IEG
Independent Evaluation Group

THE WORLD BANK

# Development Results in Middle-Income Countries

## An Evaluation of the World Bank's Support

# THE WORLD BANK GROUP

### *WORKING FOR A WORLD FREE OF POVERTY*

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The Independent Evaluation Group (IEG) is an independent, three-part unit within the World Bank Group. IEG-World Bank is charged with evaluating the activities of the IBRD (The World Bank) and IDA, IEG-IFC focuses on assessment of IFC's work toward private sector development, and IEG-MIGA evaluates the contributions of MIGA guarantee projects and services. IEG reports directly to the Bank's Board of Directors through the Director-General, Evaluation.

The goals of evaluation are to learn from experience, to provide an objective basis for assessing the results of the Bank Group's work, and to provide accountability in the achievement of its objectives. It also improves Bank Group work by identifying and disseminating the lessons learned from experience and by framing recommendations drawn from evaluation findings.

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Cover photo: A young boy stands with a soccer ball in one of the favelas of Rio de Janeiro, Brazil, 2006. Photo from Paulo Fridman/Corbis.

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Train crossing river on trestle bridge, South Africa. An Outeniqua Choo-Tjoe Railway train, which runs between the towns of George and Knysna, crosses the Kaaimans River at Wilderness, 1996. (Photo from Charles O'Rear/Corbis.)

# Abbreviations

| | |
|---|---|
| AAA | Analytic and advisory activities |
| AHIF | Avian and Human Influenza Facility |
| CAE | Country Assistance Evaluation |
| CAS | Country Assistance Strategy |
| CASCR | Country Assistance Strategy Completion Report |
| CCT | Conditional cash transfer |
| CGAP | Consultative Group to Assist the Poor |
| CPIA | Country Policy and Institutional Assessment |
| CPS | Country Partnership Strategy |
| DFID | Department for International Development (United Kingdom) |
| DGF | Development Grant Facility |
| ESMAP | Energy Sector Management Assistance Program |
| ESW | Economic and sector work |
| EU | European Union |
| FAO | Food and Agricultural Organization of the United Nations |
| FSAP | Financial Sector Assessment Program |
| GDN | Global Development Network |
| GDP | Gross domestic product |
| GEF | Global Environment Facility |
| GFATM | Global Fund for AIDS, Tuberculosis, and Malaria |
| GPAI | Global Program for Avian Influenza |
| IBRD | International Bank for Reconstruction and Development (commonly referred to as the World Bank) |
| ICR | Implementation Completion Report |
| ICT | Information and communication technologies |
| IDA | International Development Association |
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| LIC | Low-income country |
| MDG | Millennium Development Goal |
| MIC | Middle-income country |
| MIGA | Multilateral Investment Guarantee Agency |
| NGO | Nongovernmental organization |
| PPAR | Project Performance Assessment Report |
| PSD | Private sector development |
| QAG | Quality Assurance Group |
| TA | Technical assistance |
| WBG | World Bank Group |
| WBI | World Bank Institute |
| WDI | World Development Indicators |
| WHO | World Health Organization |

Car on the road between Coroico and La Paz in the Yungas Region, Bolivia, 1998. (Photo from Atlantide Phototravel/Corbis.)

# Acknowledgments

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The evaluation was conducted under the guidance of Victoria Elliott, Manager, IEG Corporate Evaluation and Methods Unit.

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Wall ruins in town of Nesebar in Bulgaria. (Photo from Richard Nebsky/Robert Harding World/Imagery/Corbis.)

# Foreword

Middle-income countries (MICs) are facing rapidly evolving development challenges as their economies mature and integrate into the global economy. As a group, the 86 MICs account for about one-fifth of world output, and their per capita income has grown by almost 4 percent annually since 1995. Yet they are still home to one-third of the world's poorest citizens, living on less than $2 per day.

The World Bank has provided US$163 billion in loans to these countries since 1995 and it allocates about half its administrative budget to working with them. Today, as a group these countries have far more choice than they did even 10 years ago in obtaining both finance and knowledge for development. With the dramatic changes in the global context, many stakeholders and outside commentators have begun to propose that the Bank change its relationship with this group—with proposals ranging from strengthened engagement to withdrawal.

This IEG evaluation brings a fresh perspective to the debate by assessing the development effectiveness of the Bank's recent work. It presents evidence—including views from the client countries themselves—about the outcomes of the Bank's support to individual countries over the past 12 years. It also spotlights three growing dimensions of the Bank Group's role—sharing knowledge across countries, engaging countries in global programs, and combining support to the public and private sectors.

The Bank's support for fostering growth and reducing poverty has contributed to the considerable success of MICs in these key areas. But the Bank must swiftly become more effective on other crucial issues where its work has not yielded pronounced advancements—dealing with inequality, combating corruption, and protecting the environment. Yes, the Bank should continue its engagement with this group—but it will need to depart from business as usual.

The Bank has to become more agile in response to rapidly changing client needs. It needs to draw on MICs' own capacity more systematically, connecting such capabilities to help low-income countries and to tackle global challenges. Its work must consistently introduce and scale up cutting-edge development solutions. Change in these aspects will allow the Bank to continue offering support that will effectively benefit the more than 800 million poor in MICS.

*Vinod Thomas*
Director-General, Evaluation

A young boy stands with a soccer ball in one of the favelas of Rio de Janeiro, Brazil, 2006. (Photo from Paulo Fridman/Corbis.)

# Executive Summary

The 86 middle-income countries (MICs) form a diverse group with considerable global importance, including being home to one-third of the world's poor. The World Bank has lent $163 billion to MICs since 1995—nearly two-thirds of its total lending to all developing countries—and allocates about half of its administrative budget to work with this group. This evaluation of the Bank's programs (fiscal years 1995–2006) concludes that its support in fostering growth and reducing poverty has been appreciated by MICs and has made a contribution to their considerable success in these major areas. But it also concludes that the Bank must become more effective on issues where its work has not yielded pronounced advancements, notably dealing with inequality, combating corruption, and protecting the environment.

The Bank's quality stamp—reflected in technical expertise, project design and supervision, and advisory services—has been a key strength. Its advisory work has been strong on diagnostics but would have greater impact if it concentrated more on specific local needs. It could have done better in drawing on MICs to help shape priorities for global programs and in finding ways to increase synergy across the Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Looking ahead, the Bank should continue its engagement with MICs, but it must depart from business as usual. To produce greater development benefits it has to become more agile in response to rapidly changing client needs; draw upon MICs' own capacity more systematically; and more clearly demonstrate best practice to deliver impact beyond the Bank's limited direct role.

## A Rapidly Changing Context in MICs

***MICs***—the 86 countries that fall into the middle-income range set by the Bank's World Development Indicators—account for just under half of the world's population, are home to one-third of people across the globe living on less than $2 per day, and are found in all six of the Bank's geographical Regions. They cover a wide income range—the highest-income MIC has a per capita income 10 times that of the lowest. The group has grown in number since the mid-1990s, including 10 countries (for example, China and the Arab Republic of Egypt) that moved from the low-income to the middle-income category. MICs are also important partners of, shareholders in, and borrowers from the World Bank.

***The environment in MICs has changed significantly in recent years and is likely to continue to evolve rapidly.*** MICs' institutional capacity has been strengthening, while the increasing role of the private sector in most economies and growing globalization have added to the complexity of the development challenges being faced. The group has enjoyed an expansion of choice in its sources both of development finance—the number of MICs with capital market credit ratings has more than doubled since the mid-1990s—and of knowledge. Indeed, for MICs the Bank's new lending amounts to only a small and declining share of national investment—0.6 percent in

2005, down from 1.2 percent in 1995. Repayments on existing loans exceeded new disbursements by an annual average of $3.8 billion for the group over the past 12 years. It is in view of these changing conditions, and debate about the role of the Bank in MICs, that IEG evaluated the Bank's lending and nonlending activities in the group over fiscal 1995–2006. The main question: How has the Bank's engagement with MICs fared in this setting?

## Performance on Priorities for MICs and the Bank

***The Bank has tailored its individual country strategies astutely to be relevant*** to the varied needs across this very diverse group. Most country strategies have focused on sectors and themes important for countries' development needs, including promoting growth. They have brought together tools—finance, knowledge, convening power—in a fairly well integrated fashion, thereby providing a mix of support not readily available from other sources. For some clients, however, particularly among the 30 small-state MICs, the Bank's mix of tools has fitted less well with country conditions.

***On the overarching priority of promoting growth—emphasized at the corporate level in the two-pillar development strategy—the Bank's support to MICs has been effective and generally well regarded by clients.*** MICs as a group have grown robustly, particularly since 2001, when more than two-thirds of the group had achieved average annual per capita growth above 2 percent. The close match between country and Bank priorities has created an environment for ownership of measures to enhance growth. Nearly 70 percent of respondents in this evaluation's client survey rated the Bank's support in fostering growth as moderately effective or better. The Bank's macroeconomic and structural policy analysis has been good, and this analytical work has been combined with policy-based lending in several countries, including Colombia and Romania, to put growth-enhancing measures into practice. Bank-financed projects in several sectors that can help facilitate growth, including those in infrastructure, have been particularly strong performers.

***In moving beyond growth into poverty reduction, MICs have secured some positive outcomes overall.*** The group as a whole has lifted nearly 400 million people above the $2-per-day poverty threshold since 1993. In addition to the world-leading achievements of China, the other MICs have reduced their poverty rate by 20 percent, which is considerably faster than the reduction observed in low-income countries (LICs) over that period. And clients in MICs across the income spectrum have provided a favorable assessment of the Bank's overall support to reducing poverty—with three-fifths rating its help as moderately effective or better.

***The Bank has paid significant attention to poverty in its country strategies,*** including helping to quantify and analyze its incidence, as well as to assist clients in developing responses to their particular poverty issues. This stance in addressing poverty has proved pertinent to most MICs' needs and has been successfully meshed with work on supporting sustained growth. For example, in Bulgaria clients appreciated the anti-poverty efforts that emphasized improving institutions and the investment climate alongside measures that specifically targeted pockets of poverty.

***Progress on poverty has been helped by work in supporting poverty-focused interventions, including social assistance programs.*** In Tunisia, for example, the Bank's policy work supported the government's focus on growth with equity, helping, among other things, to increase incomes in remote rural areas. In many cases the combination of knowledge work and finance has proved valuable, as encapsulated in social assistance projects, which have performed particularly well. The transfer of knowledge across countries has been a positive ingredient of the Bank's work in this area, exemplified by the sharing of experiences with conditional cash transfer programs in many locations—and noted by clients in Colombia and Turkey as a significant value added in the Bank's support.

***But on helping protect the poor during crises—one of the rationales for support to MICs suffering financial***

***calamity—clients express some dissatisfaction*** with the Bank's efforts. Case studies confirm that the Bank's speed of response in assisting countries once a crisis has emerged has been good (although coordination with the International Monetary Fund was suboptimal), its liquidity assistance has been appreciated, and its work helped advance structural reforms. Nevertheless, in Brazil, the Russian Federation, and Thailand, neither the Bank nor the authorities had strong contingency plans to strengthen social safety nets to protect the poor during crises. Furthermore, Bank support for more substantial social protection reforms, where sustained government ownership was not always apparent, had modest impact over the longer run.

***Less progress has been made on important issues beyond the growth agenda, where there are significant challenges.*** In particular, more than half of MICs have seen inequality rising over the past decade. While the Bank's work has shown increasing awareness of the issue, it has not yet succeeded in helping countries deal convincingly with the problem. Over half of *client survey* respondents rated the Bank's work in addressing inequality as moderately ineffective or worse. In many MICs, inequality has a strong geographic dimension: particular regions within countries face a growing prosperity gap with better-performing locations. In Ukraine, for example, the Bank has supported regional development efforts, but reductions in regional inequality have yet to be secured.

***Progress has also been sketchy and deficient in some respects on other important corporate priorities.*** On the challenge of fighting corruption, which is relevant to many MICs, there is limited evidence that the Bank's efforts have found much traction. Perception indicators measuring control of corruption have not moved significantly in the majority of MICs over the review period. In Indonesia, for example, despite some positive steps by the government and useful contributions from the Bank, corruption remains problematic, and the outcome of the Bank's work in this field has been assessed as moderately unsatisfactory. In this evaluation's *client survey,* views across MICs were quite stark on this issue—two-thirds of respondents judged the Bank's contributions to reducing corruption as moderately ineffective or worse, the most negative response received on surveyed topics. To some extent these observations may reflect the complex, sensitive, and long-haul nature of dealing with corruption. There are some signs of progress—for example, in Turkey and Ukraine—with help from Bank support, including for improved procurement practices and better monitoring and awareness of corruption.

***Finally, meeting environmental challenges in MICs has proved problematic.*** The Bank has given some attention to the topic, and most MIC Country Assistance Strategies mention environmental issues. Some country programs, for example, those in Brazil in the review period, have helped to deliver satisfactory progress by positioning environmental issues as integral to the sustainable growth agenda, securing government ownership, and building domestic institutional capacity in the environment field. But this experience has not been widespread, and lending for projects mapped to the Environment Sector Board have performed poorly compared with projects in other sectors. Difficulties have included overly complex project design, a lack of institutional capacity for implementation—for example, in the land use rationalization project in Paraguay—wavering political support, and weaknesses in ongoing coordination between implementing agencies and the Bank.

## Influences on the Performance of the Bank

Development needs differ across MICs. Countries at the lower end of the income band tend to face a broad range of challenges, while those with higher incomes concentrate on more specific issues. There are also considerable variations in the nature of Bank country programs, including the volume of lending and its scale relative to country resources, the balance between lending and advisory services, and the sectors and themes of primary emphasis. The evaluation found that across different country and program types, several features relating to the Bank's way of working have enhanced—or impaired—the success of its support. These are the adaptability and responsiveness in its instruments and programs; the quality of expertise; the extent of drawing on MICs' own capacity, including in global programs; and internal Bank Group cooperation.

***The Bank has not been agile and has struggled to keep pace with the speed at which client needs and demands have been changing.*** This lack of agility has taken several forms. Clients in several countries emphasized slow responsiveness to changing country conditions, including their changing preferences on financing instruments, which may have undermined the Bank's relevance and led them to look elsewhere for financing. Another dimension is processes and procedures that are seen as cumbersome and that impede access to Bank support. Certainly clients take into account the specific financial terms as they make borrowing decisions. But nonfinancial costs of doing business, alongside other considerations such as quality and program relevance, carry even more weight for many clients.

The Bank takes too long to consider and implement significant changes—such as use of country safeguards in place of Bank-specific systems—in relation to the needs and opportunities presented in MICs. One timing issue the Bank has got right is better alignment of its individual country programs with national planning cycles—noted by clients in Colombia and China, among others—which improves the prospects of success.

***Clients find the Bank's quality stamp—reflected in its technical expertise, project design, and supervision skills—to be a key strength.*** For some countries it is what is embedded in this quality stamp that provides the main value in Bank financing. And across MICs, Bank analytical and advisory work has been, in most cases, of high technical quality, and has satisfactorily embodied the lessons of international experience. For example, in Thailand its support for recent work on the economics of effective AIDS treatment helped link policy makers with the latest international experience, and so further strengthened the country's programs. But on other occasions the effectiveness of knowledge services in shaping opinion for public policy and investment has been hampered by inadequate presentation and dissemination of reports. These weaknesses have held back the Bank's contribution to the information marketplace.

***An opportunity has been missed in failing to draw upon MICs' own national capacity in a strategic or ample manner.*** In some sectors, such as education and health, specific local knowledge is vital, but even in sectors where international best practice is more clearly established, such as the financial sector, local perspective on how to implement development solutions is essential. In this regard, the Bank's knowledge services, perhaps in part because they have not fully used or helped build national capacity, have too often been good on diagnostics but weak in applying expertise to specific local needs. And while some MICs recognize the potential for the Bank to help transfer knowledge to other countries, its efforts to incorporate this explicitly in its country programs, or indeed through a clear Bank-wide framework, have been modest.

***Similarly, drawing on MICs to help shape priorities for global programs has been limited.*** IEG's 2005 global programs evaluation recommended that the Bank and its global partners work to enhance the voice of client countries on the governing bodies of global programs. Even though there have since been some positive changes, and MICs typically have more voice in the governance of global programs than low-income countries, their input remains modest. Even large MICs' involvement in the governance of significant global programs occurs only about one-third as often as it does for high-income countries. This inhibits MICs' engagement in and enthusiasm for such programs.

***Within the Bank Group, despite considerable high-level attention directed toward making the best use of its combined resources, internal cooperation among the Bank, IFC, and MIGA has been underwhelming.*** What efforts there have been to cooperate at the country level have been more apparent in strategy than in implementation. In country programs, Bank Group cooperation has been modest—barely half of planned instances of cooperation have come to fruition—and its purported potential has not been fully exploited. In Kazakhstan, for example, although several areas of cooperation were planned, only one-quarter of those took place. The main factors inhibiting cooperation are the incompatible timelines for projects, differences in organizational culture, and prevailing staff concerns that their time can neither be easily allocated to cooperation nor recognized in performance assessment. Another facet that has to be properly managed is the risk associated with potential or perceived conflicts of interest across the Bank Group, especially in turbulent market conditions at times of financial crises.

## Overall Assessment

***The outcomes of the Bank's country programs in MICs have been moderately satisfactory, on average,*** in meeting varied country-specific development objectives, including promoting growth and reducing poverty. The outcomes have been better than for the Bank's work in LICs, and indeed the most recent outcomes in large MICs, including Brazil and China, have been satisfactory—a notch higher on the rating scale.

***Yet there is significant pressure to do better*** in an environment where MICs' demands are becoming more stretching and they have more choices of support. Taken together, a collection of indicators—from client surveys, in-country consultations, project reviews, and country program assessments—suggest that for the Bank's work to have a more pivotal demonstration effect, a greater proportion of it must reach the highest standards of effectiveness.

## Recommendations

***The Bank should continue its engagement with MICs, but take steps to produce greater development effectiveness.*** This requires the Bank to depart from business as usual and to reinvigorate its relationship with clients, incorporating the four main dimensions highlighted below.

### *Draw on MIC capacity*

To promote greater country ownership of the Bank's work, and to create better opportunities for the Bank to learn from MICs and share their experience with LICs, Bank support needs to more systematically draw upon and develop each country's own expertise. To this end, management should require that country assistance/country partnership strategies and significant analytic and advisory activity (AAA) assignments plan clearly to do this.

The Bank ought to identify incentives and obstacles to MICs' involvement in the governance of global programs. This could involve producing an inventory of governance arrangements for global programs it supports and conducting a formal consultation exercise with MICs (and other developing countries).

### *Demonstrate best practice*

To deliver the maximum impact from the Bank's limited financial role in MICs, in partnership with clients, the Bank's projects and programs must be selected to go beyond conventional approaches and clearly demonstrate how they will add to best practice development activity in the respective country setting. They should also show whether, when, and in what way they are expected to play a catalytic role, being scaled up using resources beyond those initially provided by the Bank.

Country programs, prepared in full partnership with MIC clients, must pay renewed attention to achieving greater effectiveness in three pressing and complex issues: combating corruption, reducing inequality, and protecting the environment. Programs need to draw on the full range of Bank and other resources available to meet these challenges.

The Bank could more actively share best practice and encourage arrangements for knowledge transfer across countries, Regions, and sectors. Three specific measures to do this would be: (i) giving more weight to this goal in strategically managing staff rotation; (ii) ensuring that research and policy work go beyond general principles and focus on specific country-by-country needs; and (iii) reviewing the performance of the networks on this dimension.

### Become more agile

To help the Bank more quickly and easily adapt its services and areas of focus for MICs' evolving needs, it needs to set up a program to test new approaches for a selected group of countries. The first element of the program would be a much more decisive push on the existing slow-moving pilot for the use of country systems in the execution of Bank lending, and significantly increasing the number of countries and projects actually implementing the new approach on the ground by mid-fiscal 2008.

The trial program would do well to go further and offer the selected MICs, each with strong institutional capacity, a new menu of support, incorporating features such as fast-track procedures, faster response times, and more flexible strategies.

The Bank should continue efforts to expand the choice of services it offers. This can be done by accelerating the development and deployment of (i) new financial instruments such as those helping countries manage and reduce vulnerability to external shocks; (ii) existing and new products that help tackle subnational challenges; and (iii) new arrangements—with clear, consistent, and user-friendly guidelines—for fee-for-service technical expertise, including that for project design and supervision.

### Make the most of Bank Group cooperation

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

# Management Response

Management welcomes this Independent Evaluation Group (IEG) review of World Bank support to middle-income countries (MICs). It is comprehensive in its coverage of the relevant issues. It is also timely, given that management is in the process of implementing an action plan to strengthen its engagement with International Bank for Reconstruction and Development (IBRD) partner countries. In particular, management welcomes IEG's conclusion that the Bank should continue its engagement with MICs, and it agrees that the Bank should do more to improve the quality and impact of its support to MICs. Several of the actions aimed at achieving this goal are summarized in the Management Action Record, responding to IEG's specific recommendations.

## Management Views on IEG's Analysis and Conclusions

The IEG review presents valuable analysis on the relevance of the Bank's work, the effectiveness of its country programs, the sharing and use of its knowledge, the role of MICs in global programs, and Bank Group cooperation. All of these issues are important for the ongoing work to strengthen the World Bank's engagement with IBRD partner countries, implementing the strategy endorsed by the Development Committee in September 2006 (World Bank 2006e). Overall, management finds the analysis and conclusions to be in line with its own priorities for action.

### *Priorities for action*

Since the Development Committee endorsed the strategy, management has worked to speed its implementation. The strategic priority is to improve—and customize to the diverse needs of MICs—services in each of the Bank's business lines: strategic and coordination services, financial services, and knowledge services. Management is also seeking to enhance impact through greater Bank Group synergy and international cooperation and partnerships. Key actions for improving and customizing services are as follows.

- ***Strategy and coordination services.*** At the country level, the priority is to produce more flexible, customized country partnership strategies that integrate all Bank Group services relevant to the country, including support for the country's contribution to regional and global public goods (GPGs.) This work is going ahead on a pilot basis and will lead to a staff guidance note once other key proposals—such as on the use of country systems and the business models for supporting GPGs and delivering fee-based services—have been approved. On the global level, the priority is a business model for prioritizing GPGs for Bank engagement and the financing of that engagement, including support for countries' contributions to the provision of GPGs. The draft of a report to the next Development Committee meeting is currently undergoing Bank-wide review and will be discussed by executive directors in early September.

- ***Financial services.*** IBRD's role in providing financial services to MICs has evolved as their needs have changed. It currently offers MICs a range of banking products and services, including flexible loans and risk-management tools to help manage volatility in interest rates, currencies, and commodity prices, as well as credit enhancement. To facilitate protecting countries' development resources, it also offers debt management advice and wealth management and advisory services. Among the actions to broaden and improve the Bank's financial and banking services, three stand out. First, the Bank continues to streamline policies and procedures with a view to reducing clients' nonfinancial costs of doing business with the Bank and enhancing the Bank's response to client needs. Notably, the Board recently approved OP/BP 8.00, "Rapid Response to Crises and Emergencies," and it will soon receive a proposal for a revised policy on the preparation, appraisal, and supervision of investment loans. Second, on the crucial issue of the use of country systems where standards are mutually agreed and verifiable, in June, executive directors reaffirmed the Bank commitment to the use of country systems, endorsed the principle of country-based pilots, and agreed on a timetable for consultations and final discussion of a methodology for pilot use of country procurement systems (World Bank 2007). Third, proposals for improving the transparency and the competitiveness of IBRD loan pricing have recently been submitted for consideration by the Board.
- ***Knowledge services.*** The key action for meeting MICs' demand for more and better knowledge services is the development and implementation of a business model for the delivery of fee-based services across the full spectrum of Bank expertise, including analytic and advisory services, technical assistance, project design and supervision, and debt management services. A draft paper has been prepared for Bank-wide review and is expected to be presented to the Board in early fiscal 2008.

## Main Findings and Recommendations

IEG finds the Bank's support to MICs overall to be moderately satisfactory but suggests that the Bank can do better. It recommends that the Bank remain engaged with MICs but take steps to increase development effectiveness through these channels: draw more on MIC capacity; demonstrate best practice in its MIC support; and be more agile in providing support, including making the most of Bank Group cooperation. Management is in basic agreement with these recommendations and has actions under way or planned to address them. Details are provided in the attached Management Action Record.

## Management Action Record

| Major IEG recommendation | Management response |
|---|---|
| ***Draw on MIC capacity***<br>Bank support needs to more systematically draw on and develop each country's own expertise. To this end:<br>• Management should require that country assistance/country partnership strategies and significant analytical and advisory activities (AAA) assignments plan clearly to do this.<br>• The Bank ought to identify incentives and obstacles to MICs' involvement in the governance of global programs, including by producing an inventory of governance arrangements for global programs it supports and conducting a formal consultation exercise with MICs (and other developing countries). | ***Substantially agreed***<br>Management agrees that it is important to draw more systematically on and develop each MIC's own expertise, in both country strategy and global program development and delivery. Management is preparing a note on World Bank responsiveness to demand for global public goods, to be discussed with executive directors in fiscal 2008. That note will include its plans for involving MICs (and other developing countries) in setting priorities and in drawing on MIC expertise. Part of this process will involve consultations with MICs. Management will also prepare a guidance note for staff on country partnership strategies with MICs that will address the issue of systematically drawing on and developing MIC country expertise, notably with regard to strategy development, economic and sector work and other AAA, and global program priorities. Lastly, management is preparing a partnership program to increase the use of MIC expertise and institutions. The fiscal 2008 Country Assistance Strategy (CAS) Retrospective will report on implementation. Management will consider the above agreed actions completed with that report. |
| ***Demonstrate best practice***<br>Bank projects and programs must:<br>• Be selected, in partnership with clients, to go beyond conventional approaches and clearly demonstrate how they will add to best practice development activity in the respective country setting<br>• Show whether, when, and in what way they are expected to play a catalytic role, being scaled up using resources beyond those initially provided by the Bank.<br>Country programs, prepared in full partnership with MIC clients, must pay renewed attention to achieving greater effectiveness in three pressing and complex issues: combating corruption, reducing inequality, and protecting the environment. Programs need to draw on the full range of Bank and other resources available to meet these challenges<br>The Bank could more actively share best practice and encourage arrangements for knowledge transfer across countries, Regions, and sectors by (i) giving more weight to this goal in strategically managing staff rotation; (ii) ensuring that research and policy work goes beyond general principles and focuses on specific country-by-country needs; and (iii) reviewing the performance of the networks on this dimension. | ***Substantially agreed***<br>Management agrees that it must demonstrate best practice in its support to MICs. It will do so through four actions: (i) stronger country partnership strategies developed jointly with MICs; (ii) improvements in the range of services offered to MICs, notably financial services and the blending options, with a goal to better leverage Bank support; (iii) stronger links between Bank research and MIC needs; and (iv) better management of the pool of Bank expertise across all networks to ensure timely delivery of cutting-edge support. However, although all MICs want and deserve innovative options, in many MICs there will remain a demand for more standard support that the IBRD will need to meet. Management will consider the agreed actions complete with the full report to executive directors in the fall of 2007 on implementation of the action plan to strengthen the World Bank's engagement with IBRD countries. |

(*Continues on the following page.*)

## Management Action Record (*continued*)

| Major IEG recommendation | Management response |
|---|---|
| ***Enhance the Bank's agility***<br>The Bank needs to set up a program to test new approaches for a selected group of countries, through the following:<br>• A much more decisive push on the existing pilot for the use of country systems—significantly increasing the number of countries and projects actually implementing the new approach on the ground by mid fiscal 2008<br>• Offering the selected MICs a new menu of support incorporating features such as fast-track procedures, faster response times, and more flexible Bank strategies<br>• Accelerating the development and deployment of (i) new financial instruments such as those helping countries manage external shocks; (ii) existing and new products that help tackle subnational challenges; and (iii) new arrangements—with clear, consistent, and user-friendly guidelines—for fee-for-service technical expertise, including that for project design and supervision. | ***Substantially agreed***<br>Management is taking a range of actions to increase the Bank's agility in support of partner countries. The Bank will offer MICs an expanded menu of support options through a more flexible portfolio of access to expertise and financing. A major step, outlined above, is giving more flexibility to country teams in producing and implementing country partnership strategies, encouraging them to use it, and monitoring that use. Work on country systems, which will add to agility and reduce the cost of doing business, is advancing with Board endorsement in June 2007 of a plan to accelerate progress. To provide greater agility, management will continue to improve internal Bank procedures with a streamlining of investment lending during fiscal 2008. As partners' needs have changed, IBRD's role in providing financial services to MICs has evolved considerably beyond traditional lending. To help countries manage risks from interest rate, currency, and commodity price volatility, IBRD currently offers flexible loan products as well as derivative/risk-management tools for application to IBRD and in some cases non-IBRD liabilities. It offers related debt management advice and wealth management/advisory services to assist countries in protecting their development resources. Management is accelerating the implementation of the provision of customized financial solutions support to borrowers through an enhanced internal review process. The Deferred Drawdown Option instrument is being reviewed to improve its effectiveness.<br>As part of its MIC strategy the Bank has been engaged in developing new market-based solutions to help countries deal with catastrophic events, with a recent launch of the first ever Regional insurance facility, for Caribbean countries, as the initial result of this effort. Work is under way to mainstream and scale up public sector financing at the subnational level under a newly established department, as a joint initiative of the IBRD and the International Finance Corporation.<br>Finally, management will develop a consistent framework for interested partners to draw on the Bank for fee-based advisory services and technical assistance in project implementation. Management will consider the above agreed actions complete with the report on the use of country partnership flexibility in the CAS Retrospective; the approval of the streamlined policy for investment lending; continuation of ongoing efforts to customize |

| Major IEG recommendation | Management response |
|---|---|
| | financial solutions and expand choice of financial services, such as those for managing external shocks and subnational financing; and the introduction of the new framework for fee-based services for interested partners. Management will report on overall progress periodically to executive directors, starting with the report to executive directors in the fall of 2007 on implementation of the action plan to strengthen the World Bank's engagement with IBRD countries. |

Talla al Kamal Islamic School in Cairo, 2002. Female students take a mid-year exam. The school has separate classrooms for girls and boys. (Photo from Thomas Hartwell/Corbis.)

