with institutional reforms and knowledge transfer.

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[1] In particular, poverty within ethnic groups, for example, Roma, in which the Bank Group has eventually provided substantial support in recent years.

[2] In 2000 (when the World Development Report was published), about half of the world's 6 billion people were living on less than $2 (PPP) a day, with limited access to education and health care; lack of political power and voice; and extreme vulnerability to ill health, economic dislocation, personal violence, and natural disasters.

[3] In addition, brief reviews were conducted for three of the Bank Group's clients with long-term engagements that have had highly successful and transformative development outcomes over the last three decades, Chile and Korea (Republic of), which have achieved high-income status in recent years, and China, which has had one of the most successful growth and poverty reduction strategies among all developing countries in the last three decades, moving from the low-income category to the upper-middle-income category.

Table C.1. Indicators used in the Country Level Transformational Engagements by the World Bank Group: Poverty Reduction and Sustainable and Inclusive Development, 1990-2013

	GDP per capita Growth, PPP constant 2011 (% Average per annum) 1990-2013	Poverty Reduction (+/- millions of people) at $1.25/day 1990-2013	Poverty Reduction (+/- millions of people) at $2.00/day 1990-2013	Increase in Schooling (Average in years) 1990-2013	Increase in Life Expectancy (Average in years) 1990-2013	Income Inequality			Environmental Sustainability Latest Data*
						Palma ratio		GINI index	
						1990	2013	Latest Data Available	
Transition Countries (CEE)	**3.1**	**-0.1**	**-0.2**	**+1.6**	**+5.2**	**1.0**	**1.2**	**31.0**	
Poland	3.6	-1.1	-2.3	+2.1	+5.5	0.9	1.3	32.8	66.06
Bulgaria	2.3	+0.1	+0.3	+1.7	+2.2	1.2	1.4	34.3	60.42
Romania	2.0	-0.1	+0.2	+1.7	+4.3	0.9	1.0	27.3	61.03
Poverty Reduction Strategy (PRS) Initiative	**1.9**	**-0.8**	**+1.5**	**+1.3**	**+8.4**	**2.5**	**2.0**	**39.8**	
Vietnam	5.5	-45.2	-40.3	+1.5	+5.3	1.5	1.5	35.6	55.12
Nigeria	2.6	+38.4	+55.2	+0.4	+6.4	2.4	2.2	43.0	61.98
Fragile and Conflict-affected Countries (FCS)	**1.2**	**+1.5**	**+2.7**	**+1.0**	**+7.6**	**3.3**	**2.2**	**39.9**	
Mozambique	3.7	+2.5	+6.8	+2.4	+6.7	2.3	2.5	45.7	48.05
Rwanda	2.2	+2.4	+2.8	+1.5	+31.5[f]	1.1	3.2	50.8	63.01
Long-term Engagements, Middle-Income Countries (MICs)	**2.1**	**-10.6**	**-9.3**	**+1.7**	**+5.3**	**2.8**	**2.3**	**41.2**	
Peru	3.4	-1.7	-3.2	+2.4	+9.3	2.3	2.5	45.3	51.98
Philippines	2.0	-4.1	+2.2	+1.8	+3.5	2.3	2.2	43.0	49.93
China**	9.3	-605.4	-714.5	+2.6	+5.8	0.8	1.4	37.0	52.20
Chile**	3.8	-0.5	-1.5	+1.7	+6.3	4.7	3.3	50.8	49.37
Korea, Republic**	4.4	no data[g]	no data[1]	+2.9	+9.8	1.1[h]	1.1[i]	31.1[j]	45.34
<u>**Memo items:**</u>									
Bangladesh	3.7	-14.1	+13.4	+2.2	+10.7	1.0	1.3	32.1	55.82
Brazil	1.6	-15.4	-27.7	+3.4	+7.4	6.1	3.8	52.7	61.49
India	4.8	-145	+21.4	+1.4	+7.9	1.4	1.8	33.6	42.30
Indonesia	3.4	-57.5	-45.5	+4.2	+7.3	1.3	2.1	38.1	53.66
Morocco	2.6	-0.6	-1.9	+2.2	+6.1	3.2	1.9	40.9	37.30
Turkey	2.4	-1.0	-3.1	+3.1	+11	2.0	1.9	40.0	43.20
Tunisia	3.0	-0.4	-1.1	+3.1	+7.1	1.8	1.5	35.8	40.89

Source: Fardoust-Roquiz Annex 1 and Combined tables and related statistical results, using World Bank, World Development Indicators; UNDP, Human Development Report, PovcalNet, OECD (database).

Notes:

a. Can be attributed to the Rwandan genocide in the 1990s.

b. Average of 15% from 2006-2011; Poverty rate: ratio of the number of people whose income falls below the poverty line; taken as half the median household income of the total population (OECD Data).

c. Palma ratio (2006-earliest), OECD data.

d. Palma ratio (2011-latest), OECD data.

e. GINI index, OECD data.

f. Can be attributed to the Rwandan genocide in the 1990s.

g. Average of 15 percent from 2006 to 2011; poverty rate: ratio of the number of people whose income falls below the poverty line; taken as half the median household income of the total population (OECD data).

h. Palma ratio (2006-earliest), OECD data.

i. Palma ratio (2011-latest), OECD data.

j. GINI index, OECD data.

*Ecosystem Sustainability Index (a combined index of greenhouse gas emissions, water withdrawals as a percentage of resources and biodiversity and habitat protection; Source: Social Progress Index 2015); best among 133 countries in 2015: Switzerland: 82.21; worst among 133 countries: Libya: 0.96.

**Based on a light review of each country's World Bank Group engagement since the 1980s.