# Chairperson's Summary: Committee on Development Effectiveness (CODE)

On July 11, 2007, the Committee on Development Effectiveness considered the report *Development Results in Middle-Income Countries: An Evaluation of the World Bank's Support,* together with the Draft Management Response.

## Background

CODE discussed the Approach Paper for this report in February 2006. At the 2006 Annual Meeting, management presented its strategy for engagement with International Bank for Reconstruction and Development (IBRD) partner countries and committed to provide an updated action plan for implementation of recommended actions. A Board informal meeting on implementation progress was held on April 10, 2007.

## The IEG Report

The Independent Evaluation Group (IEG) report found that the outcomes of the Bank's country programs in middle-income countries (MICs) have been moderately satisfactory on average in meeting varied country-specific development objectives, including promoting growth and reducing poverty. It also noted that the Bank must become more effective on issues where its work has not yielded pronounced advancements, notably in dealing with inequality, combating corruption, and protecting the environment (IEG is currently undertaking an evaluation on the Bank's activities in the environmental field). IEG recommended that the Bank continue its engagement but take steps to produce greater development effectiveness. This would require the Bank to depart from business as usual and to reinvigorate its relationship with clients, focusing on the following four dimensions: draw on MIC capacity, demonstrate best practice, become more agile, and make the most of Bank Group cooperation.

## Draft Management Response

Management found the IEG review comprehensive and timely, given the current process of implementing an action plan to strengthen the engagement with IBRD partner countries. In particular, management welcomed the IEG conclusion that the Bank should continue its engagement with MICs. Overall, management found the analysis and conclusions to be in line with its own priorities for action.

## Overall Conclusions

The Committee commended IEG for the depth and robustness of its analysis and for producing a clear and concise report that was not only largely on target but also very timely in informing the Bank Group's long-term strategy exercise, being prepared under the leadership of the chief economist. The Committee broadly endorsed IEG's findings and recommendations, which management substantially agreed to.

With regard to the overall findings, members commended the Bank for its support in fostering growth and reducing poverty in MICs. However, some speakers noted that “average results” were not good enough and that the Bank must strive for excellence, more clearly demonstrating best practice to meet the needs of MICs, which have an expanding choice of sources of development assistance. Others expressed disappointment that the Bank’s work has not yielded significant results in addressing inequality, combating corruption, and protecting the environment. The role of knowledge services in the Bank’s portfolio drew a number of comments. Several speakers expressed strong support for the Bank to further draw on countries’ intellectual and analytical capacities and to adapt its modus operandi for knowledge sharing, including facilitating such sharing between middle-income and low-income countries. In this regard, some speakers emphasized the need to strengthen in-house professional capacity and skills.

Some speakers stressed enhanced cooperation within the World Bank Group (WBG) and greater agility to adopt different approaches, including use of country systems, given the diversity of MICs, including small MICs. The key was to design an approach centered on innovation, including within the Bank itself. More specifically, there were suggestions to adjust the business models, to further decentralize, to provide greater staff incentives, and to consider fee-based advisory services. The related issues of costing and pricing of lending services elicited a diversity of views. Some speakers felt that financial banking services remained the Bank’s core business, including a delivery mechanism for knowledge transfer.

The following issues were raised during the meeting.

## General Issues

Speakers generally concurred with IEG findings and recommendations and were pleased with this timely report. They also welcomed management’s substantial agreement with the IEG’s report as well as the matrix on the MIC Action Plan attached to the Draft Management Response. A number of speakers observed that the IEG report was highly relevant for considering the Bank Group engagement with MICs and to the discussions on the Bank’s overall long-term strategy.

### *Performance of the Bank*

A number of speakers were concerned with the findings that the Bank has not been agile and has struggled to keep pace with the clients’ changing needs and demands. The need for more flexibility in the Bank’s approach, including adapting resources, staffing, and incentives, was noted.

One member noted that decentralizing resources and authority can help promote flexibility. Several members stressed the importance of rethinking the Bank Group’s role and business model to address different needs of a diverse group of countries. In this regard, they noted that the Bank would require innovation in new instruments, subnational lending, and high-quality advice.

Many speakers stressed the need to accelerate the use of country systems in Bank lending, and simplification and modernization of internal processes and procedures. One member observed that the Bank was losing institutional memory and in-house capacity, including staff with expertise in key development areas such as agriculture, infrastructure, and technology transfer. A few speakers felt the IEG report should have analyzed financial aspects such as MICs’ access to international financial markets.

*IEG responded that its evaluation was centered on an examination of the development effectiveness of Bank work. The evaluation reviewed but did not dwell on issues of the Bank’s financing terms, which have been discussed by the Bank and others elsewhere at some length.*

### *Relevance of the Bank’s work*

Several speakers shared the view that the precise financing terms of Bank lending were less of a pivotal determinant in clients’ borrowing decisions and other factors were very important, including the quality of Bank’s work, program relevance, and nonfinancial costs of doing business. However, others emphasized that the financial services of the World Bank and their competitive pricing were still pertinent. Several speakers commended the evaluation's positive reports on the Bank's technical assistance and advisory services. They supported the Bank creating more flexibility in unbundled knowledge from financing, while recognizing bundled services can remain a main strength of the Bank. Regarding fee-based services, a few members indicated that consulting services should not become the mainstream of Bank services to clients. While the Bank's good work on diagnostics was highlighted, its weakness in applying expertise to specific needs was also noted.

### *Country programs*

A number of speakers commended the Bank for its considerable success in fostering growth and reducing poverty over the evaluation's 12-year review period. However, they were concerned that less progress was observed in reducing inequality and protecting the poorest during crisis, combating corruption, and protecting the environment.

The importance of considering small MICs and MICs in Sub-Saharan Africa was cited. The moderately satisfactory outcomes, on average, of the Bank's country programs in MICs was welcomed, but some found this disappointing, because the Bank's performance should be excellent, adding value and providing high-quality support. A few speakers expected some discussion on gender issues.

*IEG noted that its report contains some analysis on gender issues and points to significant challenges and opportunities for MICs and the Bank on this topic.*

### *Sharing and use of knowledge*

Several speakers commented on the Bank's role in demonstrating "best practices" to ensure it adds the maximum value it can to MICs in meeting their development challenges. They also noted that MICs' demand for knowledge, including analytical and advisory activities tailored to particular country circumstances. A few members stressed the Bank's comparative advantage in knowledge dissemination. There were also comments on the role of the Bank, which management viewed as a peer-to-peer collaboration rather than a teacher-student relationship. One member agreed that the Bank was a partner, but another saw it as a knowledge "clearing house" or a teacher helping to identify best practices.

Some members emphasized the Bank's need to draw on the country's own capacity and expertise, partnering with governments and local research institutions to create greater ownership and engender learning. A question was raised on the role of other international financial institutions in knowledge creation and dissemination. One member questioned the application of MICs' experience to less-developed countries. He observed that in the Country Assistance Strategies, the Bank Group was focusing on social development and governance in low-income countries and on economic development in MICs. He felt this trend should be reversed. Another speaker noted that there are different definitions associated with the MIC label and that there are valuable experiences in those countries that are IBRD eligible and often considered as "middle income."

### *Engagement in global programs*

Some speakers agreed that it is the Bank's key role to engage MICs in global initiatives, given MICs' growing share of global income and population. However, they found gaps in approach, and a few noted that MICs' commitment to global programs should involve financial contributions and consistent policies.

### *Cooperation across the Bank Group*

Several speakers emphasized cooperation within the WBG, which is a recurrent theme in recent discussions. They broadly agreed with IEG's recommendation that such cooperation should be pragmatic and tightly drawn. One member felt that cooperation should be possible while enhancing the comparative advantages of each institution. In this regard, he cautioned about the risks of having a single country management arrangement proposed by IEG.

*Jiayi Zou, Chairperson*


A young boy stands with a soccer ball in one of the favelas of Rio de Janeiro, Brazil, 2006. (Photo from Paulo Fridman/Corbis.)

# Evaluation Snapshot in Selected Languages

The key findings and recommendations of this evaluation are presented in the snapshot below. A translation of the evaluation's full summary in each of the languages listed is available at www.worldbank.org/ieg/mic, and hard copies are available from IEG and World Bank Public Information Centers.

## Arabic

## عربي

- تلاقي المساندة التي يقدمها البنك الدولي لتشجيع النمو وتخفيض أعداد الفقراء تقديراً من البلدان المتوسطة الدخل، كما ساهمت هذه المساندة في النجاح الملحوظ الذي حققته تلك البلدان في هذين المجالين الكبيرين. غير أن البنك يجب أن يكون أكثر فاعلية في القضايا التي لم يحقق عمله فيها تقدماً ملحوظاً، لاسيما التصدي لقضايا عدم الإنصاف والمساواة، ومكافحة الفساد، وحماية البيئة.
- يمثل طابع الجودة لدى البنك — الذي يظهر جلياً في الخبرات الفنية، وتصميم المشروعات والإشراف عليها، والخدمات الاستشارية — إحدى نقاط القوة الأساسية. وقد اتسم عمل البنك الاستشاري بالقوة في مجال الدراسات التشخيصية، غير أنه كان من الممكن أن يحقق تأثيراً أعظم إذا ما ركز بصورة أكبر على احتياجات محلية محددة. وكان يمكن لمجموعة البنك أن تحقق نتائج أفضل فيما يتعلق بإيجاد سبل لزيادة تضافر الجهود فيما بين البنك ومؤسسة التمويل الدولية، والوكالة الدولية لضمان الاستثمار.
- واستشرافاً للمستقبل، يتعين على البنك أن يواصل انخراطه مع البلدان المتوسطة الدخل، مع وجوب الخروج من شرنقة أنشطة أعماله المعتادة. وحتى يتسنى تحقيق منافع أكبر من وراء التنمية، يتعين على البنك أن يكون أكثر مرونة ويجب عليه أن يعول على قدرات البلدان المتوسطة الدخل بصورة أكثر منهجية، مع الربط بين هذه الإمكانات لمساعدة البلدان المنخفضة الدخل، والتصدي للتحديات العالمية. ويجب أن يُظهر عمل البنك، بصورة أوضح، أفضل الممارسات لتحقيق أثر يتجاوز دوره المباشر المحدود.

## Chinese

## 中文

- 世界银行在经济增长和减少贫困方面提供的支持获得中等收入国家的赞赏，并且为这些主要领域的重大成功作出了贡献。然而，世界银行在某些工作领域（尤其是减少不平等现象、打击腐败、保护环境方面）尚未取得明显的进展，因此有必要在这些领域取得更大的成效。
- 世界银行的优质特征（包括技术知识、项目设计与监督、咨询服务）一直是我们的关键优势。世界银行在咨询方面的工作强于确定问题，但若能更加重视当地的具体需要则将能取得更大的效果。世界银行若能设法增强世行、IFC、MIGA之间的协作效应，将可提高工作的成效。
- 展望未来，世界银行应当继续与中等收入国家进行合作，但必须采用不同于常规的业务模式。为了取得更大的发展效益，世界银行必须更加灵活机动，更有系统地将中等收入国家本身的能力用于帮助低收入国家和解决全球性挑战。世界银行在工作中必须更加明确地发挥示范作用，从而超越有限的直接影响，使工作效果倍增。

## English

- The World Bank's support in fostering growth and reducing poverty has been appreciated by MICs and made a contribution to their considerable success in these major areas. But the Bank must become more effective on issues where its work has not yielded pronounced advancements, notably dealing with inequality, combating corruption, and protecting the environment.
- The Bank's quality stamp—reflected in technical expertise, project design and supervision, and advisory services—has been a key strength. Its advisory work has been strong on diagnostics but would have greater impact if it concentrated more on specific local needs. The Bank could have done better in finding ways to increase synergy across the Bank, the International Finance Corporation, and the Multilateral Investment Guarantee Agency.
- Looking ahead, the Bank should continue its engagement with MICs, but it must depart from business as usual. To produce greater development benefits, it has to become more agile and needs to draw upon MICs' own capacity much more systematically, connecting such capabilities to help low-income countries and to tackle global challenges. The Bank's work has to more clearly demonstrate best practice to deliver impact beyond its limited direct role.

## Portuguese

## Português

- O apoio do Banco Mundial na promoção do crescimento e redução da pobreza tem sido bem acolhido nos países de renda média (MICs) e contribuído para seu sucesso considerável nessas áreas principais. Mas o Banco Mundial deve tornar-se mais eficaz nas áreas em que seu trabalho não tenha produzido avanços acentuados, especialmente no tratamento da desigualdade, combate à corrupção e proteção do meio ambiente.
- O selo de qualidade – refletido na perícia técnica, formulação e supervisão de projetos e serviços de assessoria – tem sido uma força fundamental. Seu trabalho de assessoria tem sido sólido em matéria de diagnóstico, mas teria impacto maior se estivesse mais concentrado em necessidades locais específicas. O Banco Mundial poderia ter tido melhor desempenho na busca de meios para aumentar a sinergia em todo o Banco Mundial, IFC e MIGA.
- Olhando para frente, o Banco Mundial deveria continuar sua colaboração com os MICs, mas precisa evitar a atitude de deixar as coisas como estão. Para conseguir benefícios de desenvolvimento maiores, o Banco Mundial precisa tornar-se mais ágil e utilizar a capacidade dos MICS de forma muito mais sistemática, vinculando tais capacidades para ajudar os países de baixa renda e para enfrentar desafios globais. O trabalho do Banco Mundial precisa demonstrar de forma mais clara as melhores práticas para causar impacto além de seu papel direto limitado.

## Russian

## Русский

- Страны со средним уровнем доходов (СУД) ценят поддержку Всемирного банка в сфере стимулирования экономического роста и сокращения бедности. Эта поддержка способствовала достижению ими существенных успехов в этих важных областях. Вместе с тем, в сферах, где заметного прогресса пока не наблюдается, в частности – в решении проблемы неравенства, борьбе с коррупцией и защите окружающей среды, Всемирному банку необходимо работать более результативно.
- Важной сильной стороной в работе Банка остаётся его «знак качества», который отражён в технических знаниях, разработке проектов и надзоре за их осуществлением, а также в оказании консультационных услуг. Консультационные услуги успешно предоставлялись в сфере диагностических исследований, однако они могли бы дать ещё больший эффект, если бы сосредоточивались на конкретных местных потребностях. Банк мог бы наладить более эффективное взаимодействие между МБРР, МФК и МИГА, благодаря чему можно было бы получить более значительную отдачу.
- В перспективе Банку следует продолжать работу с СУД, однако прежнее содержание такой работы необходимо пересмотреть. Для обеспечения более существенных выгод в области развития Банку необходимо действовать более оперативно и задействовать собственные возможности стран СУД гораздо более систематическим образом. Эти подходы следует объединять в интересах оказания содействия странам с низким уровнем доходов и решения задач глобального характера. В своей работе Банку следует активнее демонстрировать передовую практику для достижения более существенного результата, нежели тот, что может обеспечиваться ограниченным собственным непосредственным участием Банка.

## Spanish

## Español

- El apoyo del Banco Mundial a la promoción del crecimiento y la reducción de la pobreza ha sido acogido con satisfacción por los países de ingreso mediano (PIM) y ha contribuido a los resultados considerablemente buenos obtenidos en estas esferas principales. Sin embargo, el Banco debe aumentar su eficacia en aspectos en los que su labor no ha redundado en avances pronunciados, especialmente en lo que se refiere a abordar la inequidad, la lucha contra la corrupción y la protección del medio ambiente.
- Su punto fuerte ha sido el sello de calidad del Banco, que se refleja en los conocimientos técnicos especializados, el diseño y la supervisión de los proyectos y en los servicios de asesoría. Su labor de asesoría ha sido sólida en materia de diagnóstico aunque tendría mayor impacto si se concentrara más en las necesidades locales específicas. El Banco podría haber hecho más por encontrar maneras de aumentar las sinergias entre esa institución, la CFI y el OMGI.
- De cara al futuro, el Banco debería seguir trabajando con los PIM, pero de manera diferente. Para reportar mayores beneficios en materia de desarrollo, debe convertirse en una institución más ágil y aprovechar la propia capacidad de los PIM de un modo mucho más sistemático, y establecer un vínculo entre dichas capacidades para ayudar a los países de ingreso bajo y encarar los desafíos mundiales. La labor del Banco debe demostrar con mayor claridad las prácticas óptimas para producir un impacto más allá de su limitada actuación directa.

# Chapter 1

## Evaluation Highlights

- MICs are a large and diverse group of considerable importance globally and to the Bank.
- The environment for the Bank's work in MICs has changed significantly and will likely continue to evolve rapidly.
- Stakeholders and outside commentators have proposed changes in the Bank's role in MICs—ranging from revitalizing its engagement to withdrawal.
- This evaluation examines country programs and highlights three increasingly prominent activities: knowledge services, global programs, and Bank Group cooperation.

Young woman looking at the skyline of Shanghai. (Photo from Angelo Cavalli/zefa/Corbis.)

# Introduction

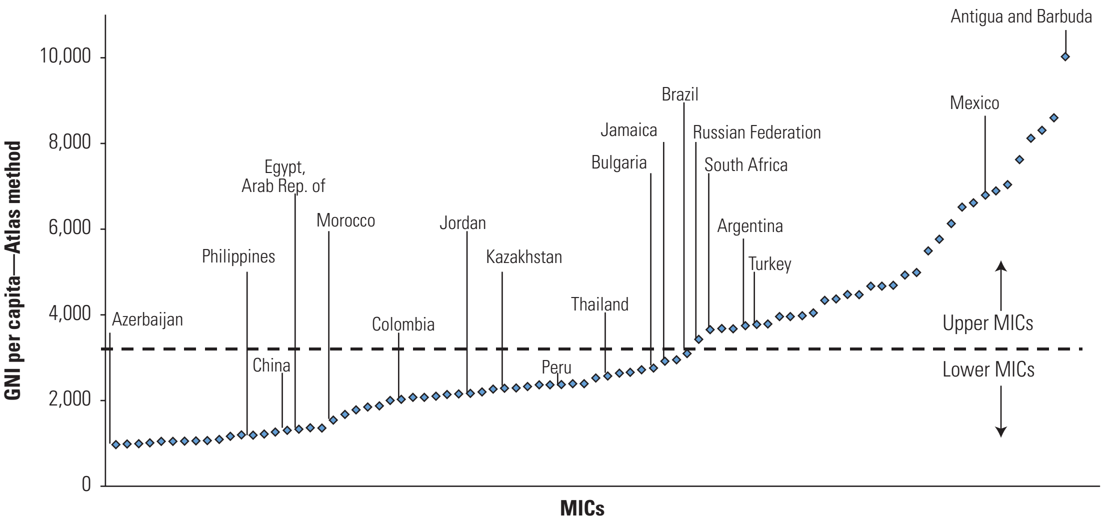
## MICs and the Development Agenda

Middle-income countries (MICs) are an important group on the global stage. These 86 countries, which fall into the middle-income range set by the World Bank's World Development Indicators, account for just under half of the world's population, and around one-third of the world's poor.[1] Of the global total of people living on less than $2 per day, China alone accounts for some 18 percent, and the other MICs combined account for a further 14 percent.[2]

MICs as a group have grown faster than the world at large—twice as fast as the Organisation for Economic Co-operation and Development economies and slightly faster than the low-income countries (LICs) over the past five years—and have achieved stronger poverty reduction than the world as a whole.

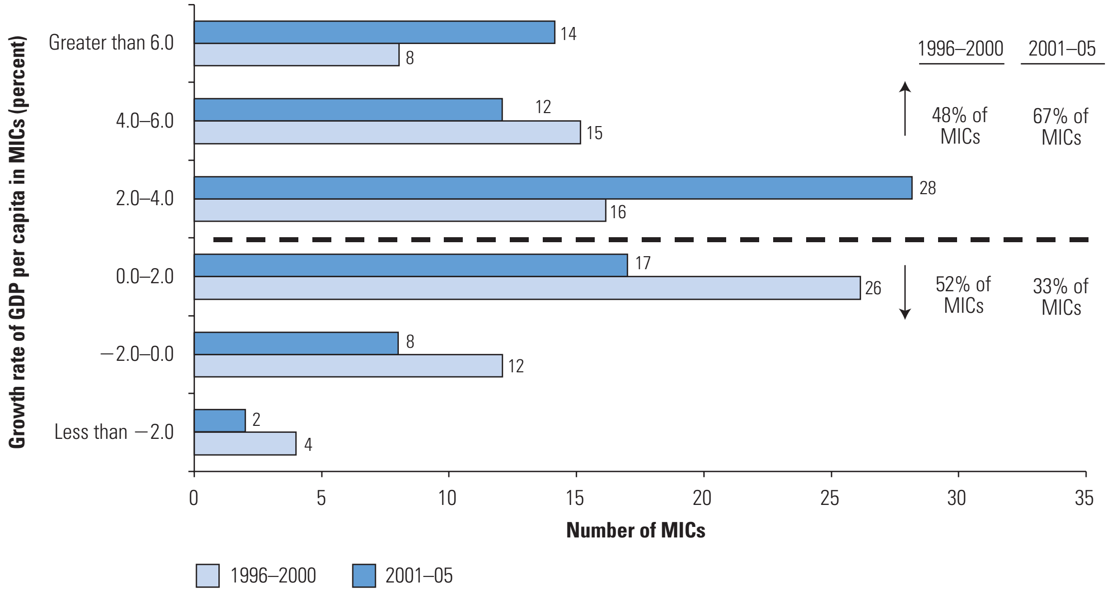
MICs are also important partners of, and shareholders in, the World Bank. The Bank allocates about half of its administrative budget to work in MICs. It has lent $163 billion to MICs since fiscal year 1995, accounting for 63 percent of total Bank lending to all developing countries, including $14 billion in fiscal 2006. Of

**Figure 1.1: Diversity Shows in Widely Varying Income per Capita**




*Source*: World Development Indicators 2006.

**Figure 1.2: Most MICs Are Catching up to Higher-Income Countries**




*Source*: World Development Indicators 2006.

*Note:* GDP = gross domestic product.

*Middle-income countries are home to a significant share of the world's poor.*

the income generated from International Bank for Reconstruction and Development (IBRD) lending to MICs, a part—approximately $600 million annually since fiscal 2002[3]—is transferred to finance development projects and debt relief in LICs. As shareholders, MICs currently occupy 7 of the IBRD Board's 24 seats and hold 27 percent of its voting shares.

*MICs are a large and diverse group of considerable importance globally and to the Bank.*

This large group of countries is also very diverse. MICs cover all six of the Bank's geographical Regions, with concentrations in Latin America and the Caribbean, Europe and Central Asia, and the Middle East and North Africa. The group covers a wide income range, as shown in figure 1.1—the highest per capita income, in Antigua and Barbuda, is more than 10 times the lowest, $950 in Azerbaijan—and faces a commensurately wide range of development challenges. With respect to poverty, in 10 MICs more than 40 percent of the population lives on less than $2 a day,[4] while in 10 others the poverty rate is below 5 percent. Many others have strong national economies marred by significant "pockets of poverty" in underdeveloped regions and among particular ethnic groups.

The number of countries in the MIC group has grown over the review period. Ten previously low-income countries, including China and the Arab Republic of Egypt, have moved into the group, but four others have dropped down to the LIC group. Five have graduated from the Bank (see appendix A for more details). The group as a whole has made significant progress in delivering economic growth and reducing poverty. MICs' income per capita has grown by 3.7 percent annually since 1995, and indeed grew by nearly 5 percent annually between 2001 and 2005. Moreover, this positive performance has been broad-based across the group. Figure 1.2 shows that since 2001, two-thirds of MICs have per capita annual growth greater than 2 percent, suggesting that they are "catching up" to the higher-income economies. In fact, within the MIC group, the number classed as "upper MICs" doubled from fiscal 1996 to 2006.

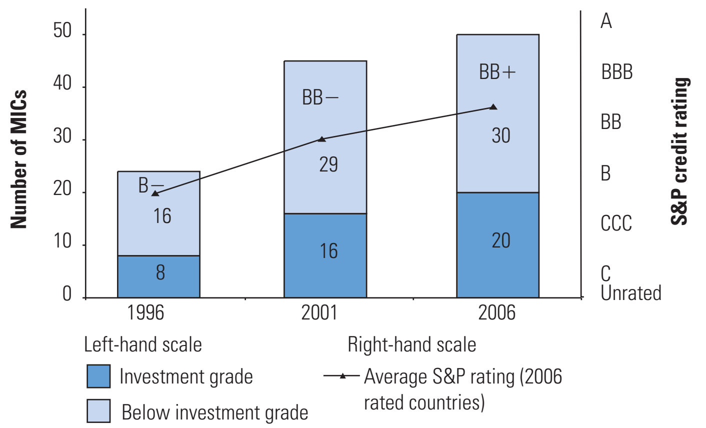
Success in poverty reduction has largely followed this strong record of growth. The MIC group has lifted almost 400 million people above the $2-per-day poverty threshold since 1993. In addition to the world-leading achievements in China, the other MICs have reduced their poverty rates by 20 percent since 1993, and about one-quarter of the group has cut poverty by half or more. This is far better than the 7 percent reduction observed in LICs over the same period (and where the absolute number of people in poverty has continued to rise).

MICs' access to international private capital has opened up greatly. The number with published credit ratings—which facilitates access to capital markets—has more than doubled since 1996, as figure 1.3 shows, and their average credit rating has improved over the period. Indeed, 20 MICs are now classified as investment grade, a rating that allows capital to be raised on favorable terms.

Beyond market access, country economic conditions and policies have also changed. Many MICs have improved their fiscal positions and built up significant reserves,[5] which enhances their financing choices. The expansion of choice also applies to knowledge services. Clients can now call upon both their own strengthening institutional capacity and international expertise, including that provided by professional advisory firms on a fee-for-service basis.[6]

In financing development, the Bank has become a smaller player in MICs. For the group as a whole, Bank lending in 2005 was equivalent to 0.62 percent of national investment and 0.16 percent of gross domestic product (GDP). These shares have declined steadily over time and are half those that prevailed in 1995; they are also about a quarter of the shares in LICs.

**Figure 1.3: More MICs Are Gaining Access to International Capital Markets, and on Improving Terms**




*Source*: Standard & Poor's sovereign debt ratings.

*MICs have experienced strong growth and significant poverty reduction.*

Moreover, as repayments have been made on Bank loans from earlier years, total net Bank transfers to the group have been negative in every year under review except 1999, averaging –$3.8 billion annually over the last 12 years. The Bank's resource-transfer role in project finance, therefore, cannot be

*MICs have enjoyed an expansion in sources of development assistance.*

**Box 1.1: The Bank's Strategy toward MICs**

The Bank's most recent approach to MICs (World Bank 2006d) was endorsed by the Development Committee in September 2006. That this was, in effect, the Bank's third major paper for MICs in six years is symptomatic of the difficulty it has had in grappling with this topic.

The latest strategy aims for an enhanced partnership with MICs by improving the Bank's offerings in five areas: (i) strategy and coordination services, (ii) financial services, (iii) knowledge services, (iv) World Bank Group synergies, and (v) international cooperation and partnerships.

The preparations for this strategy and its subsequent publication took place well after the commencement of this evaluation, and indeed it is so new that it would be clearly premature to evaluate it. The Bank's work to develop an updated action plan for this strategy is ongoing, however, and findings in this evaluation can help to inform it, as well as the Bank's evolving stance toward MICs.

**Box 1.2: Evaluation Evidence**

*A CAE review*, which includes a quantitative and qualitative analysis of the Independent Evaluation Group's (IEG) Country Assistance Evaluations (CAEs) for the Bank's country programs in 43 MICs.

A *project performance review* that analyzes the outcome of more than 1,500 Bank projects in MICs as evaluated by IEG.

A *topic review* of IEG evaluations of the Bank's work with regard to sectors, themes, global programs, and corporate objectives, as well as Bank activities, expenditures, and strategies.

A *client survey*, the first to be conducted independently to review the Bank's work in MICs, of 656 respondents across the full spectrum of stakeholders in 12 countries.

*Field assessments* in seven countries that use in-depth, face-to-face interviews of a broad range of stakeholders to illuminate client perspectives on MIC-specific issues.

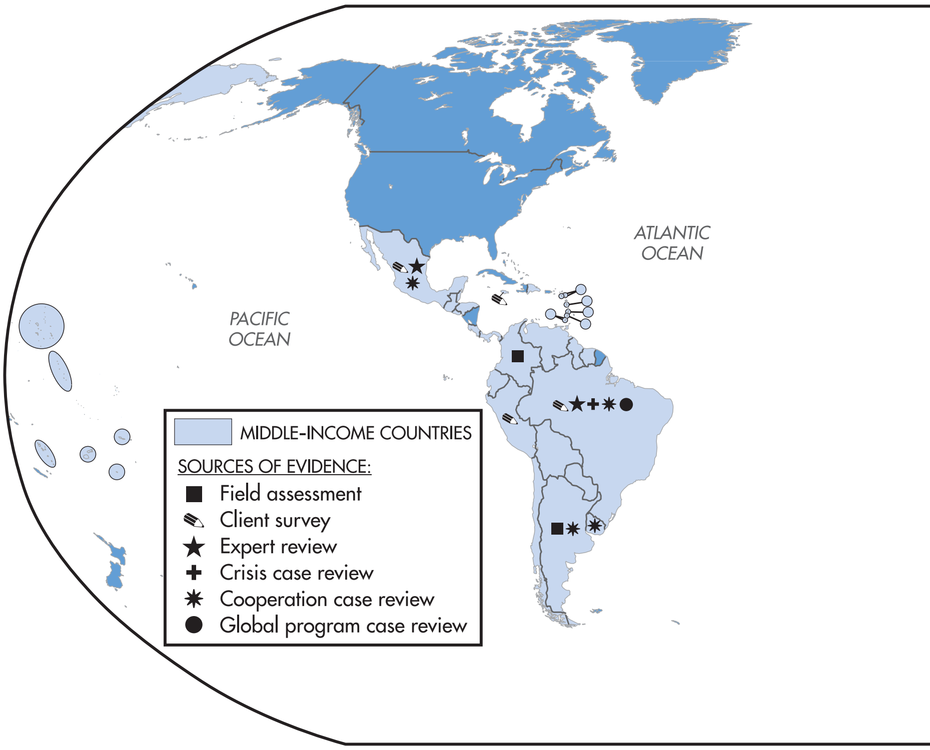
*Expert reviews* of a sample of Bank knowledge products, conducted by two respected experts in their fields.

A desk-based *crisis case review* that examines the Bank's work during and after crises in 3 MICs; a desk-based *global program case review* that examines the experience of 8 MICs with global programs and the administration of 5 global programs as they pertain to MICs; and a field-based *cooperation case review* that assesses World Bank Group cooperation in 15 countries.

the driving force behind national-scale development impacts. Rather, Bank engagement must affect development processes and projects beyond what the Bank itself sponsors. More broadly, the Bank's role is one input among many that influence the development strategies chosen and implemented by MICs.

In addition, the nature of development in MICs has become more complex, with an increasing role for the private sector in most economies and growing globalization. MICs have opened up their markets to domestic and international investment. This has created new challenges for governments to promote a sound business

**Figure 1.4: Evaluation Evidence Is Drawn from MICs Spread Widely across Regions**



environment, and within the Bank Group it has drawn attention to how its constituent arms—the Bank, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA)—provide coordinated services to client countries. At the same time, MICs, like most countries, have faced an increasing array of issues—including climate change and health crises, such as Avian Flu—that are global in nature and outside their immediate span of control. Within the Bank, this has motivated a rapidly expanding scale and scope of involvement in global programs.

## Evaluation Questions and Sources of Evidence

The way the World Bank supports MICs in meeting development challenges has been the subject of debate in recent years. Stakeholders and outside commentators have proposed changes in the Bank's role in MICs, ranging from a revitalization of engagement to withdrawal.[7]

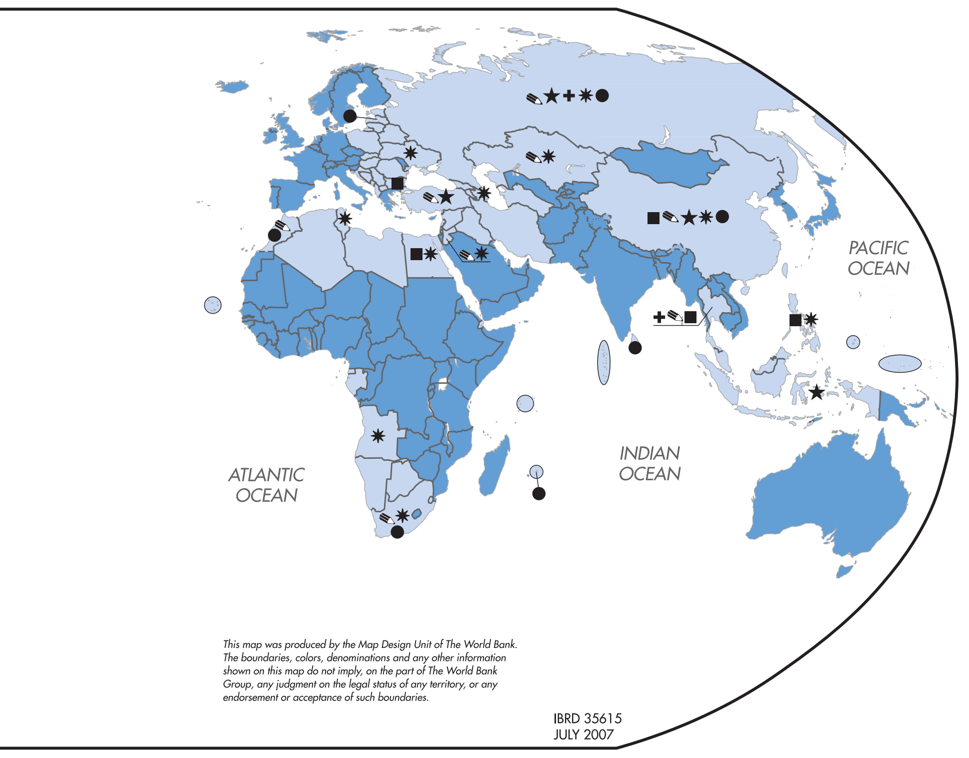
The Bank itself has acknowledged the importance of its approach to working with MICs by producing major reports on the topic (World Bank 2006e, 2005c, 2001), the most recent of which is highlighted in box 1.1.

*The evaluation examines country programs and highlights three increasingly prominent activities—knowledge services, global programs, and Bank Group cooperation.*

This evaluation draws on that context to focus on key areas of the Bank's work in MICs over the past 12 years (fiscal years 1995–2006). In successive chapters, the report seeks to answer five questions:

- Are Bank country programs and projects relevant for the development challenges faced by MICs?
- Are the Bank's programs effective overall and along the themes most important in MICs? What drives or derails this effectiveness?
- How well does the Bank use and share knowledge for development?

*The evaluation uses a wide range of evidence, with an emphasis on client perspectives.*



- To what degree is the Bank's work on global programs engaging MICs?
- How far has the World Bank Group coordinated its efforts to support development through the public and private sectors?

The evaluation uses a wide range of evidentiary sources, with a particular emphasis on the client perspective. These are listed in box 1.2, described more fully in appendix B, and highlighted in figure 1.4. Findings are drawn by overlaying and cross-checking evidence from these multiple sources. By deriving lessons from recent development experience in client countries, the evaluation's findings can help to inform the Bank's stance and the refinement of its strategy toward MICs.

# Chapter 2

## Evaluation Highlights

- Bank programs have been tailored toward significant country needs in most MICs.
- Relevance has been sustained by focusing on sectors important for countries' development and by bringing to bear a mix of knowledge, finance, and convening power.
- Bank programs have been less germane in small states, nonborrowing countries, and when the Bank has been slow to respond to changing demands.


A tailor handling clothing, Hong Kong, China, 2001.  (Photo from Jeff Albertson/Corbis.)

# Relevance of the Bank's Work

## The Fit of Bank Programs with Country Challenges

There are several perspectives on how to assess, or indeed even how to define, the relevance of the Bank's work in MICs. This evaluation takes relevance as the degree to which the Bank's strategies and activities match the MICs' development challenges and needs, as well as whether the Bank engages in appropriate sectors and thematic areas and whether it uses the proper tools and instruments. Such an approach has been used by IEG in its Country Assistance Evaluations (CAEs), and in this evaluation's *field assessments.*

The Bank's country programs, for a wide cross-section of MICs, have almost always been evaluated as appropriately matching country needs. There are 36 CAEs—which cover countries that together account for 93 percent of the MIC group's $2-a-day poverty and 81 percent of Bank commitments over the period under review—in which the suitability of the Bank's program for country circumstances is rated clearly. In this sample, there isn't a single country program assessed as not relevant, and most—including Brazil, China, and Turkey—are rated as having substantial relevance to country needs.[1] The same pattern emerged in the evaluation's *field assessments,* which judged the Bank's programs as germane in each of the seven countries reviewed.

The Bank's pattern of engagement, however, has not been uniform across all MICs. In the 30 small-state MICs,[2] 26 of which borrowed sporadically if at all from the Bank over the review period, the Bank has been a modest player. It has faced relatively high unit costs to prepare and supervise operations, and its lending has been slow and infrequent.[3] This small take-up of Bank finance, combined with the limited scale of knowledge services being delivered, points to a modest or even negligible fit of the Bank's offering to many in this client group. Beyond the small states, there are 17 larger nonborrowing MICs[4] for which the Bank's relevance has appeared to be lacking or waning. Eight of these were highly statist economies, ideologically opposed to the Bank's work, and three were countries at or close to graduation from IBRD eligibility.

***Bank programs are relevant in most MICs, but relevance is modest or negligible in many small states and many nonborrowing countries.***

### The Bank's Positioning on Major Development Priorities

How is the positioning of the Bank in specific country programs playing out on major development priorities across the group at large? A common thread among MICs has been their emphasis on sustained economic growth. On this issue, the evidence indicates that the Bank has been relevant. Specifically, clients associate its support and expertise with helping them address the task of maintaining stable economic growth. The Bank's work on this topic is also evaluated as pertinent in most CAEs.

***Clients associate the Bank with helping them maintain stable economic growth.***

The Bank's focus on growth has been successfully meshed with an equally appropriate attention to poverty. At a global level, the Bank's overall lending pattern is broadly aligned in MICs where poverty is most prevalent—two-thirds of Bank lending to MICs went to the 15 countries with the most poor people. The Bank has taken steps in most cases to provide a base for its work through formal Poverty Assessments. Indeed, Poverty Assessments have been completed in 9 of the 10 countries with the highest poverty headcounts and 7 of the 10 with the highest poverty rates since 2002.[5] The hypothesis that the Bank's focus on poverty has been out of tune with MIC demands, and therefore has impaired its relevance, does not appear to be valid across most of the group. Although there have been episodes—in Croatia and Turkey—where the Bank's emphasis on poverty has not always been well received by the authorities, the more common experience has been that addressing poverty has generally enhanced rather than undermined the relevance of country programs. Box 2.1 illustrates this in the case of Bulgaria.

## Factors Influencing the Fit of Country Programs

A primary factor contributing to the Bank's relevance is that it has focused on sectors that are important for countries' development needs and brought to bear tools (of knowledge and finance) congruent with meeting those needs.[6]

*The Bank has focused on sectors important for countries' development needs and brought a mix of finance, convening power, and knowledge.*

In China, for example, the Bank has remained connected with country needs by staying engaged in infrastructure, responding to new opportunities in the environmental agenda, and maintaining its knowledge basis and practical appreciation of China's particular conditions. In Turkey, a positive response to its natural and financial crises in recent years, combined with support for structural reforms to promote growth, accompanied by focused antipoverty interventions, has been important. In Tunisia, the Bank's strategy to support macroeconomic stabilization in the 1990s, structural reforms that foster growth, and social programs was relevant and consistent with the government's priorities outlined in national development plans.

The Bank's convening power, specifically its ability to coordinate with and catalyze support from other international partners, is another ingredient often noted positively by clients as reinforcing its position and usefulness. In Egypt, for instance, the Bank played a leading role in helping to establish a Social Fund for Development to tackle aspects of poverty, and its presence drew in resources from other donors.

One facet of the Bank's relationship with MICs—serving as a primary channel to accessing international capital—has diminished from earlier decades, as many MICs now benefit from an expanded range of choices in planning and financing development. The trends in lending volumes—discussed briefly below—have attracted interest from some observers, and indeed are important for the Bank in several ways, including the implications for its own organizational planning, finances, and transfers to the Interna-

**Box 2.1: Bank Programs Focused on Poverty Have Enhanced Relevance**

In Bulgaria, the Bank's antipoverty efforts emphasized improving institutions and the investment climate, with a secondary focus on pockets of poverty that exacerbated social exclusion. Clients found the Bank's institutional approach to be relevant because, rather than segmenting poverty issues, it astutely integrated them with achieving priority goals of growth and sustainable development. The approach to targeting pockets of poverty—found in depressed regions of the country suffering from deindustrialization, and among disadvantaged ethnic groups, including the Roma—also enhanced the pertinence of the Bank's work. It did this by encouraging public-private partnerships and programs that built capability at the local level, and thus contributed to improving the country's overall institutional capacity.

*Source*: IEG *field assessment*.

tional Development Association (IDA). But as is well established,[7] lending volumes per se—and the factors behind their vacillations—are not the key to development effectiveness, which is a focus of this evaluation.

The trend over the past 20 years in Bank lending to MICs has been downward; on average there has been an annual reduction of 3 percent in constant prices, consistent with some erosion in the relative attractiveness of the Bank's finance. This downward drift has not been relentless, but rather has shown three patterns over the period, indicated in figure 2.1. Lending was flat over fiscal 1987–98; spiked after fiscal 1998, with large IBRD borrowing by crisis-hit countries, and then collapsed; and has been gently rising since fiscal 2001, albeit from a low base.

The widening of MICs' available choices has not rendered the Bank's financing irrelevant. Many MICs that have market access continue to borrow from the Bank. Indeed, figure 2.2 shows that those with credit ratings account for the lion's share of total Bank lending to MICs over the past six years. An average of $3.6 billion annually has gone to investment-grade countries, 61 percent of which was accounted for by China and Mexico. And a forward-looking indicator of broader receptivity to Bank lending is evident in the *client survey*, where some 81 percent of respondents reported that their country's development goals in the coming five years could be best serviced with Bank lending remaining the same or increasing.

Evidence from *field assessments* suggests that clients are fully aware of alternative funding sources, and therefore compare the Bank against other options. They take into account the pricing of Bank loans compared with private capital markets, where spreads have narrowed substantially over the period[8]—although, of course, such spreads reverse quickly in the event of turbulence in the global capital markets. The precise influence of "price," however, varies case-by-case, and it is ultimately less decisive in overall borrowing decisions than clients' other considerations, including the Bank's quality, program relevance, and nonfinancial costs of doing business.

In the few cases where the Bank's relevance was compromised, it was because the Bank did not adapt quickly in a dynamic setting. In some cases, the Bank did not use appropriate instruments in response to a changing environment.

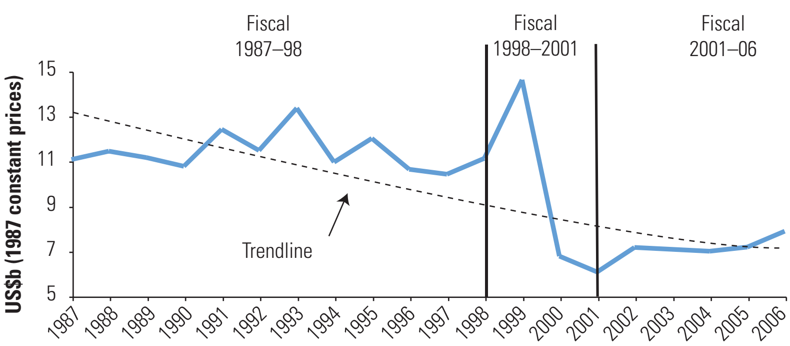
***Lending by the Bank has declined as MICs have gained greater access to capital markets.***

The Bank's strategy focused on the right topics in Peru, for instance, but it ultimately did not respond to the weakening economic policy environment, which merited a reduction in lending.[9] Clients in the Philippines reported that the Bank's stance was ill-matched for a time when the way it offered lending—largely through traditional, free-standing investment projects—did not match the country's preference for lending more closely linked to budget support.[10]

In other cases, the Bank's policy objectives did not match those of the country. The Croatian authorities viewed the Bank as overemphasizing poverty issues in the mid-to-late 1990s, when growth and infrastructure improvements were of higher priority. Another example occurred in the Russian Federation in the mid-1990s, when the Bank lacked traction on governance issues.

***Relevance is compromised when the Bank does not react quickly and when government objectives are at odds with the Bank's corporate priorities.***

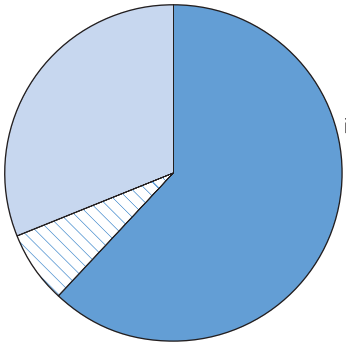
**Figure 2.1: MIC Borrowing Is Lower in Real Terms than in the 1990s**




*Source*: World Bank database.

**Figure 2.2: Most Bank Lending to MICs Is to Those with Credit Ratings**

**Average annual bank lending to MICs (current $b), fiscal 2001–06**




*Sources*: World Bank database, Standard & Poor's sovereign debt ratings.
*Note:* S&P = Standard & Poors.

There have been developments in the Bank's offerings in lending and other financial services in recent years. Greater flexibility in currency choice (including borrowing in domestic currency), loan durations, repayment schedules, and risk management tools have been taken up by several MIC clients. New services have been offered by the Bank's Treasury Department, and the use of its asset management program has been rising, to now encompass 23 MICs.

The Bank's relevance dwindles, almost by definition, when a country approaches and reaches graduation from IBRD eligibility. There are five cases of this in the period under review—Slovenia in fiscal 2004; the Czech Republic in fiscal 2005; and Estonia, Lithuania, and Latvia in fiscal 2007. When the relationship is well managed, the Bank's support has been tailored and adjusted downward, through phasing out lending and limiting knowledge services to very specific items, inclusive of significant government contributions. Doing this has helped the Bank maintain a useful role as the country moved toward high-income status (World Bank 2006b).

*Maintaining an individualized strategy and working closely with counterparts can enhance relevance.*

The Bank's individualized framework for development strategy in each country through the Country Assistance Strategy (CAS), developed every three to four years—rather than an overarching institutional framework for organizing support to MICs—suitably recognizes the reality of the broad diversity in MICs. However, as MICs' development challenges and demands have evolved ever more rapidly, the need for the Bank to be agile and responsive in its individualized strategies has become increasingly pressing.

The presence of staff in the field, including the country director, also helps shape a better understanding of and responsiveness to country needs. For instance, decentralization of the Country Management Unit and the buildup of technical expertise in the field were ultimately important factors contributing to the improvement in outcomes in Brazil and in other cases as well.

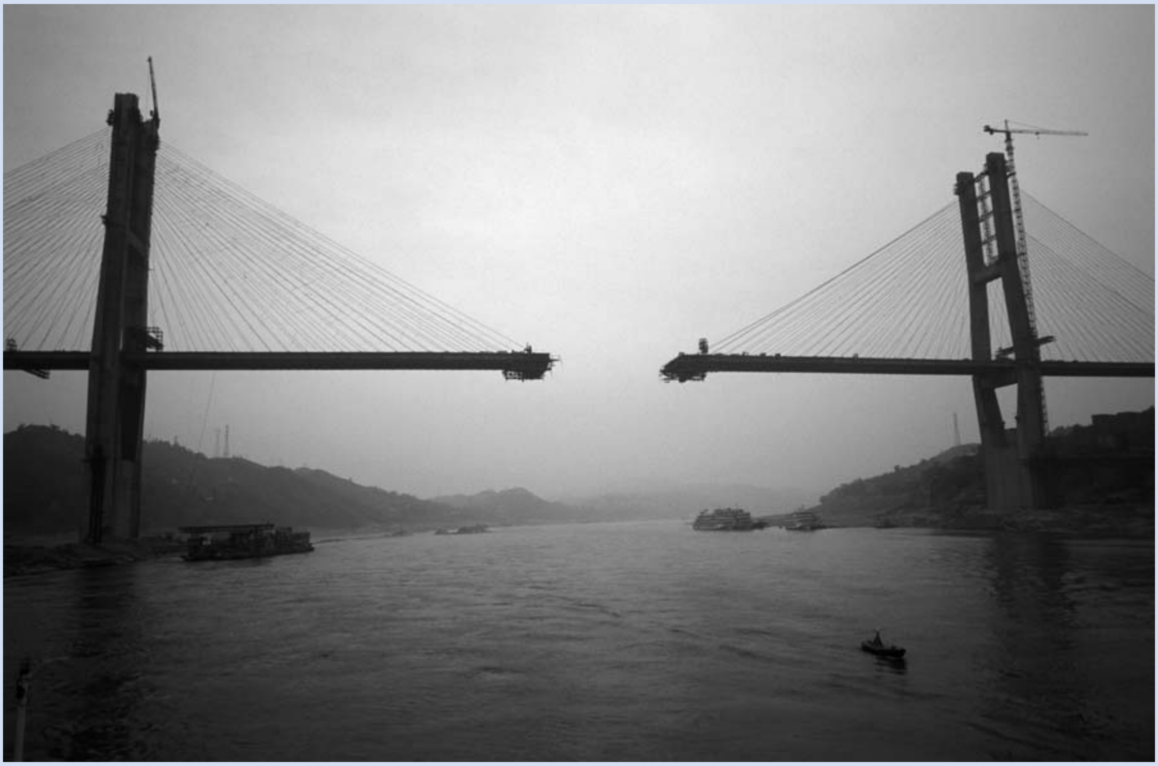
## Beyond Relevance—Key Issues to Be Assessed

The Bank has passed the test of being broadly relevant to the needs of MICs by focusing on the most important topics and bringing to bear a mix of knowledge, finance, and convening power. Its importance as a source of finance has diminished in the context of expanding choice, but it has generally maintained relevance by adapting programs to meet new challenges, rather than competing with the private market by reducing the price of its products. What is equally if not more important is the degree to which the Bank's work has been effective in MICs, discussed in the next chapter.

# Chapter 3

## Evaluation Highlights

- The outcomes of country programs have been moderately satisfactory on average.
- A modest share of the Bank's work achieves the highest ratings in evaluations and client feedback.
- Bank support for fostering growth and reducing poverty has been well regarded, but much less so for work on inequality and corruption.
- The degree of the Bank's adaptability and responsiveness, and how well it fits programs to country needs and capacity, are among the main drivers of performance.



Suspension bridge under construction, 2002. A new suspension bridge is being constructed over the Yangtze River; the two sides of the bridge are coming together in the middle. (Photo from Justin Guariglia/Corbis.)

# Effectiveness of the Bank's Country Programs

## Performance of the Bank's Programs

The Bank's country programs, which for most partner countries are set out in a CAS,1 form the bedrock of the Bank's overall engagement with MICs. A great deal of the Bank's work, particularly its financing and knowledge services, is explicitly incorporated in individual CASs. Certain other Bank activities, such as corporate-level research and advocacy, is generally outside the CAS framework, but ultimately it too should manifest at least some of its impact at the country level. The combination of the Bank's efforts is directed to meeting development objectives established on a country-by-country basis. How have these efforts fared?

The overall effectiveness of the Bank's country programs has been reviewed by IEG in 43 MICs. The evaluation ratings drawn from CAEs are summarized in figure 3.1. The average rating for the outcome of this set of country programs is moderately satisfactory. This average rating is statistically better than the equivalent rating for the Bank's country programs in LICs, which is closer to moderately unsatisfactory.

The country program in Turkey provides an illustration of the moderately satisfactory outcome rating. The Bank's efforts there were appropriately targeted across a broad agenda, with some successes in helping promote macroeconomic stability, faster growth, and falling poverty. Less progress was made in tackling environmental and natural resource management issues.

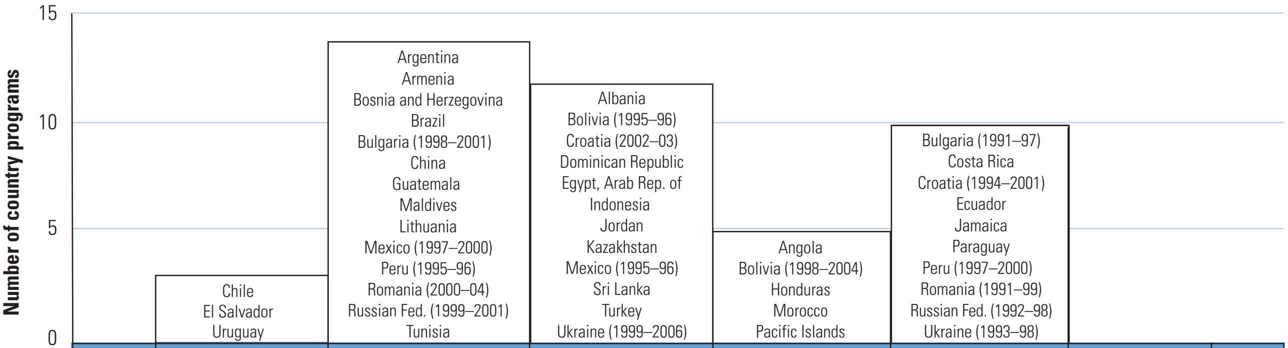
There is considerable dispersal of country program assessments around this average rating. Indeed, the most frequent rating for the outcomes supported by the Bank is "satisfactory," with Brazil providing a good illustration of such a satisfactory Bank program. There, as is characteristic of programs in MICs, the Bank's activity was wide-ranging, and its success varied across topics. Positive outcomes in supporting human development and access to basic services to help tackle poverty and to protect the environment outweighed the more mixed performance in stimulating investment.

In contrast to this most frequently observed rating of "satisfactory," for almost one-quarter of the country program ratings, outcomes were rated unsatisfactory. Half of the unsatisfactory ratings were in transition economies, where Bank programs ran into difficulties in dealing with the distinct challenges over the first part of this review period (mid-to-late 1990s). Several programs in Latin American MICs also struggled in the face of turbulent macroeconomic conditions.

The development outcomes for Bank-financed projects, which are the major component of many country programs, show a similar picture. Over the past decade more than 1,650 projects in MICs have been evaluated by IEG. As shown in figure 3.2, close to 80 percent

*Country program outcomes in MICs are moderately satisfactory on average, better than in LICs.*

**Figure 3.1: Outcomes of Bank Programs Varied Considerably on Average and Were Moderately Satisfactory**



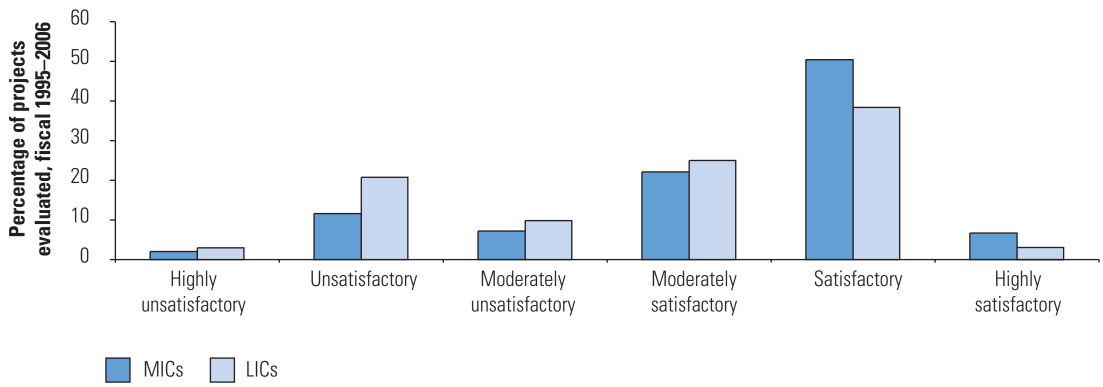

| | Highly satisfactory | Satisfactory | Moderately satisfactory | Moderately unsatisfactory | Unsatisfactory | Highly unsatisfactory | Total |
|---|---|---|---|---|---|---|---|
| No. of ratings | 3 | 14 | 12 | 5 | 10 | 0 | 44 |
| Percent of total | 7 | 32 | 27 | 11 | 23 | 0 | 100 |

*Source:* Country Assistance Evaluations.
*Note:* Forty-three country programs have received a total of 44 ratings. Numbers in parentheses refer to the subperiod for country programs with more than one rating during the period of review.

were rated moderately satisfactory or better. This strong performance in MICs produces a significantly higher rating than in LICs, and the differential is even more pronounced looking at the narrower category of satisfactory or above (which accounts for 57 percent of projects in MICs, compared with 41 percent in LICs).

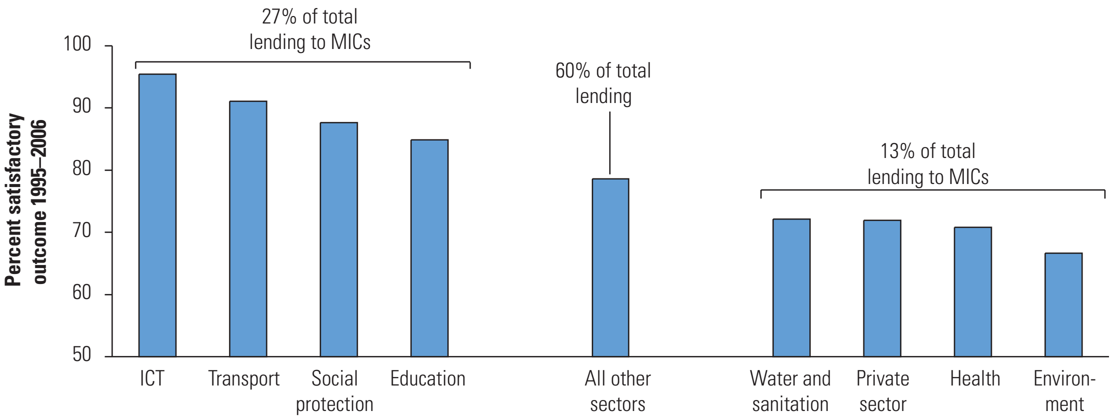
Bank-supported projects are spread across the full range of sectors (see figure 3.3). Those mapped to the Bank's sector boards in information and communication technologies (ICT), transport, social protection, and education are particularly strong performers (together accounting for 27 percent of all projects in MICs, weighted by disbursement, and on average 90 percent of these projects are rated moderately satisfactory or better). ICT and transport contribute to the strong performance of infrastructure projects as a whole, which

**Figure 3.2: Projects in MICs Have Better Outcomes than Those in LICs**




*Source*: IEG database.

**Figure 3.3: Information and Communications Technology, Transport, Social Protection, and Education Projects Are Particularly Strong Performers in MICs**




*Sources*: IEG database; World Bank database.
*Note:* ICT = information and communication technologies.

accounted for one-third of Bank lending to MICs over the past decade.

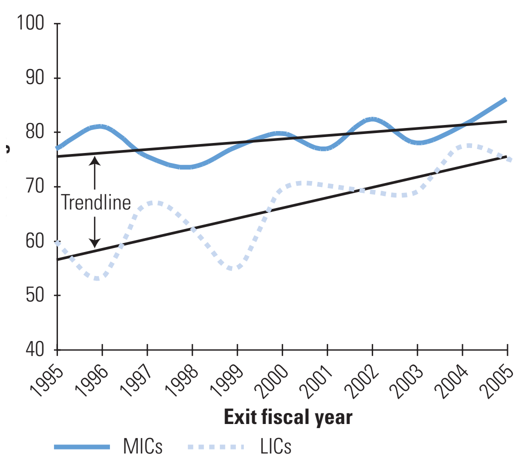
Four other sectors lag behind— water and sanitation; private sector development (PSD); health, nutrition, and population; and environment—a relative underperformance that is also observed in LICs. In fact, in the environment sector, nearly one-third had unsatisfactory outcomes, making it the worst-performing sector by a large margin.[2] In the financial sector, one-third of investment projects (as distinct from adjustment loans) were unsatisfactory (and 45 percent weighted by disbursement were unsatisfactory). Most of these poor performers were lines of credit, many approved before 1994.

Since fiscal year 1995, the share of projects in MICs with outcomes rated moderately satisfactory or better has risen slightly, as shown in figure 3.4. The performance of projects in LICs had lagged behind, but significant improvements have led to some catching-up with the MIC ratings.

Clients' views of the Bank's work, captured in the *client survey*, provide a critical barometer. As table 3.1 shows, the feedback is largely aligned with the evaluation of effectiveness noted above. A large majority—83 percent of respondents—regard the Bank's programs and services as moderately effective or better. Government officials, typically the Bank's primary interlocutors, are the most positive group, while civil society representatives are the least positive. And although a plurality of clients hold the view that the Bank's effectiveness is about the same now as it was three years ago, some do see signs of improvement. As table 3.2 indicates, 35 percent of respondents report that Bank programs and

***Projects in ICT, transport, and social protection have performed particularly strongly.***

**Figure 3.4: Project Outcomes in MICs Have Improved Slightly**




*Source*: IEG database.

**Table 3.1: Most Clients Rate the Bank as Moderately Effective Overall**

| Criterion | Highly ineffective | Ineffective | Moderately ineffective | Moderately effective | Effective | Highly effective |
|---|---|---|---|---|---|---|
| Overall effectiveness of Bank's programs and services (%) | 1 | 4 | 12 | 53 | 28 | 2 |

*Source:* IEG *client survey.*

services are somewhat more effective than they were three years earlier, and a further 5 percent reported them as much more effective. In contrast, only 10 percent judged the Bank to be getting less effective in recent years.

Clients also benchmarked their opinion of the effectiveness of Bank programs and services against those they receive from other sources. As table 3.2 shows, a large majority rate the Bank as equally or more effective than other official sources of development assistance.[3] While a majority also rate the Bank as equally or more effective than private capital, some 43 percent considered it less effective than this source. Factors that explain this include concerns over the ease of access to Bank support and the responsiveness of the Bank to changing needs (see table 3.3). These and other drivers of performance are discussed later in this chapter.

*A modest share of the Bank's work achieves the highest ratings from clients and in evaluations.*

Given that the Bank's activity in most MICs can be only a very modest direct share (including in financial terms) of any country's overall development effort, there is a need for the Bank's work to have a clear demonstration effect beyond the direct impact of specific projects and advisory assignments. Indeed, the expectation of many MIC clients is for Bank-supported activities to be beacons of performance that encourage replication and scaling up. Yet a collection of indicators described below, when taken together, suggests that the Bank may not be achieving this—demonstrating excellence, as it were—to the extent that clients desire.

The *client survey* shows that only 2 percent of respondents view the Bank's work as highly effective (giving it the top grade) in helping achieve their country's development goals. Even lower shares were reported when assessing the Bank's effectiveness in achieving progress on specific priorities—including poverty reduction (see table 3.4). And in *field assessments,* many counterparts remarked on aspects of Bank work that had improved over time, including the reduction in poorly performing activity. But very few drew attention to examples of their interaction with the Bank that they considered to be path-breaking or pivotal in impact. And some posited that such experiences were less easily identified

**Table 3.2: Many Clients Consider the Bank Improving and More Effective than Other Development Agencies, but About Equally Effective as Private Sector Capital**

| Criterion | Much less effective | Somewhat less effective | About the same | Somewhat more effective | Much more effective |
|---|---|---|---|---|---|
| Bank's effectiveness compared to three years ago (%) | 1 | 9 | 50 | 35 | 5 |
| Bank's effectiveness compared to regional development banks and bilateral programs (%) | 3 | 18 | 33 | 37 | 8 |
| Bank's effectiveness compared to private sector capital (%) | 11 | 32 | 20 | 27 | 10 |

*Source:* IEG *client survey.*

**Table 3.3: The Bank's Quality and Fit to Needs Are Rated Better than Responsiveness and Ease of Access**

| | Bank compared with other international institutions and private sector capital | | | | |
|---|---|---|---|---|---|
| **Criterion** | **Much worse** | **Somewhat worse** | **About the same** | **Somewhat better** | **Much better** |
| Quality (%) | 1 | 6 | 34 | 47 | 13 |
| Fit to country needs (%) | 2 | 16 | 39 | 37 | 6 |
| Responsiveness when country needs change (%) | 4 | 24 | 34 | 31 | 7 |
| Ease of access to its support (%) | 6 | 26 | 37 | 26 | 5 |

*Source:* IEG *client survey.*

now than they had been in the past. IEG's own data on the evaluation of project and country program effectiveness accords with this picture.

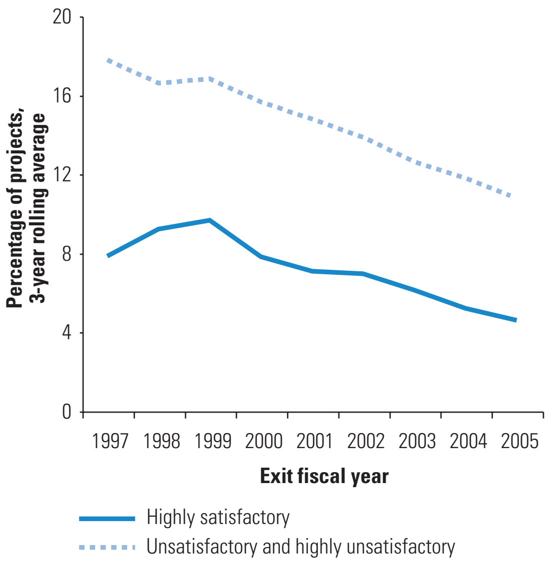
Project performance is funneling toward the middle ground, with significant reductions in the shares of project outcomes at both the lower and upper ends of the scale, shown in figure 3.5. The causes of this change are not certain. A more rigorous approach to safeguards, improved internal quality control, and stronger client ownership could all have helped to reduce ineffective (unsatisfactory) projects. The retrenchment of highly satisfactory ratings may reflect a toughening of the challenges faced in MICs, yet it may also be influenced by pressure on staff to minimize failure—and perhaps to become more risk averse.[4] For example, in the transport sector, IEG (IEG 2007a) recently drew attention to the trend for project activity to avoid some of the more complex or thorny problems, such as urban transport, and instead concentrate on more tractable opportunities, such as intercity highways.

The pattern of ratings for country programs, although limited in sample size, and hence subject to a significant margin of error, is consistent with this pattern for projects, as shown in figure 3.6. There has been an improvement in ratings insofar as more are rated as moderately satisfactory or better, and since 2002 not a single program was rated unsatisfactory. But the highly satisfactory outcomes for country programs have also disappeared—again, there has been a funneling of performance toward the middle ground. None of the last 22 MIC country programs rated by IEG had been evaluated as highly satisfactory.

## Outcomes and the Bank's Performance on Major Priorities

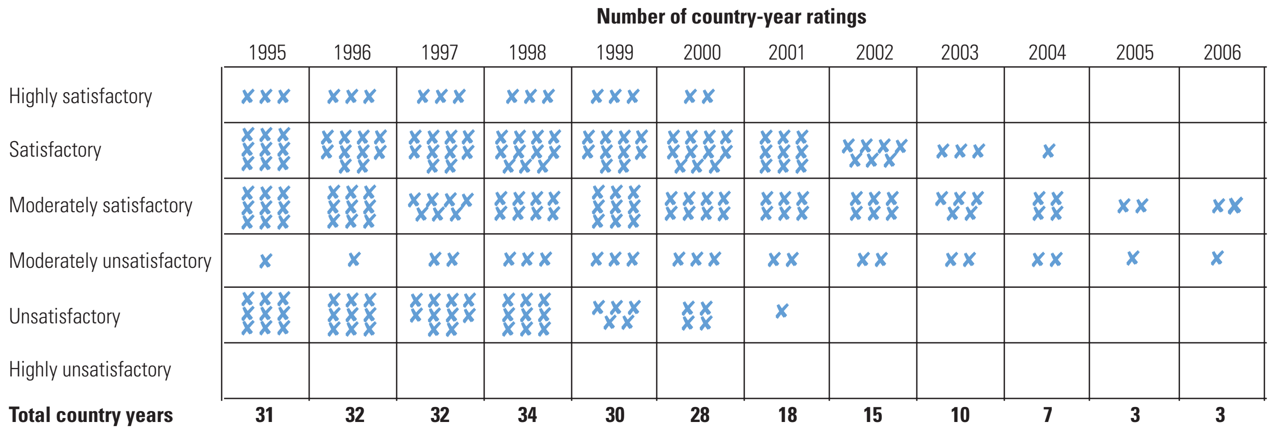
The assessment above shows the performance of Bank programs evaluated on a country-by-country basis. But how is this playing out in the performance of the MIC group as a whole? Aspects of the Bank's effectiveness are examined below in relation to major priorities of fostering growth, reducing poverty, addressing inequality, reducing corruption, and tackling environmental issues. Each of these was noted by clients as a major priority during *field assessments;* they are predominant themes in CASs for many MICs; and the Bank has also attached institutional importance to these

**Figure 3.5: Both Highly Satisfactory and Unsatisfactory Project Ratings Are Becoming Less Common in MICs**




*Source*: IEG database.

**Figure 3.6: Both Highly Satisfactory and Unsatisfactory Ratings for Outcomes of Country Programs Are Becoming Less Common in MICs**




*Source*: IEG's Country Assistance Evaluations.

*Note*: CAEs distinguish among subperiods when the Bank strategy shifts and/or outcomes of Bank assistance change. Each year evaluated constitutes a "country year," and these are included in the figure.

*MICs as a group have performed well in growth and poverty reduction, with support from the Bank.*

challenges (World Bank 2006d, 2006e). An additional priority—that of assisting MICs affected by or vulnerable to financial crises—is also reviewed because the Bank has played, and expects to continue to play, a role in this area.

Client views of the Bank's effectiveness along these lines (for the priorities for which responses are available) are presented in table 3.4. Feedback is most favorable on challenges that are broad and well established (promoting growth), and somewhat less so on challenges that are narrower and more recently elucidated (such as reducing corruption).

### *Fostering growth and reducing poverty*

Growth in the MIC group as a whole has been strong. Over the past 10 years, the average annual per capita growth rate of 3.7 percent has been faster than the global average (1.7 percent) and just above that in LICs (3.5 percent). And growth has been quicker in the latter half of this period, partly driven by favorable global conditions. While it is not possible to attribute this to the direct influence of the Bank's work on growth, the evidence from client opinion is positive—over two-thirds rate the Bank's work in fostering growth as moderately effective or better.

What accounts for the Bank's positive work in helping to foster growth? First, there has typically

**Table 3.4: The Bank Is Seen as More Effective in Fostering Growth and Reducing Poverty than in Addressing Inequality or Reducing Corruption**

| Criterion | Highly ineffective | Ineffective | Moderately ineffective | Moderately effective | Effective | Highly effective |
|---|---|---|---|---|---|---|
| Fostering growth (%) | 2 | 9 | 21 | 48 | 19 | 2 |
| Poverty reduction (%) | 4 | 15 | 22 | 43 | 15 | 1 |
| Addressing inequality (%) | 6 | 19 | 31 | 36 | 8 | 0 |
| Reducing corruption (%) | 12 | 25 | 27 | 29 | 6 | 0 |

*Source:* IEG *client survey.*

been a very close match in the priority accorded to this challenge by the Bank and its partner countries. This has created an environment for ownership of Bank-supported reforms to enhance growth. Second, the *field assessments* and CAE review suggest that the quality of the Bank's macroeconomic and structural policy analysis has been good. Third, the ability to combine technically proficient analytical work with policy-based lending has helped put growth-enhancing measures into practice. Romania is an example. Similarly, in Bulgaria and Colombia, clients reported that the Bank's support for structural reforms helped to produce a solid economic recovery after a crisis.

***Strongly performing Bank projects in particular sectors help facilitate growth.***

Bank projects have performed particularly well in several sectors that can fairly directly facilitate growth, and in which lending has been significant. In transport, which has accounted for 12 percent of total MIC lending over the past 10 years—about twice as much as the typical sector—93 percent of projects (by value) had moderately satisfactory or better outcomes. The Bank's support has generally been well managed and effective, especially for intercity highway construction and rehabilitation, and has contributed to private sector development, particularly through private contracting of maintenance (IEG 2007a).

Projects in information and communications technology had moderately satisfactory or better outcomes in 98 percent of projects by value, and some 36 percent were rated as highly satisfactory. These investments included support for modernization of the telecoms sector in several countries. The Bank's projects in education—investing in growth-supporting human capital development—have also performed relatively well.

In moving beyond growth into poverty reduction, MICs have produced a positive picture overall. At the aggregate level there has been some considerable success: the group has lifted almost 400 million people above the $2-per-day poverty threshold since 1993.[5] China has played the major part in this, having brought some 350 million people out of poverty, but performance has been more broadly based across the group. Nine of the 10 countries with the most rapidly declining poverty rates are MICs. The group—excluding China —has reduced the share of its population living in poverty by 20 percent, and poverty-reducing performance actually accelerated in the second half of the review period.

Several IEG evaluations illuminate aspects of the Bank's support to poverty reduction in MICs, although of course attributing the precise influence of the Bank's work on this topic is impractical in the setting of many MICs.

In China, the Bank produced a close integration of its analytical work, poverty monitoring, and projects to make a substantial contribution to the country's evolving poverty reduction strategy. For example, its research on rural poverty helped the authorities reorient strategy toward this pressing issue.

In Tunisia, the Bank combined substantial lending—in a well-performing portfolio—with policy work to support the government's focus on growth with equity, helping, among other things, to increase incomes in remote rural areas.

In Indonesia, the Bank's dialogue and analytic work has been a significant vehicle for its support for poverty reduction and social development. Its studies on poverty, education, and health have helped inform government strategy, promote consensus among donors to solidify external support, and produce satisfactory outcomes overall.

***There has been success in poverty reduction, with support from the Bank's social protection network.***

One distinct contribution of the Bank to poverty reduction in several MICs is a careful focus on the stability and effectiveness of social assistance programs. In Colombia, for example, the Bank's analytical and subsequent financial input helped launch a major social assistance program (the Red de Apoyo Social) that is credited with contributing to falling poverty rates.

A similar combination of well-grounded analytical work together with project finance for social assistance programs is also credited with helping reduce poverty in other MICs, including Mexico and Turkey. In Brazil, the Bank's lending for social protection in the late 1990s helped minimize the impact on the poor of fiscal austerity measures. Subsequently the Bank has supported steps to improve the coverage and effectiveness of the social safety net, largely through the Bolsa Familia program. Transfers from this program, which reaches more than 11 million families, explain some of the recent reduction in poverty and inequality in the country.

Another Bank contribution to poverty reduction found useful in certain cases has been a focus of attention on the Millennium Development Goals (MDGs). In Egypt, for example, the Bank's technical expertise on social and equity issues supported a coherent strategy designed by the Ministry of Labor. Similarly, in Tunisia the Bank aligned its strategy to match Tunisia's development priorities and the MDGs, and the country has reached some MDG indicators and is likely to meet target levels by 2015. As box 3.1 describes, MICs are making progress across many important MDGs.

## Tackling major priorities beyond the growth and poverty agenda

### Inequality

Income inequality is a pronounced and worsening problem in some MICs. There are 18 MICs—all in Africa and Latin America—with Gini coefficients higher than 0.50, well above the global average.[6] Figure 3.7 shows that in more than half of MICs, inequality has worsened over the past decade. Bank publications, including the *World Development Report 2006* and the Regional report *Inequality in Latin America and the Caribbean* (World Bank 2003b), have

**Box 3.1: MICs Lead the Way toward Achieving Key MDGs**

Not all MICs give prominence to the MDGs, and their greatest visibility tends to be in some of the lower-income members of the group. Against this background, the Bank has recognized the MDGs as a framework for measuring development progress, and for the past five years it has incorporated mentions of the MDGs into CASs. It has avoided overemphasizing the MDGs with partners for whom they have less traction, while giving them attention in locations such as Brazil, where they appear to be operationally useful (and the more ambitious targets of the "MDG-plus" have been featured).

**How are the MICs performing on key MDGs for which country-comparable indicators are available?**

- Progress in reducing extreme poverty has been outstanding in China (the target of halving the poverty level of 1990 has already been met), but it has been less strong in MICs in Latin America and the Middle East and North Africa.
- Nearly 70 percent of MICs have achieved or are likely to achieve universal primary education by 2015. There has been progress across all Regions, with the exception of Africa, where more than half of the MICs are likely to fall short. Furthermore, more than 90 percent of the MIC group have eliminated or are likely to eliminate the gender disparity in primary and secondary education by 2015.
- Reducing under-five child mortality by two-thirds by 2015 has proven to be a difficult challenge for both MICs and LICs. Over 70 percent of MICs and nearly 90 percent of LICs will not achieve this goal. However, most MICs in South Asia and the Middle East and North Africa have made significant progress and will likely reach the target.
- In halving the proportion of people without access to safe drinking water, of the countries on track, most are MICs, and those in Latin America have been making particularly good progress.
- Halting and reversing the spread of HIV/AIDS remains the MICs' most problematic MDG, and the target indicator—the adult prevalence rate—has actually risen in most MIC regions, albeit from a low base.
- By 2015, most of the global progress toward achieving the MDGs will have been in the MICs. This is a significant achievement, but challenges will remain, not least in lagging regions and excluded communities within large MICs, whose social and economic indicators may continue to fall below these international aspirations.

*Sources*: DECDG database, United Nations 2005.

highlighted this issue. Yet while many CASs show awareness of the topic and indicate that the Bank's work will pay attention to the problem, the Bank has not yet succeeded in helping those clients deal with the problem convincingly.[7]

In China, the Bank's programs (fiscal 1993–2002) did not do enough to address inequality, in part because of China's requirement that local beneficiaries repay loans. This constrained the Bank's room to maneuver by making its traditional lending instruments less practical in poorer locations. These areas had the greatest need, but the least capacity to repay on IBRD terms.

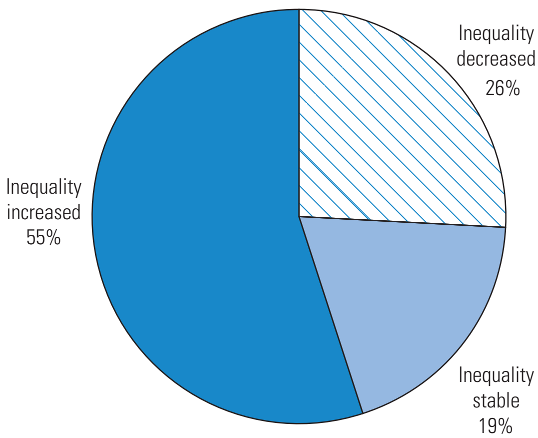
In Russia, Turkey, and Ukraine, some regions face a growing prosperity gap with better-performing areas. The governments there, despite the Bank's support, have not yet engineered reductions in inequality with a strong geographic dimension. Indeed, IEG has rated the outcome of the Bank's work to reduce Ukraine's regional imbalances as moderately unsatisfactory.

Finally, from the client's perspective, over half of respondents in the *client survey* rated the Bank's work in addressing inequality as moderately ineffective or worse (table 3.4). The problem of regional inequality, and the experience of the Bank's engagement in this area to date, points to the need to enhance the Bank's ability to work at the subnational level, which raises the issue of whether and how it can develop effective instruments for this purpose.

The Bank's work on gender policy also touches on an important dimension of inequality. IEG's most recent evaluation of the Bank's gender policy (IEG 2005b) recommended that the Bank could mainstream gender more effectively by paying attention to gender issues in a more systematic and inclusive way. The Bank has completed Country Gender Assessments (CGAs) in 15 MICs, and gender-relevant Regional analysis has also been produced in Regions with MIC clients. But for MICs as a group, there is very limited evaluative evidence available to assess the outcomes from the Bank's work on gender.

**Figure 3.7: Inequality Grew in More than Half of MICs**

**Changes in Gini Coefficient, 1993–2004**




*Source*: World Bank, DECRG poverty database.

The Bank's recent Gender Action Plan (World Bank 2006f) drew attention to the need for rigorous evaluation of Bank and other projects to identify good practices in promoting women's economic empowerment. Project lending coded to the theme of gender is concentrated in education and other social sectors, and ratings of overall outcomes in such projects are in line with the all-sector average. At the aggregate level, MICs have made progress on some indicators, including reducing gender disparity in education and increasing the share of the female population employed in the nonagricultural sector, but still have significant challenges and opportunities to advance women's economic empowerment.

### *Governance and corruption*

*Control of corruption is an important issue in many MICs, but there is limited evidence that the Bank's efforts have much traction, and client feedback is muted.*

The growing prominence in the Bank's statements concerning the issues of governance and corruption is relevant for many MICs, because the Worldwide Governance Indicators (Kaufmann and others 2006) show that control of corruption is below the global average in two-thirds of the MIC group, including 9 of the 10 largest MIC borrowers. Some 15 MICs are in the bottom quartile of country ratings. Across the group as a whole, three-quarters of the countries have seen no

*Environmental challenges for MICs and the Bank are formidable.*

significant change in the control of corruption, comparing 2005 with 1996. And while eight countries (concentrated in Europe and Central Asia) significantly improved, another eight deteriorated over that period.[8]

Client feedback on the Bank's work in helping countries address corruption is muted. Some 64 percent of respondents in the *client survey* judged the Bank's contribution to reducing corruption as moderately ineffective or worse (noted in table 3.4—the most negative responses in any part of the survey). *Field assessments* in the Philippines found clients reporting that the Bank has not really gained traction in delivering tangible results, although its work had been helpful in drawing attention to corruption and stimulating some planned reforms. Similarly, in Thailand, counterparts commended the Bank for the sensible mix of tools (training, analysis, outreach) it was using on the governance agenda, yet suggested that the impact was difficult to measure and modest to date.

In reviewing the Bank's country program in Indonesia (IEG 2007e), IEG found that the Bank had worked on improving governance and building institutions, and in some areas—including informing the policy debate and helping to develop the legislative framework for dealing with corruption—had made a significant contribution. But despite some positive steps by the government, corruption remains problematic, and the situation is improving at a slow pace.

The outcome of the Bank's work in this field was evaluated as moderately unsatisfactory. A slightly more positive picture emerges in Ukraine (IEG 2007b),where the Bank's work has included well-designed and properly targeted support for a number of civil society projects, helping monitor corruption at the local level. In recent years there have been improvements in indicators for the rule of law and control of corruption, and the outcome of the Bank's contribution has been evaluated as moderately satisfactory. Turkey provides another case where Bank support—including raising public awareness of corruption, and support for better public procurement—has helped the country in improve its performance.

#### Environmental issues

The Bank's attention to environmental sustainability and its commitment to the apposite MDG—including the indicators for reversing deforestation and curbing carbon dioxide emissions—are relevant for MICs. As a group, MICs account for nearly 60 percent of the world's total forest area, and 4 of 10 MICs have experienced deforestation since 1990; notable examples include Brazil, Indonesia, Mexico, and the Philippines. Regarding emissions, while high-income countries remain the largest emitters of carbon dioxide, three-quarters of MICs have increased their total emissions since 1995, including China, which is the world's second-largest emitter and accounts for a growing share of global $CO_2$ outputs.

In addition to MICs' association with global environmental issues, including climate change, they have pressing concerns at the country level. These include rising air and water pollution in megacities and land and watershed management in rural areas. In short, the environmental challenges for MICs and the Bank are formidable.

Most CASs for MICs speak to environmental issues, and in some of them, the environment is a main pillar of the strategy. Evaluations of country programs have revealed some ingredients of the Bank's in-country environment work influencing development outcomes. It has been important to position environmental issues as integral to the sustainable growth agenda, to secure government ownership for reforms, and to build domestic institutional capacity in the environment field. When the Bank has done this well—as in Brazil, for example— its support has led to satisfactory progress. But fragmentation of environmental responsibilities among different agencies hampered progress with the Bank's work in other countries, including Turkey. The Bank's work in encouraging a systematic approach to environmental concerns, including attention to the linkages between specific sectors and the environment, has not always been satisfactory, and was a concern in the Russia program.

Bank lending for projects mapped to the Environment Sector Board in MICs accounted for 2.5 percent of all new commitments over fiscal years 1995–2006, and has risen within this period, both in terms of number and value, in contrast to most other sectors, where lending has fallen. But the specific Bank-financed projects mapped to the environmental sector board have performed poorly compared with projects in other sectors. Nearly one-third of all such projects—whose combined commitment value was $892 million—had outcomes that were moderately unsatisfactory or worse, making it the worst-performing sector by a large margin.[9]

The majority (three-quarters) of unsatisfactory projects mapped to the Environment Sector Board in MICs were located in Latin America, and most share common characteristics that hindered their effectiveness. Projects were too complex in design, particularly in relation to the weak implementing capacity at the national and local levels. This thwarted efforts in Paraguay's Land Use Rationalization Project (and in some projects in Bolivia, Honduras, and Venezuela). In the larger MICs of Mexico and Indonesia, project effectiveness was hampered by a lack of participation of all stakeholders in the design phase, wavering political support, fragmentation of effort and responsibility on the environment agenda across parties, and inadequate ongoing coordination between the Bank and government.

Projects mapped to the Environment Sector Board do not comprise the entirety of Bank financial support for environmental priorities. Many lending projects mapped to other sector boards include components focused on the environment. Such environmentally themed lending is estimated to account for around 10 percent of total Bank commitments to MICs since fiscal 1995. It is difficult to make a definitive assessment of these environment-related components, because evaluation ratings relate to the project as a whole, and typically do not pinpoint the performance of specific themes.[10]

***Bank projects in the environment sector have performed poorly.***

### *Supporting MICs that are managing crises*

About one in six MICs (and almost one in three of the larger MICs) has been affected by financial turbulence over the past decade, and Bank crisis-related lending that incorporates financial sector reforms has been some $21.4 billion. Although many countries have built up defenses against the recurrence of crises—mainly stronger reserves and fiscal positions—these have yet to be tested, and the Bank's ability to respond to such an eventuality remains a stated rationale for its involvement in MICs. For this evaluation, findings from IEG's *Review of World Bank Assistance for Financial Sector Reform* (IEG 2006c) have been complemented by a newly compiled *crisis case review* (see appendix D). This review examined three important cases of the Bank's work with crises—Thailand (1997), Russia (1998), and Brazil (1999)[11]—which together accounted for $6.4 billion of lending (table 3.5).

***Helping clients manage financial crises has been an important part of the Bank's engagement with MICs.***

**Table 3.5: The Bank's Financial Crisis Support in Selected Countries**

| | Thailand | Russian Federation | Brazil | Total |
|---|---|---|---|---|
| Year of crisis | 1997 | 1998 | 1999 | |
| Number of crisis support operations | 7 | 1 | 5 | 13 |
| Total commitments ($ million) | 2,080 | 1,500 | 2,778 | 6,358 |
| Total disbursments ($ million) | 2,026 | 400 | 2,778 | 5,204 |
| Average rating for crisis operations | Moderately satisfactory | Unsatisfactory | Satisfactory | Moderately satisfactory |

*Sources:* IEG database; World Bank database.

The *crisis case review* assessed five main dimensions contributing the Bank's effectiveness, discussed in sequence below.

Predicting crises is obviously problematic, but the Bank has not been consistently effective in identifying vulnerabilities in doing so with sufficient candor. The Financial Sector Assessment Program (FSAP) was established in 1999 partly for this purpose, and much of its work has been positively evaluated by IEG,[12] but the program is still too new to have had measurable effects on ultimate outcomes such as the reduction of vulnerabilities.

This evaluation found that in Brazil and Russia, the Bank's level of engagement prior to the crisis was sufficiently strong to provide it with a substantial appreciation of structural and macroeconomic issues. This was an essential grounding for the Bank's preparedness to assist once a crisis arose, but the Bank's knowledge base was much less substantial in Thailand, where economic and sector work (ESW) had been severely curtailed in the years preceding the crises.

*The Bank has been less effective in identifying vulnerabilities than in responding once crisis occurs.*

The Bank's speed of response in assisting countries once a crisis has emerged has been good—typically Bank staff and experts were fielded quickly and clients appreciated this. Financing was also approved promptly: loan processing times were very significantly accelerated compared with the norm, and approval of the first crises loans in Brazil and Russia was virtually contemporaneous with the beginning of the crisis. Yet this fast reaction, though necessary, meant that some responses were ad hoc and did not always benefit from prior diagnostic work on the sector or from a close dialogue with the government on reforms. Collaboration with the International Monetary Fund (IMF) was not always smooth (IEG 2006c), such as in Thailand. Although some steps have been taken since then, more generally there may well remain scope for enhancing Bank-Fund collaboration (Malan and others 2007).

How effectively did the Bank help partner countries to protect the poor and vulnerable during crises? The *client survey* reported high levels of dissatisfaction with the Bank's role in this regard: nearly two-thirds of the respondents judged the Bank as moderately ineffective or worse in protecting the poor during crises. In the cases reviewed, neither the authorities nor the Bank had contingency plans that would have allowed rapid deployment of measures to strengthen the social safety net.[13]

In Russia, where the impact on poverty was large, the Bank had proven unable to interest the government in setting up formal safety net mechanisms before the crisis. Local assistance arrangements, but mainly the rapid rebound of economic activity after the crisis, prevented a social crisis of major proportions.

In Thailand, the Bank responded to the authorities' concerns and approved a Social Investment Loan, albeit a year after the onset of the crisis. The loan effectively supported and expanded existing poverty alleviation programs.

In Brazil, the Bank emphasized social protection and moved rapidly with a Budget Support Loan that specifically protected 22 relevant programs from government budget cuts.

Bank-financed operations prepared during crises—there were 13 in the countries reviewed—were moderately satisfactory or better in meeting their objectives in 70 percent of cases, a record somewhat below that secured by projects prepared in regular circumstances. The main reasons for less-than-satisfactory outcomes were overly ambitious objectives (presented in part to justify the large financing amounts from the Bank), inadequate or overestimated government commitment, and Bank advice that was inappropriate for the circumstances. Over 70 percent of respondents in the *client survey* judged the Bank's support during crises—both technical and financial—to be moderately effective or better (comparable to scores for other aspects of the Bank's work).

While the Bank took advantage of the opportunity created by the crises to promote structural reforms, the record of these efforts is mixed. Government ownership of measures proved to be crucial, particularly once the urgency of the crisis waned. The support provided for social protection reforms, where sustained government ownership was least apparent, had modest impact. Measures focused on the public and financial sectors, in contrast, helped secure improvements that contributed to the permanence of the fiscal adjustment and to the strengthening of the financial sector in the cases reviewed. Indeed, the policy and institutional environment measured by the Country Policy and Institutional Assessments (CPIAs) in the crisis countries strengthened at a faster rate than for all other countries, and over time climbed beyond their precrisis levels. Bank assistance may well have played a part in this, although precise attribution is not possible.

Did the Bank's heavy engagement in the crises influence and set the stage for a lending program afterward? In all three countries reviewed, the crises prompted a restructuring of Bank portfolios, whose average performance became better postcrisis than in the earlier period. The profile of the Bank's work was also raised as a result of the crisis, and this motivated the ongoing relevance of the Bank as a source of knowledge, at least for government officials. The crisis did not, however, translate into renewed long-term lending engagement in Russia or Thailand, although Brazil has remained an active borrower.

These observations are drawn from a particular sample of countries. Although their experiences may not be mirrored in every crisis-hit country, they provide a valuable illustration of important issues. The countries eventually did emerge from the crises, and did so with important structural changes that increased their resilience to further shocks.

It is hardly possible to disentangle the extent to which the recovery was brought about by support from the international financial institutions or by country-specific factors. The Bank did contribute to the liquidity assistance required at times of crisis and was instrumental in advancing relevant reforms. In the current international financial architecture, the Bank could be called upon to assist MICs again should crises emerge that they cannot handle alone. Evidence suggests the Bank is more effective in this role when it retains a solid appreciation of country macroeconomic and structural issues, particularly social protection programs and emergency poverty mitigation measures.

*Clients report high dissatisfaction with protection of the poor and vulnerable during crises.*

## Drivers of Performance

The evidence above was used to consider whether, as discussed in box 3.2, a typology of MICs is a useful device to help explain the outcomes of the Bank's work, as well as to cast light on factors that frequently or forcefully influence the success or failure of the Bank's country programs. The evaluation found that five drivers of performance cut across country programs with varying content, contrasting levels of Bank engagement and different country types. These are:

- The quality of the Bank's work
- Country capacity and the Bank's fit thereto
- The approach to dialogue with clients and client ownership
- The Bank's agility and responsiveness
- The Bank's integrated combination of finance and knowledge.

These factors are explained more fully below.

### *The quality of the Bank's work*

A common feature of country programs with satisfactory development impact is high-quality work, in both lending and analytic and advisory activity (AAA). The Bank's technical expertise, when embodied in the "how-to" of projects, is identified as a great strength in China, for example, and a similar observation is made for Brazil and Turkey.

*The quality of the Bank's work has been a key strength in securing positive development.*

Expertise embodied in the Bank's knowledge

**Box 3.2: To What Extent Do Country or Program Characteristics Explain Patterns of Bank Performance across the MIC Group?**

The diversity across MICs has been emphasized in client consultations, and the Bank recognizes this reality by basing its principal interactions with the group on a tailored, country-by-country basis. Certain country characteristics—income per capita and creditworthiness considerations—determine eligibility for International Development Association (IDA) and IBRD repayment terms, but otherwise the Bank does not use country groupings to dictate its approach to individual countries within the MIC group.

This evaluation has examined how far country characteristics can be used to group MICs into categories that are associated with—and perhaps help explain—successes or failures in Bank support.

One distinction did emerge—that between large and small MICs. The Bank's activity in the latter faces specific challenges that have constrained the Bank's effectiveness. Apart from that, the data did not yield stable, robust relationships that help explain Bank performance and could be operationally useful. The outcome of projects has not varied systematically across the income levels within the MIC group. Nor does the investment credit rating of MICs emerge clearly as a factor influencing the success of Bank country programs. And clients in investment-grade countries provided broadly similar feedback to those in non-investment-grade countries.

The composition or size of the Bank's programs might also be thought to help categorize performance, yet here too the data are inconclusive. Whether a country program is weighted toward investment lending or development policy lending, for example, was not in itself an indicator of success. Two other plausible hypotheses were examined in regression analysis: that outcomes may be influenced by (i) the size of the Bank's program (standardized for country GDP); and/or (ii) the importance of a country's program in the Bank's lending portfolio. Neither of these was substantiated.

The strength of a MIC's policy and institutional environment is associated with outcomes of Bank work, and this factor has been well established in other analysis for developing countries as a whole. In summary, while future developments may emerge that merit some operational typology within the MIC group, experience to date indicates that the tailoring of services in response to the specific circumstances of each client, encapsulated in individual country strategies, has proven appropriate.

*Sources*: IEG database; World Bank database.

work was assessed as being of very high quality and having impact in Peru, Russia, and Tunisia. The *field assessments* revealed the same pattern: the Bank's quality stamp—technical expertise, sound procedures, and solid management—is widely regarded as a key strength in making the Bank effective. For many clients the Bank's independence and objectivity are also assets that support its effectiveness.

The quality of the Bank's work was the characteristic ranked most highly by respondents in the *client survey*, as noted in table 3.3. Some 60 percent of respondents judged the Bank's work to be better than that of comparators. Technical weaknesses in the Bank's AAA work were few and far between—the factor cited least by respondents (2 percent of the total) as causing knowledge services to be ineffective.

*The Bank's global expertise has not always been adapted carefully to local needs and has at times been applied dogmatically.*

This evaluation uncovered very few concerns about the Bank's global expertise not being appropriate. A more problematic issue was that inadequate understanding of domestic conditions and pressures reduced the effectiveness of that global expertise. *Client survey* respondents, when assessing the areas the Bank could address to be more effective in the future, placed greatest emphasis on "applying knowledge more specifically to the needs of my country" (90 percent considered this a high or top priority). For example, IEG's assessment of the Bank's advice and analytical work on trade found it was often instrumental in supporting reform, but its value was reduced where it was perceived to be dogmatically based (IEG 2006b).

In *field assessments*, counterparts were concerned that in some areas of work, the Bank at times pushed for "cookie-cutter" policies and projects drawn from international experience, but ill-suited to local conditions. Such a lack of fit with domestic circumstances took three forms: (i) the Bank proposing "prepackaged solutions" (raised by respondents in Argentina); (ii) Bank advice, or even policy conditionality, that was impractical to implement (such as legislative changes outside the control of the executive); and (iii) Bank projects and operations that were overly complex. All of these characteristics were perceived to be associated with gaps in the Bank's knowledge and appreciation of local conditions and capabilities.

### Country capacity and the Bank's ability to "fit"

Many MICs have strong institutional capacity and good economic policies. There are plenty of examples of positive outcomes from the Bank's work in such situations. There is an environment conducive to success. The outcomes of Bank support are positively associated with country institutional capacity and policy. This is suggested in project performance: as figure 3.8 shows, MICs with stronger institutional capacity—as measured by CPIA scores—tend to have a higher share of projects that produce satisfactory outcomes.

The Bank has made better use of the fertile ground provided by strong domestic capacity when it has aligned the timing of its programs with the horizons of domestic actors. Clients have welcomed such attention to their circumstances. In Colombia, for example, the planning of CASs has come closer to the national political cycle. In several states that were in the process of accession to the European Union (EU), including Bulgaria, Poland, and Romania,[14] the sequencing of the Bank's work has been tailored to priority issues being addressed in the accession process. In China the Bank's programs mirror the periods of successive five-year plans.

The strong capacity that helps set the foundation for the Bank's work is much less common in small MICs. The Bank has recognized that there are particular challenges for its work with those partners.[15] As box 3.3 describes, the pattern of its engagement with this group differs from, and is less satisfactory than, that observed in larger MICs.

### Dialogue and ownership

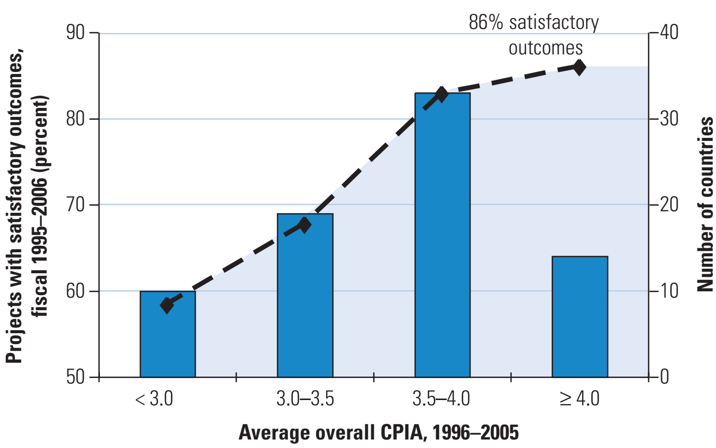
The country programs rated as highly satisfactory[16] all featured openness to dialogue between the Bank and the government, which improved strategy and fostered country ownership. This feature has also been highlighted as contributing to improving outcomes in several programs, among them the Turkey program. Highly successful project outcomes also tend to have strong ownership, often demonstrated when projects are part of a larger reform process that has clear central government commitment. The converse is equally true—lack of government ownership during particular episodes was the key contributor to less-than-satisfactory country programs for specific periods in Costa Rica, Peru, Romania, and Ukraine.

***Aligning the timing of Bank programs with national planning cycles has helped ensure success.***

***Bank engagement in small MICs has been limited, and less satisfactory than for other MICs.***

The *field assessments* illustrated some other features of the Bank's work that can help secure ownership, and hence improve the prospects for good development impact. A systematic and well-organized approach to setting strategy, and involving key stakeholders, can be useful. In the Philippines, for example, counterparts uniformly praised the Bank's support for the Philippines Development Forum, a setting that helps a cross-

**Figure 3.8: Good Country Policies and Institutional Capacity Facilitate Better Project Performance**




*Sources:* IEG database, World Bank CPIA database.

*Note*: Eleven countries did not have projects evaluated during 1995–2006.

**Box 3.3: Performance Is Weaker in Small-State MICs**

Small states present special challenges for development assistance. Many have grappled with issues such as nation-building, political instability, and lack of solid institutions, which have hampered economic growth. The Bank faces high unit costs to prepare and supervise projects and other activity in the 30 small-state MICs. There is also limited demand for IBRD lending—26 of the countries are classified as non- or sporadic borrowers, and 11 of these have not borrowed at all over the past decade (compared with 2 larger MICs in this nonborrowing category).

Bank engagement in these small states (which have a combined population of 0.6 percent of the MIC total) has been limited and outcomes have been less satisfactory than performance across the rest of the MIC group. The share of projects in small-state MICs rated moderately satisfactory or better—74 percent—was significantly below that for the MIC group as a whole (80 percent).

The largest program reviewed, in Jamaica, had a share of satisfactory projects 20 points below the MIC average. For the 17 programs reviewed by IEG, all but 1 received less than satisfactory ratings. Common flaws included setting overly ambitious goals, despite the lack of resources; failure to obtain government buy-in or develop country ownership of the program; a lack of leadership in country offices; and an absence of a strategic document to guide the operations for extended periods of time.

The Bank's knowledge work is rated the same overall in small states as in the MIC group as a whole. Specific support has been given for the small-states network and annual policy forum. The Bank's support for a modest number of regional programs involving small states has had some success. The Telecommunications Reform Project in five Eastern Caribbean states (OECS) is an example of good practice that exploits cross-border linkages and economic efficiencies. The Bank has recently sought to build on these features through support for a regional electricity regulatory body in the Eastern Caribbean and a Caribbean multicountry catastrophe insurance scheme.

*Sources*: IEG database, IEG's Country Assistance Evaluations, IEG 2006f.

section of development partners (domestic and international) work together on consistent strategy and programs. In China, a thorough and detailed system of consultations within government, and between government and the Bank Group, helped produce a highly coherent Country Partnership Strategy (CPS).

### *Agility and responsiveness*

Clients in several countries emphasized that the Bank lacked nimbleness and responsiveness as country conditions or needs changed. One manifestation of this has been in the Bank's lending instruments. In the Philippines, counterparts argued that in the late 1990s and beyond, the Bank clung to its traditional model of project finance, in which the counterpart funding arrangements provided a poor fit with country circumstances. It is only recently (fiscal 2006) that the Bank has adjusted its approach to use more programmatic lending, which the client has indicated is better aligned with the domestic situation. In Colombia, too, counterparts argued that the Bank was slow—perhaps even grudging—in moving to a much higher share of programmatic lending. Counterparts in China cited the existence of the front-end fee on loans as an example of the Bank failing to respond promptly to changing circumstances, as financial terms on the international capital market improved and the fee became increasingly incongruous.

*The Bank appeared unresponsive to the shifting needs of some MICs.*

The other main manifestation of the Bank's lack of nimbleness has been in its processes and procedures. In several locations, including the Philippines and China, observations were made that it has been excessively cumbersome to access Bank financing. In the *client survey*, feedback on Bank responsiveness was also one of the areas with weaker ratings (see table 3.3). A large share of respondents assessed the Bank's responsiveness, and also the ease of access to Bank support, as worse than other international sources. These characteristics were also rated lower than the quality of the Bank's work or its fit to country needs.

This lack of agility is exemplified by the Bank's grappling with an issue given emphasis by many clients—the manner in which the Bank's safeguard and similar provisions are applied. While the objectives to be achieved by the safeguards are typically shared by counterparts, the Bank has taken too long to consider and implement significant but worthwhile changes in expanding the use of country systems in Bank-supported operations. Significant discussion in the Bank on the use of country systems for environmental and social safeguards commenced more than five years ago, but so far only two projects under a pilot program are actually under implementation, and the total disbursed by early 2007 under the pilot was only $900,000. Even though the Bank reports some positive developments in the use of country procedures for financial management, little if any progress has been made in the use of national systems for major procurement. Management has recently made new proposals to the Board aimed at expanding the use of country systems.

### The combination of finance and knowledge

*The traditional "full-service" model can work, but the effectiveness of more selective programs remains to be assessed.*

For some clients, it is the combination of finance integrated with knowledge that provides the Bank's main strength. A government representative in Colombia, for example, stated that the Bank's capability and performance in this respect was unmatched by any other source. In China, officials are absolutely clear that the bundling of knowledge and finance remains the bedrock of the country's relationship with the Bank.

But how does the Bank's knowledge work perform in MICs, and how is this evolving in Bank programs without lending? Those questions are addressed in the next chapter.

# Chapter 4

## Evaluation Highlights

- Knowledge services, which have become a more important dimension of the Bank's work in MICs, are largely satisfactory.
- The Bank's approach to using and building MICs' own analytical capacity has been limited and unsystematic.
- Knowledge services have been strong on diagnostics, but weaker on how to fix development problems.

Indian women holding a meeting. (Photo from the World Bank Photo Library.)

# Sharing and Use of Knowledge

The Bank has suggested that for some MICs, "the value of the IBRD rests primarily in access to low-cost financing, while for others, sector expertise or strategic policy advice and convening power is what matters most" (World Bank 2006e). Knowledge services have gained in prominence as a channel of the Bank's engagement with MICs, particularly for those whose borrowing is declining. This chapter assesses the experience of the Bank's knowledge work with MICs.

## Aspects of the Bank's Knowledge Services

Free-standing AAA constitutes the most visible and widely recognized instrument the Bank employs for knowledge sharing with its clients.[1] To derive yardsticks for reviewing the Bank's AAA that are particularly pertinent in the MICs, the evaluation looked at both what the MIC clients want from AAA and the Bank's own expectations.

Clients emphasized in the *field assessments* the importance of three characteristics of the Bank's AAA that add value: by providing *first-class policy analysis*, including through an objective, outsider perspective; by *sharing lessons from international experience*; and by *promoting more productive dialogue* among national stakeholders. The Bank itself incorporates these features in the Quality Assurance Group (QAG) reviews of AAA, and complements them with other important attributes of AAA programs, notably their *relevance and strategic coherence*; *likely impact* on government policy; and contribution to *building domestic analytical capacity*.

What has been the experience of the Bank's AAA along these six features? The pertinent ratings from the *client survey* and *expert reviews* are summarized in table 4.1. Complementary qualitative evidence has also been drawn from the *CAE reviews, field assessments, external reviews*, and *QAG reviews*. The combined evidence lends itself to an overall satisfactory rating for Bank knowledge services to the MICs. Key indicators supporting such an assessment include:

- Eighty percent of clients judged the Bank's knowledge services to be moderately effective or better in helping to achieve development goals, and two-fifths judged that their effectiveness is improving.
- External experts made a very positive assessment of Bank AAA reports, with almost all of those reviewed being at or close to fully satisfactory.
- The QAG assessment of AAA programs found a large majority were satisfactory, including three of the largest country programs—Brazil, China, and Russia.

*The Bank's knowledge services to the MICs are satisfactory overall along key dimensions.*

This assessment of overall performance is examined along the principal characteristics in more detail below.

**Does the Bank's AAA have relevance and strategic coherence as an intrinsic part of the Country Assistance Strategy?** In the 1970s and 1980s, a typical Bank country strategy was driven by lending operations that AAA was designed to support and promote. Now for most borrowers, the AAA program is viewed as a

**Table 4.1: The Bank's Knowledge Services Are Assessed Positively**

**a. Clients view the Bank's knowledge services as moderately effective or better**

| Criterion | Highly ineffective | Ineffective | Moderately ineffective | Moderately effective | Effective | Highly effective |
|---|---|---|---|---|---|---|
| Helping achieve country's development goals (%) | 2 | 6 | 13 | 42 | 28 | 9 |
| Sharing experiences from different countries (%) | 2 | 6 | 17 | 40 | 26 | 9 |
| Influencing government's policy (%) | 4 | 10 | 19 | 45 | 20 | 3 |
| Providing opportunities for local input (%) | 2 | 11 | 22 | 46 | 16 | 3 |
| Shaping public opinion about the priorities for public policy (%) | 6 | 15 | 24 | 36 | 16 | 3 |

**b. Independent experts rate the Bank's knowledge services highly, particularly its cutting edge analyses**

| Criterion | Highly unsatisfactory | Unsatis-factory | Moderately unsatisfactory | Moderately satisfactory | Satisfactory | Highly satisfactory |
|---|---|---|---|---|---|---|
| Overall rating (%) | 0 | 0 | 6 | 19 | 69 | 6 |
| Reflects current state of thinking (%) | 0 | 0 | 0 | 25 | 19 | 56 |
| Reflects in-depth knowledge of context/realities of good program design/implementation (%) | 0 | 0 | 6 | 31 | 38 | 25 |
| Takes into account relevant cross-sectoral considerations (%) | 0 | 6 | 0 | 38 | 31 | 25 |
| Use/build national expertise[a] (%) | 0 | 0 | 0 | 31 | 50 | 13 |
| Incorporates lessons from other countries (%) | 0 | 0 | 13 | 38 | 44 | 6 |

*Source:* IEG *client survey.*

*Note:* 16 studies rated.

a. Data only available for 15 studies along this criterion.

central component of the overall strategy, even when lending is not present or anticipated. In Turkey, for example, the Bank's studies of agricultural subsidies—which were a key issue for fiscal sustainability—were critical in driving forward the government's strategy in this area. This AAA work was integral to the Bank's program at a time when it did not have lending operations in the sector. But there are also weaknesses in the integration of AAA into country strategies. First, the Bank has sometimes undertaken studies that reflect the interests of particular donors and their willingness to make funding available, even when these have little strategic relevance.[2] Second, there have been studies that were taken up opportunistically in response to requests from individual government officials or agencies without being situated in a clear Bank strategy.

**Does the Bank's AAA in the MICs provide first-class policy analysis?** There is general endorsement in all the evidentiary sources reviewed regarding the high quality of Bank AAA in the MICs, supporting an assessment of satisfactory for the Bank's AAA on this dimension. The *expert reviews* conducted by independent specialists in the course of this evaluation judged that Bank reports often represented cutting-edge knowledge in the sector, and this was the most highly rated characteristic of AAA (see figure 4.1). Similar findings are found in QAG assessments. Factors influencing this strong technical quality include the Bank's ability to draw upon well-qualified staff, staff motivation to showcase technical expertise, and the influence of internal review processes.

The concerns that have emerged about quality center on the Bank's AAA being stronger on its diagnosis of issues than on the practicality of the recommendations. Experts judged that the conclusions and recommendations of Bank reports often did a better job on the "what" than on the "how." Elements of feedback in the *field assessments* in Argentina and Colombia questioned the quality of some of the Bank's knowledge work, including the extent to which it appreciated the specifics of local conditions. An external evaluation of World Bank research (Deaton and others 2006) also found that a large fraction of research papers were not useful to policy makers. Further, QAG reported recurring feedback on AAA in a large MIC that recommendations were often broad and general. Finally, applying knowledge more specifically to individual country needs was considered a top priority for the Bank by 60 percent of *client survey* respondents, and a significant priority by 31 percent more. All of this is consistent with a picture that in some sectors, such as education and health, specific local knowledge is vital, but even in others, such as the financial sector, where international best practice is more clearly established, local perspective on how to implement development solutions is essential. The fact that these observations are not new arguably reinforces the need to address them more purposefully in the future.

**Does Bank analysis embody and share lessons of international experience?** Evidence indicates that the Bank's work has been satisfactory on this dimension. This is a particularly important role, given that the Bank may have a comparative advantage in this respect relative to other providers of knowledge services such as regional development banks. The *expert review* rated this feature as moderately satisfactory or better in a large majority of cases, but somewhat less strong than other characteristics of AAA. The experts noted little evidence in Bank reports of clear citations that demonstrated the use of Bank studies in other countries.

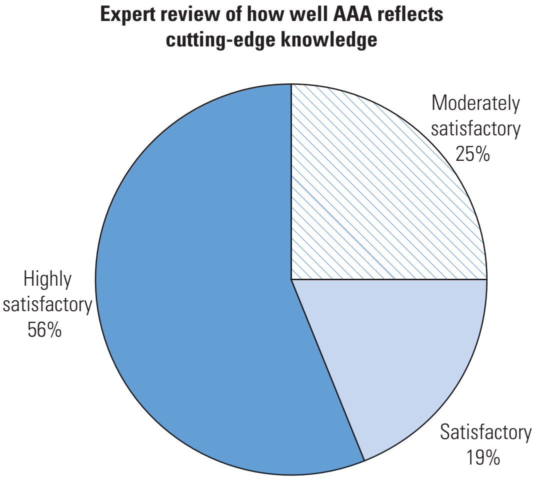
***But AAA needs to be made more useful for policy makers and better adapted to country-specific needs.***

Formal reports of the Bank do not capture the full scope of the Bank's sharing of lessons of international experience, since much of this is provided through oral advice and short background notes for key policy makers. Officials in *field assessment* countries expressed appreciation for the Bank's willingness and ability to provide—at short notice—comparative information that was often a very useful input into the dialogue within the government. In Thailand, for example, the Bank's support for recent work on the economics of effective AIDS treatment helped link policy makers with the latest international experience, and so further strengthened the country's programs. Across MICs, nearly three-quarters of respondents in the *client survey* viewed the Bank as moderately effective or better in sharing relevant experiences from different countries.

***The technical quality and incorporation of lessons of international experience is satisfactory in the Bank's AAA.***

For an in-depth look at the cross-country transmission of knowledge, a review was undertaken in the field to examine how this took place in the Bank's

**Figure 4.1: Bank Analysis Was of High Technical Quality**




*Source*: IEG *expert review.*

work with countries on conditional cash transfers (CCTs). This review is summarized in box 4.1.

The Bank has suggested that a justification for the level and comprehensiveness of its AAA in MICs, and particularly in nonborrowing MICs, is the importance of deriving lessons that can be transferred to LICs. In Thailand and China, officials have indicated that one reason for remaining engaged with Bank AAA was that they believed they had something to offer the LICs, particularly those in the region, and that the Bank could play a role in brokering this effort. They noted that there had been some efforts in this direction, but felt that the Bank could do more. The review of CCTs suggests that on occasion the Bank can, and does, play this role. In general it appears that knowledge sharing is more prevalent (and effective) within Regions than between Regions, and that overall the Bank's efforts to incorporate MIC-LIC knowledge sharing in its country programs, or indeed through a clear Bank-wide framework, have been modest.

*Some MICs recognize the potential for the Bank to help transfer their knowledge to other countries.*

Another element in sharing lessons of international experience is the Bank's own efforts to keep its staff abreast of what is going on across a number of countries and to expose staff directly to a range of developing countries so that they can bring experience from one MIC to another, and from the MICs as a group to the LICs. It has proved difficult to find convincing data on this. There is some evidence that declining Bank lending programs (and accompanying pressure on administrative budgets) in Regions with large numbers of upper-middle-income MICs (especially Europe and Central Asia) are leading to outward rotation of their staff to Regions with a higher share of LICs.

**Does the Bank use its convening power to promote a national dialogue among stakeholders?** In the *client survey*, the lowest-rated aspect of the Bank's knowledge services was its effectiveness in shaping public opinion about the priorities for public policy and investment. Only 55 percent of respondents rated the Bank effective in this area. Among those who rated the Bank's knowledge services ineffective overall, the most frequently cited reason is the lack of dissemination, as shown in figure 4.2. This was typified by several *field assessment* counterparts in Thailand and Egypt, who argued that the timing, availability, and accessibility of Bank studies could be improved. Dialogue and dissemination is also the lowest-scoring category in the QAG assessments, rated unsatisfactory in more than a third of cases, and only two programs qualified as highly satisfactory.

**Box 4.1: Conditional Cash Transfer Programs—An Example of Cross-Country Knowledge Sharing**

The Bank has contributed to numerous conditional cash transfer (CCT) programs since fiscal 2000, with more than two-thirds of these in MICs. An in-depth review focused on CCT programs in five countries: Brazil, Colombia, Mexico, Nicaragua, and Turkey.

Within the Bank, staff interviewed perceived a significant and increasing level of internal networking and knowledge exchange on CCTs, mainly through direct personal contacts, but also through workshops, papers, and publications. As for knowledge sharing with clients, counterparts who were interviewed perceived that, overall, the Bank had played a significant role in spreading new ideas across countries, though the level of the Bank's involvement varied, being more manifest in Colombia and Turkey. Policy dialogue, study tours, and events were the preferred mechanisms. Bank-supported evaluations have also been an important method of sharing knowledge, because they provide policy makers with empirical evidence of the impact of particular programs.

The Bank could examine ways to increase the impact from sharing relevant experiences across countries, including more systematic use of staff rotation; increased support of local knowledge initiatives and institutions; greater public disclosure of evaluation findings; and more systematic links between the Bank's events and publications, including face-to-face follow-up with counterparts.

*Source*: IEG *topic review.*

In some cases dissemination is limited by the reluctance of government officials to have Bank documents publicly distributed and discussed. For example, in Bulgaria, counterparts reported their perception that in the early period of its operations, the Bank was partnering only with the government, with knowledge sharing restricted to officials. In recent years, however, dissemination has improved through the Bank's work with nongovernmental organizations (NGOs) and civil society. And similar to experiences found in other *field assessments,* when the Bank actively collaborated with local experts, this has helped it better tailor its advice and analysis to the specifics of Bulgaria's situation.

Respondents in Argentina and Colombia said that the Bank has not done enough in the way of sponsoring forums and seminars on key issues and presenting articles and research papers for public debate and discussion in the country. In the words of one interviewee, *it needs to become more of an information marketplace and less a provider of knowledge services to government officials*. A similar reported criticism was included in some QAG assessments of AAA. Overall, the balance of evidence is that Bank AAA has been moderately satisfactory in promoting national dialogue.

*Knowledge services have helped promote national dialogue.*

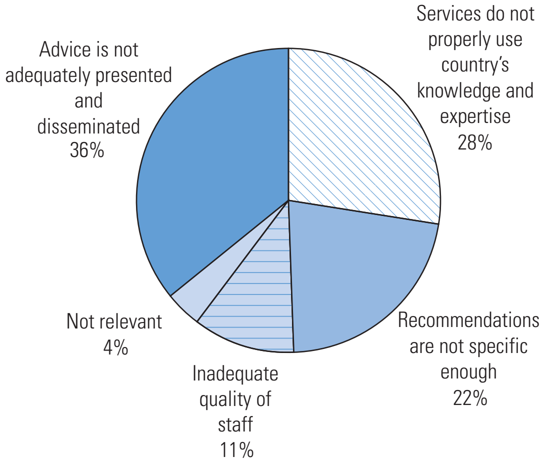
**Does Bank AAA have an impact on government policy in the medium and longer term?** Indicators of satisfactory performance on this dimension include the *client survey*'s finding that two-thirds of respondents rated Bank programs as moderately effective or better in positively influencing the government's policy and investment decisions. Examples of this include Ukraine, where, as box 4.2 describes, the Bank's AAA helped to advance the World Trade Organization (WTO) accession process. In Chile the Bank's AAA has influenced incentive arrangements for regional development and small and medium-size enterprise development; the establishment of innovative regimes for new social protection and rural infrastructure services; and improvements in existing national systems for financial management, procurement, and financial supervision.

*Knowledge work has had a satisfactory impact on government policy over the medium term.*

**Does Bank AAA build analytical capacity in the MICs?** Performance has been moderately unsatisfactory on this dimension. The Bank has increasingly tried to undertake its AAA jointly with clients as a means of both ensuring ownership of its studies and increasing their impact, and to help build the capacity to carry out analytic work in the country. Feedback from *field assessments* suggests that this is welcome, and that there are examples of success. But it still appears to be relatively limited and not systematic. This is echoed in the finding that little of the Bank's research involved partnering with developing country experts (Deaton and others 2006).

*Expert reviews* noted that many Bank reports were not explicit about the extent to which they had used in-country consultants or studies as inputs into the preparation of the report. There was indirect evidence that many of the studies had made an effort to include local expertise. A study of rural development in Mexico exemplified good practice, clearly drawing on some of the best Mexican analytical talent. The external experts

**Figure 4.2: When the Bank's Knowledge Services Are Judged Ineffective, Inadequate Dissemination and Modest Use of National Expertise Are the Main Factors**




*Source*: IEG *client survey*.

**Box 4.2: Bank Analytical Work in Ukraine Contributed to the Country's Integration into the World Economy**

The Bank's analytical work constituted one of its main contributions to strengthening the arguments for World Trade Organization (WTO) accession and trade liberalization in Ukraine. A Bank trade study in 2005 identified areas where Ukraine could benefit from a more transparent and competitive trade regime and use the WTO accession process to advance market institutions.

The Bank strategy was successful in helping convince important constituents in the country and government to actively pursue WTO accession. Simplification of the tariff structure and the movement away from quantitative and other restrictions represented a major advance that was strongly counseled and supported by the Bank. Trade diversification and foreign direct investment inflows increased. By 2006, negotiations for WTO accession had advanced, and bilateral negotiations with most member countries were completed, and enabling legislation was passed by the Ukraine Parliament.

*Source*: IEG 2007b.

also noted, however, that there are trade-offs associated with integrating local expertise in AAA, and that in general, studies that relied more on local sources tended to be less rich in the use of cross-country comparisons. In some countries there is still very limited domestic analytical capacity, so that care has to be exercised not to compromise the quality of the product.

*Field assessments* are in accord with the relatively low *client survey* ratings on the Bank's partnering with local experts. In Bulgaria, while reporting some examples of success, respondents also noted that at times Bank missions showed unwillingness to openly disseminate their findings or to include local experts in analytic work.[3] In the *client survey*, less than 20 percent of respondents rated the Bank as more than moderately effective with respect to providing opportunities for local input by partnering with government and academia. Moreover, 95 percent of respondents considered using more local capacity to be a high or top priority for the Bank to be more effective in the future.

*Knowledge services have been less than satisfactory in drawing on and building domestic analytical capacity.*

Part of the Bank's analytic capacity building is carried out through the programs of the World Bank Institute (WBI). A WBI self-evaluation (World Bank 2005d) covering 12 countries, of which 5 were MICs—Brazil, Egypt, Guatemala, Russia, and Thailand—suggests that the effectiveness of WBI capacity-building programs was significantly lower for course participants from these countries than for those from the comparator LICs. Brazil was an outlier in this group, with those surveyed indicating levels of effectiveness of WBI programs comparable to those found in the LICs. The evaluation suggests that this may be because of the focus of WBI activities on North-East Brazil, which has characteristics closer to a LIC. The study concludes with the view that WBI needs to reexamine the content of its programs for the MICs to increase their effectiveness.[4]

## Knowledge-Led Strategies and Cost Sharing

The share of the Bank's own resources—country program budgets—allocated to AAA has increased in recent years, which is consistent with a growing emphasis on knowledge services. This change is also in tune with client demands, as there is wide receptivity to the Bank's support for development goals through advisory work. Indeed, 75 percent of respondents to the *client survey* called for an increase of these knowledge services. For MICs on average, about 30 percent of Bank country budgets is spent on AAA, similar to the percentage allocated to prepare new lending. Some 11 MICs have both an above-average amount and an above-average share of country program budget allocated to AAA, as shown in figure 4.3. But it is difficult to tell from the budget figures alone the prevalence of what might be termed "knowledge-led" strategies.

There are increasing references to adopting "knowledge-led" programs in MICs as diverse as

Chile, Russia, South Africa, and Thailand, and interest is growing in assessing how such approaches work. QAG has rated AAA programs in eight countries with relatively high budgets for knowledge, and these ratings were about 15 percent lower than those for the countries with lower shares for AAA. The internal quality of Bank work and the likely impact was judged the same for both groups. The knowledge-led countries also did a slightly better job on dialogue and dissemination of reports than the others, but this was offset by lower scores on coherence and integration of the program. This underlines the difficulty of using AAA on its own as a strategic instrument. AAA programs are rarely set up to capture synergies and achieve a set of clearly defined objectives. To deal with this problem, in some cases where the Bank strategy is AAA-led, operational units have put in place signed partnership agreements with governments that spell out the responsibilities of the Bank and the government. The Middle East and North Africa Region has developed programmatic ESW that involves longer-term programs with multiple products and monitoring benchmarks, which provide a basis for decisions on whether to continue the program. The Country Development Partnership agreements in Thailand serve a similar function. These are interesting and innovative approaches, but their effectiveness has not yet been evaluated.

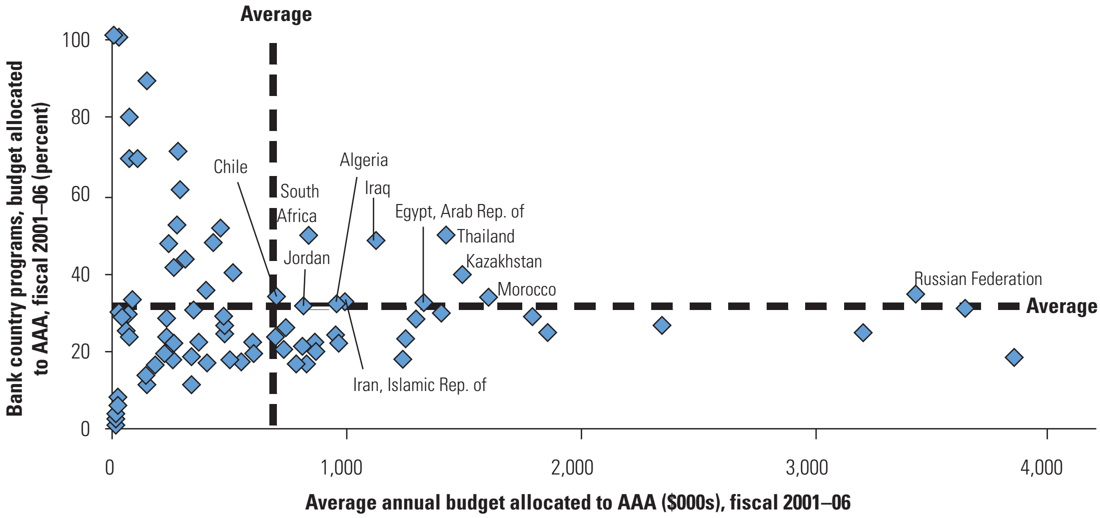
*A vast majority of clients consider increasing the use of local capacity to be a major priority.*

Some MICs (including Algeria, Chile, Kazakhstan, Malaysia, Mexico, and Russia) have contributed in various ways to meet part of the costs of Bank AAA for their countries.[5] Such countries have reduced or curtailed borrowing from the Bank—often no longer having a need for external finance—but have retained interest in the Bank's knowledge services. The program-based approach used in Kazakhstan and Malaysia is for the authorities to fund a share of the cost of an overall, multiyear set of activities. Another approach is essentially task-based, such as that used for a modest part of the Bank's AAA in Chile and Russia, where through fee-for-service arrangements, the Bank is compensated for part of the costs of undertaking a specific study or providing technical assistance (TA) on a project.

*The Bank is spending more of country budgets on AAA, and in several MICs allocates a particularly large share of its resources to these activities.*

The small number and recent vintage of these programs makes it difficult to evaluate their effectiveness.[6] This evaluation conducted a desk review of Bank materials and canvassed relevant

**Figure 4.3: Eleven Country Programs Have Budget Allocations Heavily Weighted to Knowledge Services**




*Source*: World Bank database.

*Some MICs directly contribute to the Bank's in-country knowledge services, and this may help such work.*

country units as to their assessment of approaches to cost-sharing. In the countries with cost-sharing, clients are reported to be satisfied, judging from the tendency toward steady growth in these programs, albeit from a very low base. Bank staff associated with these programs emphasize the degree of ownership that comes from the financial commitment by the country. They also noted that insofar as country resource contributions enable the Bank's continued involvement in knowledge services, this allows an impact on policy that might not be possible otherwise.

A number of other countries are currently negotiating cost-sharing arrangements with the Bank. Program-based arrangements are typically subject to the same strategic objectives as a CAS, encompassing both AAA and lending. For task-based arrangements, this is more difficult, and the Bank needs to clarify the criteria under which it will carry these out, especially when there is partial subsidization, with the Bank sharing some of the costs. It remains to be seen how far clients and the Bank wish to extend this approach beyond its present limited use. In addition, the effectiveness of these programs and tasks should be the subject of careful evaluation in the medium term.

*The extent of partnering with other donors in knowledge work is very modest.*

The Bank could leverage its AAA in MIC countries by engaging in more partnership activity with donors and other multilateral development banks. Only 9 percent of the AAA in the MICs in 2004 and 2005 was carried out jointly with other donors. This compares with approximately 22 percent in LICs. In part, this reflects greater interest of the donor community in LICs than in MICs. It is probably not the difference that is so striking, but the low level of joint AAA in both LICs and MICs. Experience in partnering has been mixed—in some cases the partner agency has shied away from endorsing the more controversial parts of the Bank report. This argues for better preparation and up-front agreement with potential partners. Greater emphasis on partnering such as that used in Indonesia (described in box 4.3) could have benefits for the Bank in leveraging its budget and expertise; for other donors in internalizing some of the Bank's cross-country experience; and for borrowers in reducing the transaction costs of separate missions covering similar ground.

**Box 4.3: Benefits of Engaging International Development Partners in Knowledge Work—Indonesia**

The Bank's budget for analytic work in Indonesia is no larger than that for other Bank borrowers of its size, but the Bank has greatly leveraged its capacity through donor trust funds for analytic work, which are managed by the Bank. For the past three years, the U.K. Department for International Development (DFID) has paid for three specialist staff in the Bank's Jakarta office working on poverty issues. The Dutch government has also been a major source of trust funds for Bank analytic work. This has enabled the Bank to produce a solid stream of analytic outputs and shorter just-in-time notes in response to requests from government officials for analysis of policy issues, such as the assessment in 2005 of the implications for the poor of the reduction of the fuel subsidy and comparative data on how problems are being tackled in other countries.

*Source*: IEG 2007f.

# Chapter 5

## Evaluation Highlights

- Significant global programs, in which MICs account for half of participants, have received growing emphasis as part of the Bank's engagement with MICs.
- Bank involvement in global programs is not always highly recognized at the country level; nor is it particularly well integrated into its country programs.
- Having an insufficient voice in global program governance is still a concern for MICs and may inhibit their enthusiasm for and engagement in such programs.

Table Mountain and Cape Town, South Africa, 2005. (Photo from Jon Hicks/Corbis.)

# Engagement of MICs in Global Programs

## The Context

The Bank has indicated that a promising aspect of its relationship with MICs lies in its role in making connections between these partner countries and the provision of global public goods (World Bank 2006e).

Addressing globally shared concerns and promoting global public goods is now a very significant field—the Bank is involved in more than 100 programs that are clearly global in scope (and more than twice that total when including all global and regional partnerships), a number that has grown dramatically since the mid-1990s (IEG 2005a).[1] MICs are such a large share of the globe that many if not most global programs—if they are truly global in their intent and reach—need the engagement of this client group if they are to be effective.[2]

The Bank's early experiences with global programs have had some success, and raised some concerns, as noted in box 5.1.

Recognizing this, this evaluation reviews how key issues are playing out with specific reference to MICs, with two points of focus. First, from the perspective of individual global programs, to what extent are they relevant to and being taken up by MICs? Second, from the perspective of the Bank's engagement with MICs, how much have global programs—and the Bank's support for them—played a role?

## Global Programs' Engagement with MICs

Meeting certain global challenges requires the involvement of particular countries, and individual MICs can make a unique contribution to particular global programs. Following the methodology established in IEG's global program evaluation, this review examined 26 global programs varying by size, type, theme, and vintage. Together these programs account for the majority of total Bank expenditures on global programs (see appendix B for more detail).

*MICs typically account for half of participating countries in major global programs, and a higher share in environmental programs.*

Data from the global programs themselves allowed an assessment of country participation. The nature of participation varies by program and can include one or more of the following: receipt of grant finance or other financial support, receipt of TA, the exchange of information, and other forms of collaboration.

These significant global programs with which the Bank is involved are relevant to MICs, as evidenced by frequency of MIC participation in them. As shown in figure 5.1, the typical participation rate for MICs in global programs (here measured as the number of MICs active in a program as a share of all developing countries involved) was 52 percent, or slightly less than MICs' share in the developing country group as a whole (60 percent). The majority of the global programs have MIC participation rates in the range of 40–60 percent, indicating a reasonable degree of relevance to both MICs and LICs. And clients assess the Bank's work in both informing and involving MICs in these global programs positively: nearly 70 percent of respondents in the *client survey* judged the Bank's work as moderately effective or better on these features.

Indeed, the issues addressed by some global programs are equally if not more likely to be

### Box 5.1: Established Findings on the Bank's Approach to Global Programs

IEG's evaluation of the World Bank's approach to global programs (IEG 2005a) found that they have added value to development efforts by combining global activities with other activities conducted by the Bank, donors, or governments at the country level. The global programs that were more closely linked to the Bank added more value to the Bank's development objectives, partly because the Bank was skilled at using information they produced. The Bank's performance in global programs was somewhat more effective at the global level—where its leadership role and financial reputation provided confidence and a seal of approval for other partners to invest in global programs—than at the country level.

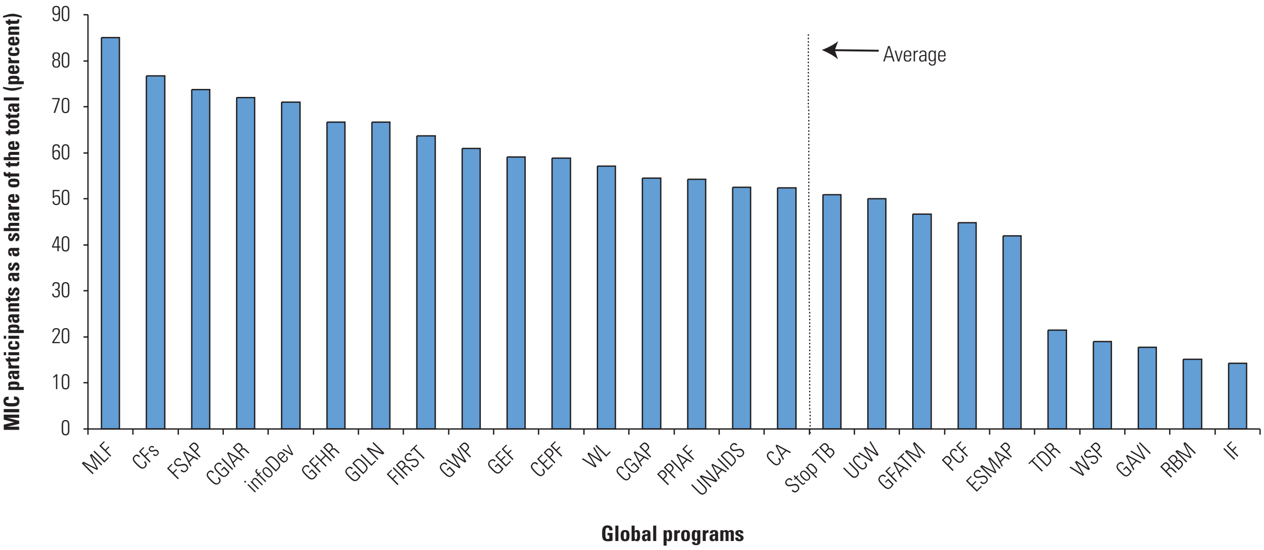
The evaluation noted inadequate representation of developing countries in the governance of global programs. Engaging developing countries from the concept stage of global programs onward leads to better program ownership and effectiveness; hence, the evaluation recommended enhancing the "voice" of participant countries in global programs. Finally, the evaluation noted that the Bank lacked a clear strategy for global programs and needed to develop one in conjunction with key partners in the international community. Such a strategy should balance global expectations, particularly those of donors, with the needs of the developing countries.

Since the evaluation's completion, the Bank has taken various steps, including undertaking the Board's discussion of a strategy that outlines conditions for Bank engagement and emphasizes the need for donor harmonization.

*Source:* IEG 2005a.

relevant to MICs than to LICs. The Carbon Funds, which help address negative environmental externalities associated with industrial development, have been taken up heavily by MICs. To date, some 80 percent of the number of Emission Reduction Purchase Agreements have been signed in MICs. And as figure 5.2 shows, environmental problems tackled by the Global Environment Facility (GEF) attract widespread MIC participation. A similarly high participation occurs in the Financial Sector Assessment Program (FSAP), which addresses MICs' interest in financial market issues.

### Figure 5.1: MICs Comprise about Half the Participants in Most Global Programs




*Source:* Global programs annual reports.

*Note:* The list of program names and abbreviations can be found in appendix B, table B.5.

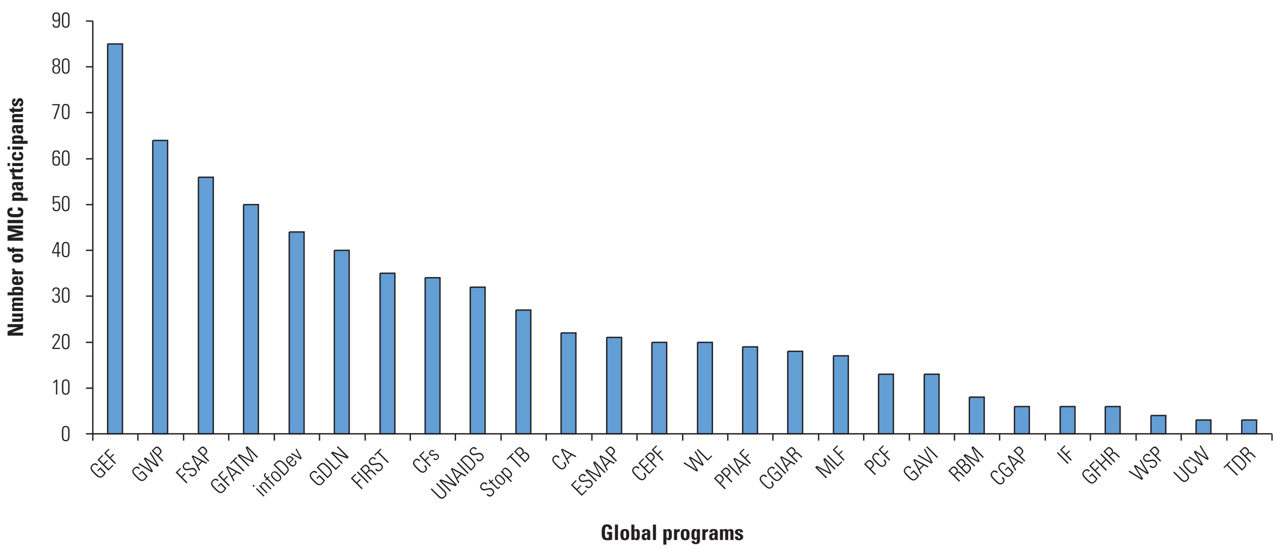
Some global programs are less relevant to MICs. For example, based on donor priorities, the Consultative Group to Assist the Poor (CGAP) and the Water and Sanitation Program focus more on LICs. Some programs, particularly those associated with corporate advocacy priorities—such as the program on Understanding Children's Work—have had a limited effect so far on country operations in MICs, perhaps in part because of concerns regarding their relevance as viewed from the client country perspective.

The absence of global program activity on a particular topic or theme may also indicate a failure of global programs to tackle issues of relevance to MICs. This possibility is not easy to assess. In the *field assessments,* clients expressed interest in sharing knowledge and experience among MICs and with LICs as part of a contribution to supporting global economic development. Indeed, MICs appear to increasingly facilitate interaction among themselves, for example, through collaboration within the G20 and regional associations in Latin America and East Asia. Although there are some global programs that promote South-South learning and collaboration, a more active focus on such activity—and the full use of MICs' own expertise and resources—could be warranted.

*Environmental and financial sector programs have particularly high levels of participation by MICs, but this is less true in health and corporate advocacy programs.*

Looking at participation from the country perspective, the data[3] suggest that larger MICs are more likely to participate in a wider range of global programs than smaller MICs. As shown in figure 5.3, large MICs participate, on average, in 13 of 26 global programs reviewed. Brazil, for example, is engaged in 17 global programs. There are several reasons for this, including the sheer size and the breadth of its social and environmental characteristics. These reasons give Brazil many challenges with which global programs can assist; and it has the institutional capacity to facilitate its engagement with the global programs. The fact that Brazil's income level is in the lower range of MICs has not been a barrier to involvement—reflecting the pattern for the sample as a whole of no significant correlation between a country's income level and overall participation in global programs.

**Figure 5.2: Participation of MICs Varies Widely across Global Programs**




*Source:* Global programs annual reports.

*Note:* The list of program names and abbreviations can be found in appendix B, table B.5.

*Countries across the income spectrum participate in global programs.*

In contrast, small MICs participate, on average, in around two programs (range: 1–3). The 20 smallest MICs are almost all island countries, and with the exception of the GEF, from which a great many developing countries have received support, they rarely participate in global programs.

*Institutional capacity may limit the extent of involvement by some MICs.*

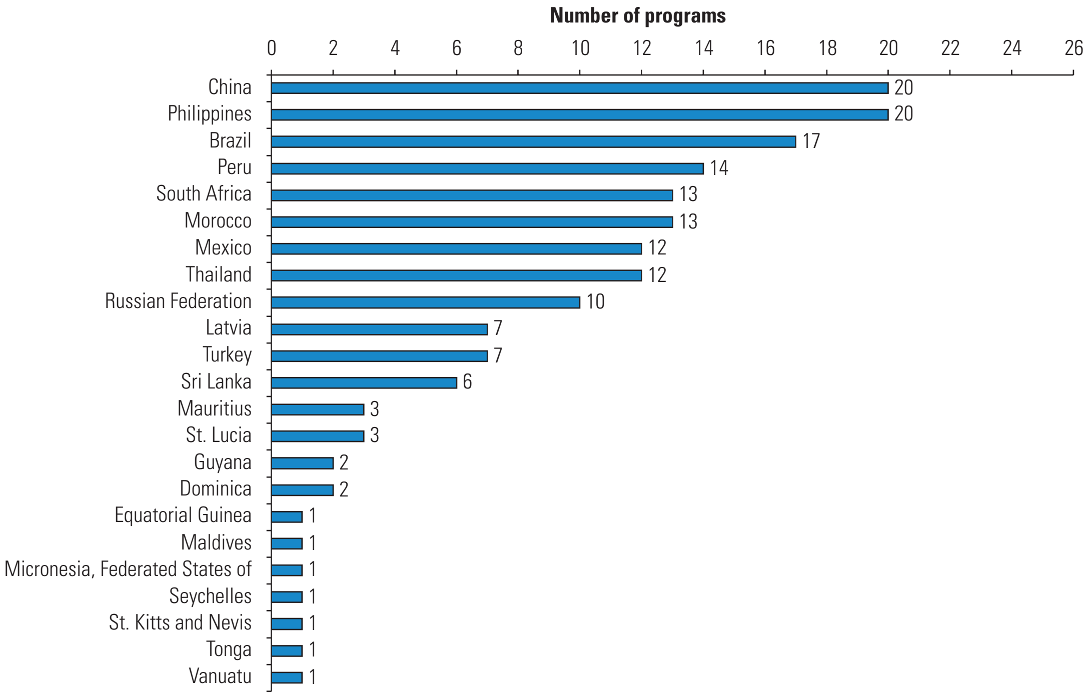
One or more of the following factors likely influenced this outcome. It may be that these small MICs, even those with high per capita incomes, have limited institutional capacity, which constrains their ability or desire to participate. Some global programs may require arrangements that are too logistically complicated or financially demanding relative to the benefits for this client group. Finally, some global programs, such as several health-focused initiatives, may not be strongly relevant to the needs of many small island economies.

### Global programs as a source of development finance

Specific global programs are a source of development finance, which influences both their relevance to MICs and MICs' participation. In some cases, MICs have used global program funding to complement investments being made from other sources—including from Bank lending. For example, China made extensive use of grants from the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM) to tackle HIV/AIDS and has borrowed limited amounts from the Bank for the same purpose. Brazil has used Energy Sector Management Assistance Program funds to support strategic advice in renewable energy projects while simultaneously borrowing from the Bank for traditional energy investments.

Another example of a MIC using global programs to leverage Bank finance is provided by the Bank-executed GEF portfolio in China. Through fiscal 2006, this portfolio included 18 projects

**Figure 5.3: Larger Countries Participate in More Global Programs**




*Source:* Global programs annual reports.

representing $337 million in GEF funding and about $4.0 billion in cofinancing. Bank lending was associated with nine of the projects, representing about $1.1 billion in cofinancing. The other $2.9 billion came from other donors and Chinese counterpart funding. GEF grant financing and grant financing provided by other donors in association with these projects has played an important part in encouraging China to borrow from the Bank for environmental projects, because that effectively lowers the average interest rate across all project costs.

On the whole, this "blending" of Bank lending with complementary global program grant funding appears to be an attractive mix for the countries concerned, whether the funding is structured through a formal arrangement explicitly linking different instruments or by a looser arrangement in which various funds are applied to the same overall challenge. Similarly, global programs that provide TA grants—particularly for strategic studies in infrastructure—can often facilitate a subsequent project to be supported by Bank financing. For example, the Private Participation in Infrastructure Advisory Facility's TA has helped prepare the ground, often alongside the Bank's own policy analysis, for sector investment.

## Global Programs' Strategic Role in the Bank's MIC Engagement

The strategic role for global programs in the Bank's engagement with MICs can be manifested through several channels. First, the astute deployment of global programs as part of the Bank's country strategies could help deliver more wide-ranging support to MIC clients than might otherwise be available from existing Bank instruments (such as IBRD lending). Second, the Bank's institutional strengths could be used to shape the emergence of global programs that respond to the needs of this client group. Third, the ability of MICs to have a "voice" in global programs could help strengthen the effectiveness of such programs and the Bank's contribution to them.

The weak integration of global programs with Bank country strategies has previously been identified as a concern by IEG (IEG 2005a; noted in box 5.1). In the *client survey,* some 44 percent of respondents were dissatisfied with the Bank's efforts to link global programs to country strategies. This evaluation found that for MICs, mention and integration of global programs in CASs[4] was more likely for those close to the Bank such as GEF, FSAP, and the Carbon Funds. However, as illustrated in figure 5.4, programs housed outside the Bank, even larger ones such as GFATM and the Joint United Nations Programme on HIV/AIDS, were infrequently mentioned or absent altogether. Moreover, the templates for the Bank's CASs, together with CAS Completion Report Reviews and IEG's evaluations thereof, make no reference to global programs. It would be undesirable to mandate an overly mechanistic treatment of global programs in CASs, yet all this suggests that the process of mainstreaming consideration of global programs as part of the Bank's overall toolkit still has a considerable way to go.

*Global programs that are a source of development finance are particularly attractive to MICs.*

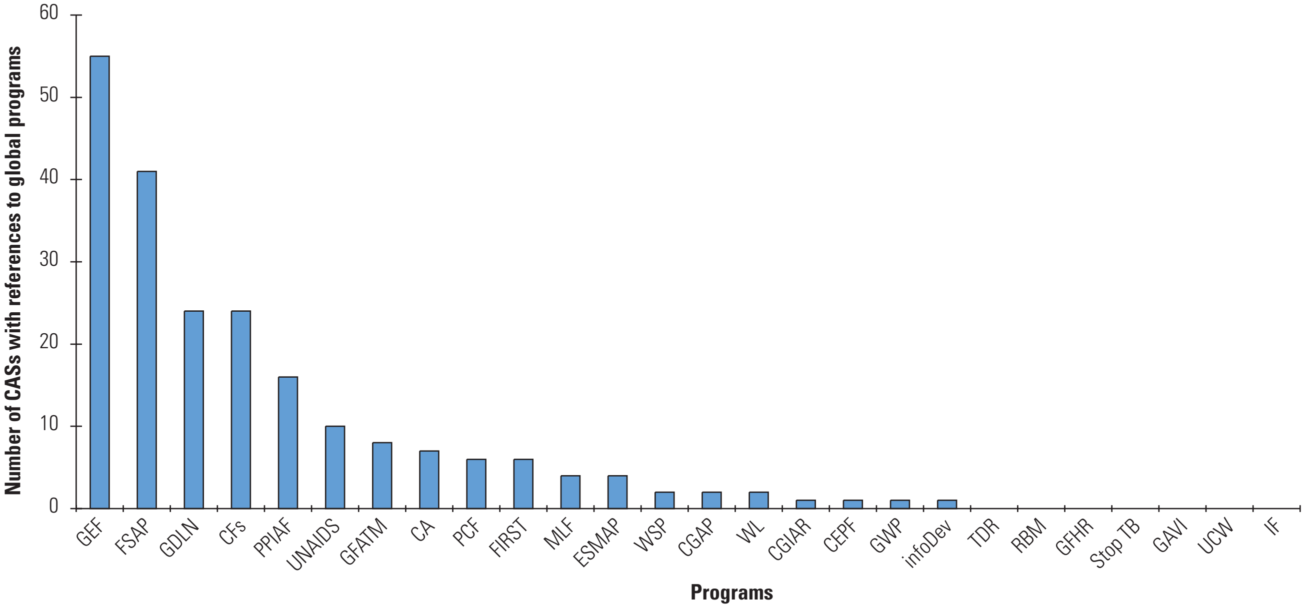
*The Bank's involvement in global programs is not always highly recognized at the country level or particularly well integrated into its country programs.*

In shaping the emergence of global programs, the Bank plays roles in dealing with global challenges that are not immediately related to its CASs. These roles include bringing all players to the table (especially important for indivisible global public goods), managing global program trust funds, and providing quality assurance to other donors and helping to mobilize grant funds for global programs. In this way, Bank activities in support of global programs may benefit MIC participants (and others), even though such benefits may not be directly apparent to individual client countries.

*The Bank's convening power helps create a global framework to deal with issues of importance to MICs, but gaining traction at the country level is more difficult.*

The recent worldwide response to the threat of Avian Flu is illustrative of the Bank's convening power. The Bank took several positive steps, including (i) quickly recognizing the potential impact of a worldwide epidemic and promoting the need for prompt, coordinated action across countries; (ii) sponsoring, with the EU, a

**Figure 5.4: Many CASs Refer to GEF and FSAP, But Other Global Programs Are Rarely Cited**




*Source:* Country Assistance Strategies.
*Note:* The list of program names and abbreviations can be found in appendix B, table B.5.

conference in Beijing at which donors pledged $1.9 billion (against estimated business plan costs closer to $1.4 billion); and (iii) creating a Global Program for Avian Influenza (GPAI) under which it planned to lend up to $500 million, and a multidonor Avian and Human Influenza Facility (with about $75 million pledged resources). It is interesting to note, however, that of the 14 operations committed to date under the GPAI, only 2 have been on IBRD terms, perhaps illustrating the difficulties faced in engaging MICs in global programs that require IBRD borrowing.

*The use of the Bank's own resources for global programs is even handed between MICs and LICs.*

The Bank's fiduciary capacity in the context of global programs can also be deployed to facilitate global responses to issues that can involve MICs. A recent example is provided in the Bank acting (on a cost-recovered basis) as treasury manager to the International Finance Facility for Immunization. The Bank sees this as an area the potential of which can be exploited further in the future.

Another less-direct way the Bank may facilitate MIC engagement in global programs is through its "brand values and recognition."[5] The *field assessments* found little client recognition of the Bank role in any global program except GEF. Some global programs have sought to distance themselves from the Bank to overcome resistance to agendas that may be seen as part of the "Washington consensus."[6]

The Bank also puts its own resources into selected global programs through four channels: Bank budget expenditures, the Development Grant Facility (DGF), reimbursable expenditures, and Bank-administered trust funds. Trust funds, DGF grants, and reimbursable Bank expenditures are more likely to be allocated to specific countries than the Bank's administrative budget, which is mostly allocated to administering global programs housed in the Bank. But overall, the pattern of use of such resources is even handed, as between MICs and LICs.

Is the lack of involvement by client countries in the governance arrangements of global programs an issue for MICs? The governance and management of global programs are multilayered, and decision making can be complex, as noted recently by IEG (IEG and DCDNDE 2007). The voice of MICs in the governance of global programs varies case by case. This evaluation's global program case review found that typically, a program will have the following elements:

- A secretariat charged with administering the program
- An executive committee, steering group, or working group that typically meets quarterly
- An oversight body with donor (and to a lesser extent participant) representation, which typically meets annually
- In some cases a scientific, technical, or advisory committee drawn from the donors and/or the scientific community, which provides support (but not oversight) on a more regular basis
- In some cases, a broader stakeholders' forum for interested parties that may not be represented on the program's governing bodies.

Some programs have recently opened their governing bodies to representatives of client countries and other stakeholders (NGOs and private sector operators). For example, the executive committee of the Multilateral Fund for the Montreal Protocol has a balanced representation of seven donors and seven developing countries. The health programs located in the World Health Organization typically include developing country representatives on their governing councils or coordinating boards. The Global Water Partnership has a steering committee, and the Financial Sector Reform and Strengthening Initiative has a consultative group, on which clients are represented. The global programs reviewed in this evaluation suggested that those managed outside the Bank are more likely to have institutional arrangements for client voices to be heard than programs managed within the Bank.

The GEF has a structure to capture input from representatives across country groups. The governing council is composed of 32 members, each of whom represents a country or a group of countries, similar to the Bank's Board of Directors. GEF, like other programs, has also made efforts to tap into the scientific expertise and local knowledge of its constituents through its Scientific and Technical Advisory Panel. This model, however, may not be readily replicable for small global programs because of the significant overhead costs involved.

The Bank is itself represented on most of the decision-making bodies of the global programs in which it participates—usually by a technical expert, not a member of senior management. It is not possible to say whether those representatives by their presence alone are promoting the interests of developing countries, including MICs, or helping to bring their voice to the table, albeit indirectly. In several cases, programs depend on support from bilateral trust funds, and they usually have governance structures that give a dominant voice to the donors. Indeed, the Bank, especially in programs supported by the DGF, may act more like a donor than a developing country spokesperson.

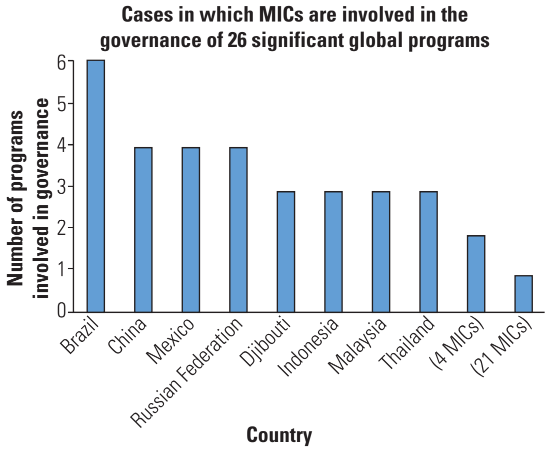
***Some global programs have opened governance opportunities for client countries and other stakeholders.***

Bank staff in global programs generally seek to promote information exchange among clients, but this is not the same as giving them a voice in policy making. In the few cases where MICs have become program donors, they are soon invited to take a seat in the program's governing body (for example, China and the GEF and Brazil and the Cities Alliance). Program technical advisory groups often include persons from developing countries, but these representatives are usually chosen on the basis of their scientific credentials and are not expected to represent the interests of their countries.

A review of governance arrangements for the sample global programs reveals that the developing countries' voice at the decision-making levels remains modest (even though some programs have recently made changes to give greater voice to client countries). MICs are somewhat more frequently represented than LICs, but they still report

***Insufficient voice in global program governance is still a concern for MICs, inhibiting their enthusiasm for and engagement in such programs.***

**Figure 5.5: MICs Have Modest Involvement in Global Program Governance**




*Source:* Global programs annual reports.

concern that insufficient voice inhibits their enthusiasm for engagement. As figure 5.5 shows, even larger MICs are represented in the decision-making governance bodies of only a small fraction of global programs reviewed. Smaller MICs also have very limited representation on governance.

In contrast, perhaps because many global programs give significant weight to the primary funders of the programs in their governance mechanisms, representation of donors is much more extensive—several high-income countries are included in the governance of 12 or more of the global programs reviewed here.

MICs' relatively modest influence over the shape of global programs is consistent with their expressed concern that global programs are not adequately tailored to meet their needs. Half of respondents in the *client survey* rated the Bank's efforts in this respect as moderately ineffective or worse, the most negative assessment on varying aspects of the Bank's work in the area of global programs. Many MICs have the capacity to engage in global activity, and if the Bank and other program sponsors do not tap into this capacity, MICs may respond by creating their own initiatives and mechanisms for joint action. This could be positive in some respects, but it could lead to fragmentation and duplication with existing global programs, thereby having implications for the work of donors and the Bank.

# Chapter 6

## Evaluation Highlights

- Cooperation among the Bank, IFC, and MIGA has been more in strategy than in implementation.
- At the country level, cooperation has been modest—barely half of planned instances of cooperation have come to fruition.
- Encouragement from Bank and IFC management as well as strong client demand have promoted cooperation, but incompatible project timelines and differences in organizational culture have inhibited it.

Three caballeros, or skilled horsemen, chat on horseback at a charro, a traditional Mexican rodeo, in Puerta Vallarta, Mexico. (Photo from John and Lisa Merrill/Corbis.)

# Cooperation across the Bank Group

World Bank Group (WBG) management and the executive directors expect that the WBG should better exploit synergies among its various arms—particularly the Bank and IFC, and increasingly also MIGA—through cooperation.[1] Among clients there is an appetite for the WBG to make better use of its combined resources, including in infrastructure development and improving the business environment.[2]

The rationale for cooperation within the Bank Group lies in the potential for complementary activities to leverage greater development impact and in improving the efficiency of the Group's work, including avoiding duplication of efforts (more details of the IFC's activity in MICs are included in appendix E). Although the three institutions share the same overall development objectives, they retain distinct operational mandates, primary clients, business models and processes, staff expertise, and timelines for completing projects, as observed in their country-level application (see table 6.1). At the same time, several instruments overlap.

At the country level, the evidence from this evaluation's Cooperation Case Review discussed in detail below suggests that cooperation has been modest and its potential has not been fully exploited.[3] The "implementation rate"—defined here as the share of areas planned for cooperation in which it actually took place—was barely half. Furthermore, there is a lack of evidence of the ultimate benefits (and indeed costs) of cooperation.

## Cooperation in Practice

The Bank, IFC, and MIGA can cooperate both strategically and operationally. The main manifestation of strategic cooperation is in the creation and completion of a joint CAS,[4] prepared together by the arms of the WBG. As figure 6.1 shows, about half of the 196 CASs for MICs between fiscal 1996 and fiscal 2006 were jointly produced by the Bank and IFC (three included MIGA), compared with about a quarter in LICs. This share has risen over the period and in recent years exceeds two-thirds.

*The Bank Group has emphasized the importance of cooperation across its various arms.*

Even when cooperative efforts are planned in CASs, they often do not lead to operational coordination. The strategies for the 15 countries from the Cooperation Case Review contained 117 areas of planned cooperation between the Bank and IFC, 59 of which were implemented.[5] In principle, there are many areas of activity in which cooperation across the Bank Group could occur, but the suitability of the scale of planned cooperation is difficult to benchmark. The actual outturn of planned areas of cooperation that was implemented, however, was barely half.[6]

*About half of CASs for MICs have been produced jointly; this share has been growing.*

The Cooperation Case Review revealed that areas of cooperation can exist even when they are not explicitly identified in the CAS. It found 26 examples of this type of cooperation. MIGA's evaluated guarantee projects were generally consistent with Bank strategies, but MIGA has only recently ventured to strengthen its coordination with the WBG at the operational level, particularly in large and complex projects.[7]

**Table 6.1: Instruments, Counterparts, and Timelines in Country-Level Application Vary Significantly across the Bank Group**

| Institution | Primary instruments | Primary counterpart | Other partners | Typical decision-making locus | Indicative preparation timeline (months) |
|---|---|---|---|---|---|
| World Bank | Sovereign-guaranteed loans and advisory services to government | Government | Private sector, civil society | Field-based country director | 15 |
| IFC | Approximately 70% loans, 30% equity, and advisory services to private sector and to a lesser extent to government | Private sector | Government | Washington-based investment division | 10 |
| MIGA | Investment guarantees to private sector | Private sector | Government | Washington-based investment officers | 7 |

*Sources:* World Bank, IFC, and MIGA databases.

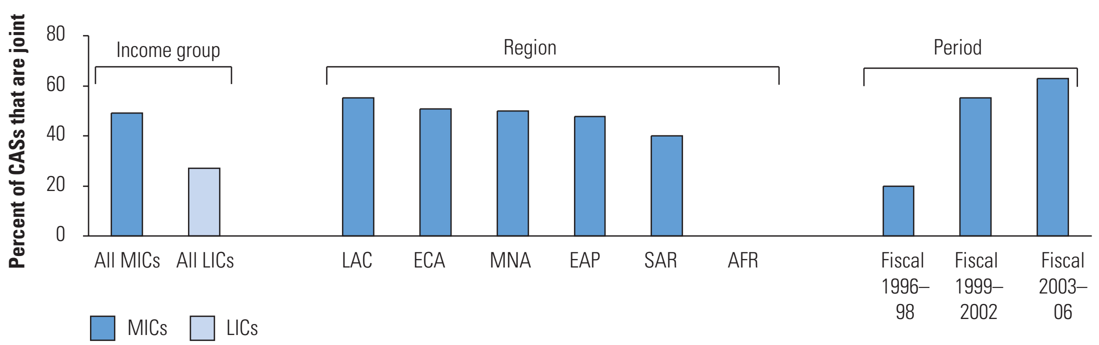
*Note:* IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

*Cooperation at the country level is modest, and its potential has not been fully exploited.*

There are several ways operational cooperation occurs. One often discussed (and raised by counterparts in the *field assessments*) is for the Bank to help the government create a policy environment that is conducive to private investment. The IFC can then make strategic investments (and/or MIGA can underwrite guarantees) in sectors and projects that further share country and WBG objectives.[8] A minority of the total observed areas of cooperation between the Bank and IFC were of this type, even though such cooperation can exploit the comparative advantage of IFC, in which it can leverage private sector, nonsovereign guaranteed investments. On average, there was cooperation involving an IFC investment in just over two areas of engagement per country during the 11-year review period.

Another model of cooperation among the IFC, the Bank, and MIGA concerns the coordination of diagnostic work on business environment issues, which creates an information flow of public and private sector knowledge among the institutions. Nearly 60 percent of the cooperation observed involved IFC TA and advisory services along these

**Figure 6.1: Around Half of CASs Are Jointly Produced by the Bank and IFC**




*Source:* Country Assistance Strategies.

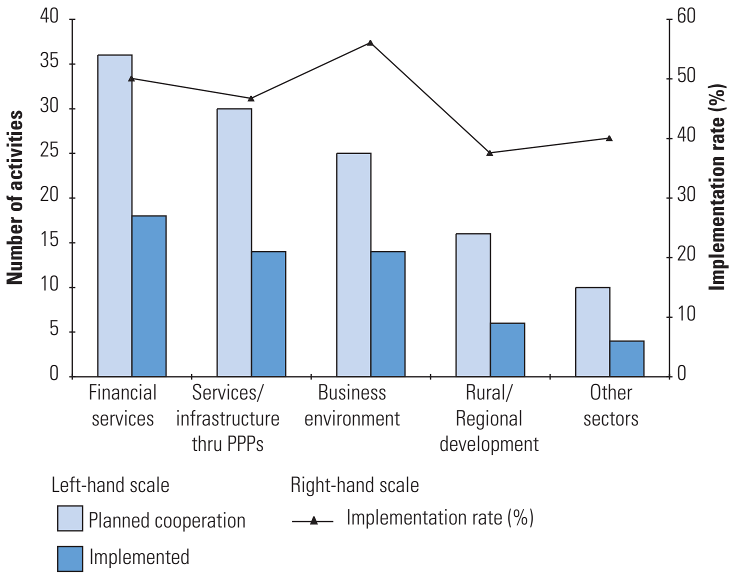
*Note:* AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

lines. This may be particularly important given the potential overlap between advisory work emanating from different parts of the Bank Group, whose audiences might also be similar.

Among the various strategic objectives identified by the Bank Group in joint CASs outlined in appendix B, the most frequently planned and executed cooperative activities—nearly one-third of the total—were those intended to improve access to financial services (see figure 6.2). Most of these efforts involved a division of labor—the Bank worked on regulatory issues, privatization, or banking supervision through TA, policy lending, or lines of credit; IFC sought investments, supported specific privatization transactions, or provided TA to specific banks; and MIGA sought guarantees to facilitate foreign investment. In addition, improving services through public-private ventures accounted for another quarter of implemented cooperation. The experience in the Philippines, summarized in box 6.1, illustrates a good practice in this category.[9]

Activities in rural and regional development had the lowest implementation rate—cooperation was proposed in 16 instances but implemented in only 6. Proposed cooperation of this type has taken the form of the Bank planning to fund rural development projects that build infrastructure and to improve the policy environment, with IFC planning to seek investments in agribusiness. In fact, the cooperation cases revealed that there was only limited interaction between Bank rural development staff and IFC staff in the agribusiness area during implementation.

**Figure 6.2: Cooperation Was Most Frequently Planned and Executed in Financial Services**




*Source:* IEG Cooperation Case Review.

The implementation rate varied considerably across countries (see figure 6.3). There were several cases—Kazakhstan and Russia—where a substantial number of cooperative activities were planned, but few of these were implemented. In a few countries, multiple cooperative activities occurred that were not first planned in a CAS—China, Jordan, and Ukraine each had at least four of this type. Some challenges and successes with cooperation in Ukraine, assessed toward the middle of the group, are discussed in box 6.2.

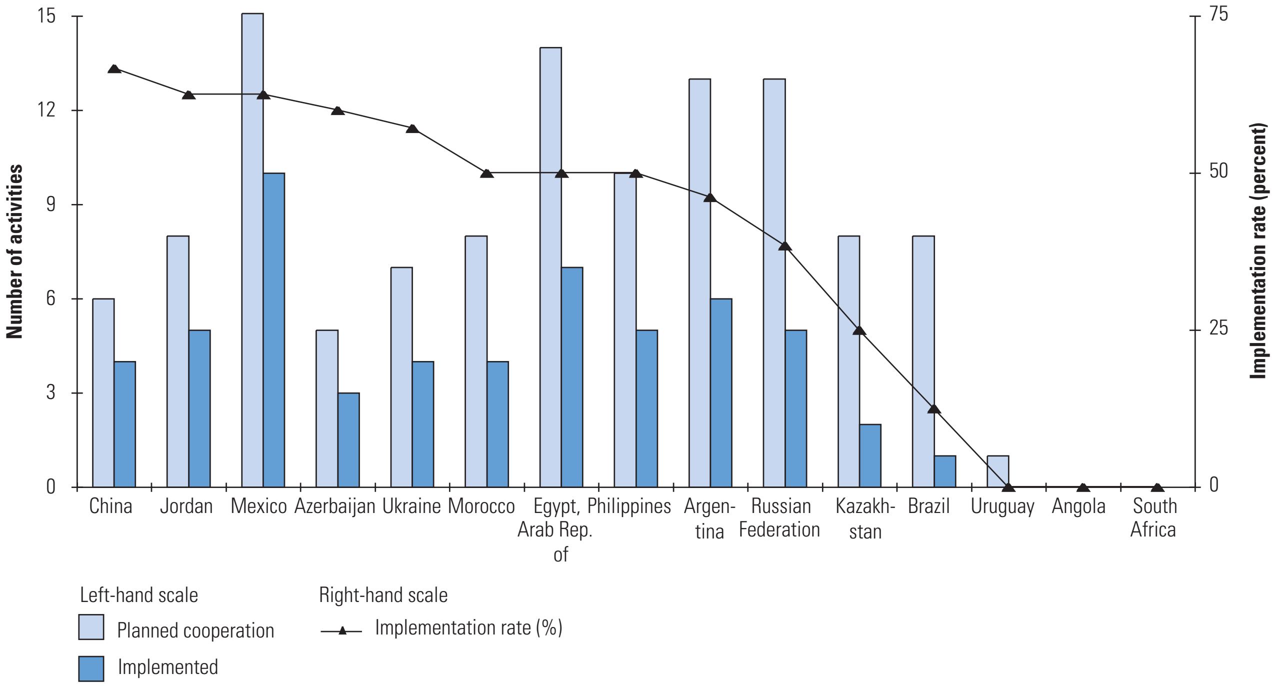
*Cooperation designed to improve access to financial services was the most frequently planned and executed.*

**Box 6.1: Exploiting Complementarities in the Philippines**

After the Bank helped the government decide to privatize its water and sanitation services for Metro Manila in 1997, IFC advised on how to structure the concessions and later invested in one of the competitively selected concessionaires (which has been largely successful). The Bank, for its part, financed a closely linked publicly funded project to upgrade and expand access to sewerage. This project was ultimately rated moderately satisfactory because of, among other things, delays caused by limited contact with the concessionaires. These projects increased the population served by water connections by 64 percent. Those with upgraded sewerage facilities increased 92 percent, but still remained a low share—15 percent—of all water connections.

*Source:* IEG Cooperation Case Review and Project Implementation Completion Report.

**Figure 6.3: Follow-Through on Cooperation Was Modest in Many Countries**




*Source:* IEG Cooperation Case Review.

*The lowest implementation rate occurred in rural and regional development.*

One reason for the low implementation rate overall is that discussion of planned operational cooperation in CASs was often vague. Typically, the description of areas identified for cooperation was limited to a results matrix in an appendix to the CAS and involved identification of a common objective followed by a description of Bank and IFC (and in some cases MIGA) instruments to be deployed. Few CASs included a discussion of the strategy, such as the synergies of these particular interventions, identification of intermediate objectives that the instruments would seek to influence, or what other factors may influence the outcome.

For instance, the fiscal 2005 CAS for Uruguay contains only a brief separate section on IFC activities, presents a limited discussion of constraints to private sector development, and

**Box 6.2: Challenges and Success in Ukraine**

In Ukraine, some activities were handicapped by a lack of coordination. Poor communication on corporate governance issues hampered some projects and resulted in an inappropriate use of IFC data for Bank adjustment loan conditionalities. A similar communication weakness led the Bank to offer a line of credit to an IFC client without first coordinating internally with IFC.

On the other hand, the WBG appeared coordinated in the banking sector, where the Bank assisted the government on legislative reform to help enable private credit bureaus, and IFC followed with implementation assistance that has resulted in the creation of three such institutions.

*Sources:* IEG Cooperation Case Review; IEG Country Impact Review.

does not provide an integrated Bank-IFC approach to addressing these constraints (World Bank 2005a). Likewise, the fiscal 2004 CAS for Argentina contains distinct sections for Bank and IFC assistance, with neither cross referencing the activities of the other institution or specific instances of planned cooperation (World Bank 2004a).

In contrast, some CASs did provide a strong strategic framework for cooperation. Box 6.3 highlights the CASs from China (World Bank 2006a, 2003) as good examples because they recognize IBRD's, IFC's, and MIGA's areas of comparative advantage and focus. The most recent strategy specifically identifies how the resources of each unit will be deployed to help meet China's challenges.

In the Philippines, the 1999 and 2005 CASs contain well-integrated results matrices (though those for 1996 and 2002 are less so). All four CASs discuss cooperation in specific areas, and the 2005 CAS was jointly authored; IFC was fully involved in the CAS consultation and creation process. MIGA did not coauthor the 2005 CAS, but the strategy envisioned its close collaboration with the Bank and IFC and acknowledged MIGA's role in the financial sector.

The current joint CAS preparation process involves integration of activities at the level of the IFC Regional Strategy Unit, the Bank CAS team, and sometimes MIGA's Economics and Policy Group. However, there is little interaction among operational staff in IFC, the Bank, and MIGA. To date there has been limited discussion in CASs of IFC TA that is unrelated to investment and its synergies with Bank instruments—a growing line of business that represents the majority of cooperation between the Bank and IFC. Over the review period, it does not appear that Bank and IFC staff had clear guidance on the expectations for cooperation between them, although in March 2007, IFC task leaders and managers were notified of general procedures for such coordination. The CASs also largely lacked discussion of timeframes for parallel or sequenced activities, which can significantly affect their potential for implementation. A lack of coverage of cooperative efforts in evaluation documents also inhibits accountability and learning.

***Discussion of operational cooperation in CASs is often vague.***

***A good strategy clearly outlines areas of focus, expected results, and potential synergies.***

The Bank Group has made some institutional efforts to enhance cooperation. For instance in 2000, several private sector development (PSD) units were consolidated into joint Bank-IFC "global product groups," and in 2003 a joint Bank-IFC PSD vice presidency was created

**Box 6.3: Cooperation in China Driven by Strong Interest among National Counterparts**

Strategic cooperation between IFC and the Bank worked well in China because the government is closely involved in the formulation and oversight of Bank Group strategy. Bank, IFC, and MIGA staff each liaise directly with designated offices within the Ministry of Finance, and their activities are closely monitored. As a result, there is frequent dialogue between Bank, IFC, and government officials. This dialogue has helped to establish a clear framework and direction for the Bank Group.

A second driver of strategic cooperation is the strong incentive for cooperation for the respective Country Directors of the Bank and IFC teams. For the Bank, there was pressure to maintain relevance and positioning over a period in which the Bank's lending might have declined. As in many countries, there is pressure in China—particularly acute because of the small share of IFC's investments in China (6 percent) compared with China's share of developing country GDP (21 percent)—for IFC to rapidly grow its portfolio and enhance its development impact. Senior management has set an example of open and collegial relations for staff; regular staff meetings now include both Bank and IFC staff, and IFC staff members are included in the Bank country team's annual retreat.

Chinese officials, however, noted in interviews for the *field assessment* that cooperation is not as strong when moving beyond strategy to practical implementation of projects, investment, or other activities.

*Source:* IEG Cooperation Case Review.

to coordinate investment climate-related activities. In addition, a joint Bank-IFC director was appointed to oversee PSD activities in the East Asia and Pacific Region; this effort was terminated after two years.

## Evidence of Impact and Costs

It is particularly difficult to trace direct development impact that results from operational cooperation. Cooperation is a process of service delivery, the applicability of which varies under different circumstances, rather than a general business model, product, or service. Moreover, even when planned cooperation is clearly set out in a CAS, a results and monitoring chain is not normally included. Standard evaluation processes such as Bank Country Assistance Strategy Completion Reports and Implementation Completion Reports (ICRs), and IEG's CAEs do not discuss the outcomes of cooperation. In the context of limited evidence, although it is plausible that cooperation contributes to development effectiveness, it is impossible to determine whether it has actually done so.

*It is plausible that cooperation contributes to development effectiveness, but evidence is lacking as to whether it has actually done so.*

There are some illustrations of individual cases in which cooperation has played a positive role, but the available data have not permitted a comprehensive quantitative analysis of the impact of cooperation. The need for such an analysis is heightened by basic, limited reviews that do not reveal clear development impacts on a systematic basis.

For example, there is no robust pattern of association between more areas of cooperation in a country and better development outcomes in either Bank or IFC projects among the cooperation cases.[10] Similarly, the share of successful Bank and IFC projects was about the same regardless of whether a joint CAS was in place—a basic indicator of the intent for cooperation across the Bank Group.

Moreover, evaluated MIGA guarantee projects that were consistent with WBG strategies were equally likely to have high or low development outcomes. However, MIGA projects that were not consistent with existing WBG strategies had low development outcomes, indicating that strategic consistency is a necessary starting point—but not sufficient—to ensure satisfactory development outcomes for MIGA projects.

Cooperation also entails costs in the administrative resource and staff time allocated to the process of cooperation. Furthermore, it has the potential to add to the response times and processing schedules for WBG activity. Anything that slows responsiveness in the Bank Group could be a concern, set in the context of client comments that the Bank is slower at times than private sector financing sources. In particular, if more cooperation were to further slow IFC or MIGA operations relative to private alternatives, it could impair their competitiveness in the view of some staff and counterparts. Many Bank and IFC staff interviewed in the cooperation cases consider that the high costs of cooperation—delays in implementation, making time when already overworked, multiple "bosses," communication costs in finding the right person, and similar factors—outweigh the limited benefits.

Some stakeholders raised the problem of actual or perceived conflicts of interest within the WBG during and after a financial crisis. Although this evaluation does not in any way suggest that conflicts have occurred in practice, views among stakeholders need to be acknowledged. In Argentina, the Bank's standing has been recently tested because of its perceived defense of IFC-sponsored projects in privatized utility companies during the 2001 crisis, despite an attempt by the Bank and IFC to separate their positions.[11] In Thailand, several counterparts interviewed for the field assessment speculated that the IFC had attempted to use the Bank's increased leverage during the 1997 crisis to receive preferential treatment for its investments.[12] That perception may create reputational issues for WBG work in the country.[13] Little cooperation has been observed in either of these countries since the respective crises, possibly in response to client perceptions.

Across all developing countries, between 2000 and 2003, the WBG Conflict of Interest Office determined that more than 200 cases of potential conflict of interest needed to be managed for projects to proceed or should not proceed because of the conflict. The most frequent occurrence of these cases—fully one-quarter—involved Bank policy advice combined with IFC investments.

## Drivers and Inhibitors of Cooperation

The Cooperation Case Review included valuable input from Bank Group staff, which has helped to illuminate the main factors driving and inhibiting cooperation. These include incompatible timelines for projects, differences in organizational culture, and prevailing staff concerns that their time can neither be easily allocated to cooperation nor recognized in performance assessments. Drivers of cooperation observed in the Cooperation Case Review include senior management priorities, personal relationships, and the level of country demand for cooperation. A summary of drivers and inhibitors is shown in table 6.2.

*Staff raised concerns that the costs of cooperation can sometimes outweigh the benefits.*

*Factors inhibiting cooperation include incompatible project timelines, differences in organizational culture, and misaligned staff incentives.*

IEG's evaluation *Improving Investment Climates* (2006e) reinforces these findings. It concludes that WBG

**Table 6.2: Drivers and Inhibitors of Bank Group Cooperation**

| Condition | Example as driver | Example as inhibitor |
|---|---|---|
| **Institutional level** | | |
| High-level direction | Strong top-down messages encourage staff to seek out areas for cooperation | |
| Organizational structure | Joint departments | Different reporting lines—IFC Investment Department vs. Bank country office; modest IFC ownership for CAS deliverables |
| Cross-institutional recognition and incentives | | Limited formal recognition for contributions to the work of other WBG institutions |
| **Country level** | | |
| Degree of interaction between country managers | Joint management teams; regular and systematic exchange of information; joint staff meetings | Interaction only at formal level |
| Country office set-up | Relatively strong presence of IFC and IBRD in country; co-location to enable informal meetings | Absence of country office staff; institutions based in separate locations |
| Government demand for cooperation | Strong government interest in coordinated services | |
| **Project level** | | |
| Project timeline | Similar timeframes for completion | Incompatible timelines can slow project |
| Perceived conflicts of interest | | Bank concerns as to reputational risk should inappropriate information flow to IFC |
| **Individual level** | | |
| Personality, relationships, and perceptions | Some staff more likely to communicate across institutional boundaries; prior working relationships | Perceptions that organizational cultures are very different; staff too busy to seek out counterparts |

*Source:* IEG Cooperation Case Review.

*Note:* CAS = Country Assistance Strategy; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation.

coordination on investment climate issues has been weak, both within the Bank and between the Bank and IFC. Furthermore, it finds that cooperation across the two institutions often depends on personal relations and attention given by senior management.

Importantly, the CAS itself has constraints as a vehicle for organizing cooperation, because it holds less sway on IFC's and MIGA's deliverables than the Bank's because of their different business models. For the CAS to become a workable vehicle to plan and deliver cooperative Bank Group support, all parts of the WBG must clearly "buy into" it, and new incentives could complement the CAS to influence actions on the ground.

# Chapter 7

Boys playing soccer in Sanam Luang (a large park) in Bangkok, Thailand. (Photo from Michael S. Yamashita/Corbis.)

# Findings and Recommendations

The environment for the Bank's work in MICs has changed significantly in recent years and is likely to continue to evolve rapidly. MICs' institutional capacity has been strengthening, while the increasing role of the private sector in most economies and growing globalization have added to the complexity of development challenges.

The group has enjoyed an expansion of choice in its sources of development finance—the number of MICs with capital market credit ratings has more than doubled since the mid-1990s—and knowledge over the last decade. Indeed, for MICs, the Bank's new lending amounts to only a small and declining share of national investment: 0.6 percent in 2005, down from 1.2 percent in 1995. Repayments on existing loans exceeded new disbursements by an average of $3.8 billion per annum for the group over the last 12 years. How has the Bank's engagement with MICs fared in this setting?

## Performance on Major Priorities for MICs and the Bank

The Bank has tailored its individual country strategies astutely to be relevant to varied needs across this very diverse group. Most country strategies have focused on sectors and themes important for countries' development needs, including promoting growth. The strategies have brought together tools—finance, knowledge, and convening power—in a fairly well integrated fashion, thereby providing a mix of support not readily available from other sources. For some clients, however, particularly among the 30 small-state MICs, the Bank's mix of tools has fit less well with country conditions.

### *Considerable success in fostering growth and reducing poverty*

On the overarching priority of promoting growth—emphasized at the corporate level in the two-pillar development strategy—Bank support to MICs has been effective and generally well regarded by clients. MICs as a group have grown robustly, particularly since 2001, when more than two-thirds of the group have achieved per capita growth above 2 percent per annum on average.

The close match between country and Bank priorities has created an environment for ownership of measures to enhance growth. Nearly 70 percent of respondents in the evaluation's *client survey* rated the Bank's support for fostering growth as moderately effective or better. The Bank's macroeconomic and structural policy analysis has been good, and this analytical work has been combined with policy-based lending in several cases, including Colombia and Romania, to put growth-enhancing measures into practice. Bank-financed projects in several sectors that can help facilitate growth, including those in infrastructure, have been particularly strong performers.

In moving beyond growth into poverty reduction, MICs have achieved some positive outcomes overall. The group as a whole has lifted nearly 400 million people beyond the $2-per-day poverty threshold since 1993. In addition to the world-leading achievements of China, the other MICs have reduced their poverty rate by 20 percent, considerably faster than the reduction observed in LICs over that period. And clients in MICs across the income spectrum have provided a favorable assessment of the Bank's overall support to reducing poverty—with three-fifths rating the Bank's help as moderately effective or better.

The Bank has certainly paid significant attention to poverty in its country strategies, including helping to quantify and analyze its incidence as well as to assist clients develop responses to their particular poverty issues. Across most of the MIC group, this stance in addressing poverty has proved pertinent to their needs and has been successfully meshed with work on supporting sustained growth. For example, in Bulgaria clients appreciated the Bank's antipoverty efforts that emphasized improving institutions and the investment climate as well as measures targeted specifically to pockets of poverty. And in Egypt the Bank's input attracted resources from other donors to support an innovative social development fund targeted at helping the poor.

Progress on poverty has been helped by the Bank's work in supporting poverty-focused interventions, including social assistance programs. In Tunisia, for example, the Bank's policy work helped support the government's focus on growth with equity, helping to increase incomes in remote rural areas. In many cases the combination of the Bank's knowledge work and its finance has proved valuable; social assistance projects have performed particularly well. The sharing of knowledge across countries has also been a positive ingredient of the Bank's work in this area, exemplified by the transfer of experiences with CCT programs in many locations—and noted by clients in Colombia and Turkey as a significant value added in the Bank's support.

But when it comes to helping protect the poor during a crisis—which is one of the rationales for the Bank's support to MICs suffering financial calamity—clients express some dissatisfaction with the Bank's efforts. Case studies confirm that the Bank's speed of response in assisting countries once a crisis has emerged has been good (although coordination with the IMF was suboptimal), its liquidity assistance has been appreciated, and its work helped advance structural reforms. On the other hand, in Brazil, Russia, and Thailand, for example, neither the Bank nor the authorities had strong contingency plans to strengthen social safety nets to protect the poor during crises. Furthermore, what support the Bank provided for more substantial social protection reforms, where sustained government ownership was not always apparent, had a modest impact over the longer run.

### *Less progress on other challenges beyond the growth agenda*

More than half of MICs have seen inequality rising over the last decade, and although the Bank's work has shown increasing awareness of the issue, it has not yet succeeded in helping countries deal convincingly with the problem. More than half of *client survey* respondents rated the Bank's work in addressing inequality as moderately ineffective or worse. In many MICs, inequality has a strong geographic dimension, with particular regions within countries facing a growing prosperity gap against better-performing locations. In Ukraine, for example, the Bank has supported regional development efforts, but reductions in regional inequality have yet to be secured.

Progress has also been sketchy and deficient in some respects on other important corporate priorities to which the Bank has ascribed prominence. On the challenge of fighting corruption, which is relevant to many MICs, there is limited evidence that the Bank's efforts have found much traction. Perception indicators measuring control of corruption have not moved significantly in the majority of MICs over the review period. In Indonesia, for example, despite some positive steps taken by the government and useful Bank contributions, corruption remains problematic, and the outcome of the Bank's work in this field has been assessed as moderately unsatisfactory.

In the *client survey,* views across MICs were quite stark on this issue—two-thirds of respondents judged the Bank's contributions to reducing corruption as moderately ineffective or worse, the most negative response received on surveyed topics. To some extent, these observations may reflect the complex, sensitive, and long-haul nature of dealing with corruption. There are some signs of progress, for example in Turkey and Ukraine, including for improved procurement practices and better monitoring and awareness of corruption.

Meeting environmental challenges in MICs has proved problematic. The Bank has given some attention to the topic, and most MIC CASs mention environmental issues. Some country programs—for example, those in Brazil in the review period—have helped to deliver satisfactory progress by positioning environmental issues as integral to the sustainable growth agenda, securing government ownership, and building domestic institutional capacity in the environment field. But this experience has not been widespread, and lending for projects mapped to the environment sector board have performed poorly compared with other sectors. Difficulties have included overly complex project design, a lack of institutional capacity for implementation—for example, in the land use rationalization project in Paraguay, wavering political support—and weaknesses in ongoing coordination between implementing agencies and the Bank.

## Features Influencing Bank Performance

Development needs differ across MICs. Countries at the lower end of the income band tend to face a broad range of challenges, and those with higher incomes concentrate on more specific issues. There are also considerable variations in the nature of Bank country programs, including volume of lending and its scale relative to country resources, the balance between lending and advisory services, and the sectors and themes of primary emphasis. The evaluation found that across different country and program types, several features relating to the Bank's way of working have enhanced—or impaired—the success of its support:

- The adaptability and responsiveness of its instruments and programs
- The quality of expertise
- The extent of drawing on MICs' own capacity, including in global programs
- Internal Bank Group cooperation.

### *Agility*

The Bank has not been agile and has struggled to keep pace with the speed at which client needs and demands have been changing. The lack of agility has taken several forms. In various countries clients emphasized slow responsiveness to changing country conditions, including changing client preferences on financing instruments. This may have undermined the Bank's relevance and led counterparts to look elsewhere for financing.

Another client perception is cumbersome processes and procedures that impede access to Bank support. Certainly clients take into account the specific financial terms of Bank products as they make borrowing decisions. But nonfinancial costs of doing business, alongside other considerations, such as the Bank's quality and program relevance, carry even more weight for many clients.

Perhaps because of its institutional set-up, the Bank consideration and implementation of significant but useful changes—such as use of country safeguards in place of Bank-specific systems—has been too slow in relation to the needs and opportunities in MICs. One timing issue the Bank got right, however, is alignment of its individual country programs with national planning cycles—noted by clients in Colombia and China, among others—which improves the prospects of success.

### *Expertise*

Clients find the Bank's quality stamp—reflected in its technical expertise, project design, and supervision skills—to be a key strength. For some countries, it is what is embedded in this quality stamp that provides the main benefit in Bank financing. And across MICs, the Bank's analytical and advisory work has been in most cases of high technical quality and has satisfactorily embodied the lessons of international experience. For example, in Thailand, the Bank's support for recent work on the economics of effective AIDS treatment helped link policy makers with the latest international experience, thus further strengthening the country's programs. But on other occasions, the effectiveness of the Bank's knowledge services in shaping opinion for public policy and investment has been hampered by inadequate presentation and dissemination of reports. These communication issues have held back the Bank's contribution to the information marketplace.

### *Drawing on MICs' own capacity*

An opportunity has been missed in failing to draw on MICs' own national capacity in a strategic or ample manner. In some sectors, such as education and health, specific local knowledge is vital, but even in sectors where international best practice is more clearly established, such as the financial sector, local perspective on how to implement development solutions is essential. In this regard, the Bank's knowledge services have too often been good on diagnostics but weak in applying expertise to specific local needs. This may be in part because they have not fully used or helped build national capacity. And although some MICs recognize the potential for the Bank to help transfer knowledge to other countries, the Bank's efforts to incorporate this explicitly in its country programs, or indeed through a clear Bank-wide framework, have been modest.

Similarly, the Bank's drawing on MICs to help shape priorities for global programs has been limited. IEG's global programs evaluation (IEG 2005a) recommended that the Bank and its global partners work to enhance the voice of client countries on the governing bodies of global programs. Even though there have since been some positive changes, and MICs typically have more voice in the governance of global programs than LICs, their input remains modest. Even large MICs' involvement in the governance of significant global programs occurs only about one-third as often as it does for high-income countries. In turn, this inhibits MICs' enthusiasm for and engagement in such programs.

### *Extent of Bank Group cooperation*

Within the Bank Group, despite considerable high-level attention directed toward making the best use of its combined resources, internal cooperation among the Bank, IFC, and MIGA has been underwhelming.

What efforts there have been to cooperate at the country level have been more apparent in strategy than in implementation. In country programs, Bank Group cooperation has been modest—barely half of planned instances of cooperation have come to fruition, and its purported potential has not been fully exploited. In Kazakhstan, for example, although several areas of cooperation were planned, only one-quarter of those took place.

The main factors inhibiting cooperation are the incompatible timelines for projects, differences in organizational culture, and prevailing staff concerns that their time can neither be easily allocated to cooperation nor recognized in performance assessments. Another facet that has to be properly managed is risks associated with perceived potential conflicts of interest across the WBG, especially in turbulent market conditions at times of financial crises.

## Overall Assessment

The Bank's country programs in MICs have been moderately satisfactory on average in meeting varied country-specific development objectives, including promoting growth and reducing poverty. This IEG assessment made in CAEs is underpinned by many of the factors highlighted above. Such outcomes are better than the Bank's work in LICs. Indeed, the most recent outcomes in large MICs, including Brazil and China, have been satisfactory—a notch higher on the rating scale.

Yet there is significant pressure for the Bank to do better—to get closer to a "gold standard"—in an environment where MICs' demands are becoming more stretching and they have choices of support beyond the Bank. A collection of indicators—from *client surveys,* in-country consultations, project reviews, and country program assessments—when taken together suggests that for the Bank's work to have a more pivotal demonstration effect, a greater proportion of it must reach the highest standards of effectiveness. A renewed focus on this could build on and go beyond Bank efforts that have already successfully reduced the occurrence of unsatisfactory assistance over recent years.

## Recommendations

This evaluation recommends that the Bank continue to engage with MICs, contrary to the views of some observers. The Bank's services have been and remain relevant to the challenges faced by many MICs, and its past record of effectiveness suggests that it has the potential to deliver useful packages of assistance in the coming years.

But the Bank should take steps to produce greater development effectiveness. This requires departing from business as usual and reinvigorating its relationships with clients, incorporating four main dimensions.

### *Draw on MIC capacity*

To promote greater country ownership of the Bank's work and to create better opportunities for the Bank to learn from MICs and share their experience with LICs, Bank support needs to more systematically draw on and develop each country's own expertise. To this end, management should require that CASs and significant AAA assignments in MICs plan for how the Bank's work will develop and draw on the country's own expertise.

For CASs, the plan needs to be grounded in consultations with national stakeholders, identifying how projects will build capacity, and links between elements of the AAA program and specific sources of MIC expertise to be tapped. For significant AAA assignments—including those associated with research emanating from the Bank's central departments—arrangements would be made to identify a tie-in with national capacity. The Bank's knowledge broker role should help develop domestic expertise, improve the practicality and dissemination of the Bank's reports, provide a platform for better integration of knowledge resources from other donors, and potentially contain the Bank's own budget costs over the medium term as more input comes forth from domestic sources.

The Bank ought to identify incentives and obstacles to MICs' involvement in the governance of global programs. This could involve producing an inventory of governance arrangements for global programs it supports and conducting a formal consultation exercise with MICs (and other developing countries). The Bank could highlight examples of good practice and use its own influence—including its voice at the table and any financial support it provides—to work with international development partners to deepen and widen developing countries' contribution to governance. Management should expect country teams actively to consider global programs and their integration as well as other tools in the preparation of CASs. The Bank could also take advantage of its special position, which combines country-specific relations with a global perspective, to help MICs identify opportunities to enhance their engagement with pertinent global programs—including through making financial contributions. All this would encourage participation and help sustain and direct existing and emerging programs.

### *Demonstrate best practice*

To deliver the maximum impact from the Bank's limited financial role in MICs, in partnership with clients the Bank's projects and programs must be selected to go beyond conventional approaches and clearly demonstrate how they will add to best practice development activity in the respective country setting.

Projects and programs should also clearly show whether, when, and in what way they are expected to play a catalytic role, being scaled up using resources beyond those initially provided by the Bank. Some resources might be usefully earmarked to give incentives to staff teams and to help finance administrative costs associated with identification of and experimentation in best practice. Scale-up of in-country programs beyond the initial Bank support should be monitored.

Country programs, prepared in full partnership with MIC clients, must pay attention to achieving greater effectiveness in three pressing and complex issues: combating corruption, reducing inequality, and protecting the environment. Programs need to draw on the full range of Bank and other resources to meet these challenges.

The Bank could more actively share best practices and encourage arrangements for knowledge transfer across countries, regions, and sectors. Three specific measures to do this would be (i) give more weight to this goal in strategically managing staff rotation; (ii) ensure that research and policy expertise has a clearer requirement to be applied in ways that go beyond general principles and focus on specific country-by-country needs; and (iii) review the performance of the networks on this dimension.

The Bank may also have to be more selective in its project work by focusing on sectors where already strong performance can be uplifted. The success of steps such as these would ultimately be measured in terms of development outcomes, but it could also be tracked by intermediate indicators, including the prevalence of client feedback that rates Bank services in the highest category, and also the frequency with which QAG and IEG assess the Bank's work as being highly effective.

### *Enhance the Bank's agility*

To help the Bank more quickly and easily adapt its services and areas of focus for the evolving needs of MICs, it needs to set up a program to test new approaches for a select group of countries. The first element of the program would be a much more decisive push on the existing slow-moving pilot for the use of country systems in the execution of Bank lending. Significantly increasing the number of countries and projects actually implementing the new approach on the ground is also needed by the middle of fiscal 2008. This would be a clear sign of the Bank's seriousness—and progress—in its more broad-based efforts to reduce the costs of doing business with the Bank. It would do so by empowering clients, using and building their capacity, and having an impact beyond the first-level application in respect of Bank projects.

The program would do well to go further and offer the selected MICs a new menu of support: (i) greater flexibility for management on several aspects of the lending program, including the pace of commitment of finance, subject to managing the Bank's credit risks; (ii) a target for reducing project approval times, perhaps through fast-track procedures; and (iii) extended duration of CAS planning periods, with a simplified midterm review.

Participating countries should be selected on the basis of their established track record of successful Bank engagement, good macroeconomic and governance performance, strong institutional capacity, and willingness to participate in new arrangements. Consideration could be given to producing an indicator that encapsulates key aspects of the nonfinancial costs of doing business with the Bank—for example, expressed as an implicit addition to the basis points cost of borrowing from the Bank—thereby proving an additional tool for monitoring progress in this area. The pilot program would be reviewed within three years, at which point successful innovations would be extended to other clients.

The Bank should continue efforts to expand the choice of services it offers. This can be done by accelerating the development and deployment of (i) new financial instruments, such as those that help countries manage and reduce vulnerability to external shocks; (ii) existing and new products that help tackle subnational challenges; and (iii) new arrangements with clear, consistent, and user-friendly guidelines for fee-for-service technical expertise. The opportunity to pay for AAA would be more attractive to clients if they were given a more direct influence on the composition of the Bank's AAA programs in their countries.

Clients should also be offered the chance to buy the Bank's project design, management, and supervision expertise—which are valued by many MICs—even if Bank lending is not bound to follow. Steps that help better integrate Bank finance with domestic resources and other international assistance can also be useful.

These proposed changes should not be viewed as a one-time shift in procedures or instruments. Rather, they would be a phase in an ongoing process whereby management and the Board become able to make such adjustments more smoothly, quickly, and frequently, as demands dictate. In undertaking this type of reform, development progress is the goal and care must be taken to avoid the impression of lending targets driving the process.

### *Make the most of Bank Group cooperation*

The Bank Group must develop a more pragmatic and tightly drawn approach to cooperation across the Bank, IFC, and MIGA to successfully offer clients a more effective package from its combined resources.

As a first step, the Bank Group should conduct a jointly managed and staffed review to identify how specific types of cooperation—including in knowledge services, where the Bank and IFC's instruments and clients are similar—will improve development outcomes in particular circumstances. That understanding can be enhanced over time by establishing performance monitoring designed to trace the net gains from cooperation in these areas of synergy. A new approach could include new incentives or channels for cooperation, such as piloting single country management arrangements in more than one case, to allow for proper comparative assessment of results. In cases where joint country strategies are appropriate, they should be prepared more rigorously and followed through with better performance monitoring.

Any new approach must be communicated to and gain the support of staff, who ultimately determine the extent and success of such cooperation.

Wall ruins in town of Nesebar in Bulgaria. (Photo from Richard Nebsky/Robert Harding World/Imagery/Corbis.)

# Appendixes

# APPENDIX A: MIDDLE-INCOME COUNTRIES—SELECTED INFORMATION

**Table A.1: Regional Distribution of Middle-Income Countries and 2004 GNI per Capita**

**Table A.2: Economic, Social, and Governance Indicators**

**Table A.3: Composition of the MIC Group during the Review Period**

**Table A.1: Regional Distribution of Middle-Income Countries and 2004 GNI per Capita**

| Latin America/ Caribbean (28 countries) | GNI per capita (Atlas method) | Europe/ Central Asia (22 countries) | GNI per capita (Atlas method) | East Asia /Pacific (13 countries) | GNI per capita (Atlas method) |
|---|---|---|---|---|---|
| Antigua and Barbuda | 10,000 | Albania[b] | 2,050 | China | 1,290 |
| Argentina | 3,720 | Armenia[b] | 1,070 | Fiji | 2,690 |
| Belize | 3,940 | Azerbaijan[a] | 950 | Indonesia[a] | 1,140 |
| Bolivia[a] | 960 | Belarus | 2,120 | Kiribati[b] | 970 |
| Brazil | 3,090 | Bosnia and Herzegovina[a] | 2,040 | Malaysia | 4,650 |
| Chile | 4,910 | Bulgaria | 2,740 | Marshall Islands | 2,370 |
| Colombia | 2,000 | Croatia | 6,590 | Micronesia, Federated States of | 1,990 |
| Costa Rica | 4,670 | Estonia | 7,010 | Palau | 6,870 |
| Dominica[a] | 3,650 | Georgia[b] | 1,030 | Philippines | 1,170 |
| Dominican Republic | 2,080 | Hungary | 8,270 | Samoa[b] | 1,860 |
| Ecuador | 2,180 | Kazakhstan | 2,260 | Thailand | 2,540 |
| El Salvador | 2,350 | Latvia | 5,460 | Tonga[b] | 1,830 |
| Grenada[a] | 3,760 | Lithuania | 5,740 | Vanuatu[b] | 1,340 |
| Guatemala | 2,130 | Macedonia, FYR | 2,350 | | |
| Guyana[b] | 990 | Poland | 6,090 | | |
| Honduras[b] | 1,030 | Romania | 2,920 | | |
| Jamaica | 2,900 | Russian Federation | 3,410 | | |
| Mexico | 6,770 | Serbia and Montenegro[a] | 2,620 | | |
| Panama | 4,450 | Slovak Republic | 6,480 | | |
| Paraguay | 1,170 | Turkey | 3,750 | | |
| Peru | 2,360 | Turkmenistan | 1,340 | | |
| St. Kitts and Nevis | 7,600 | Ukraine | 1,260 | | |
| St. Lucia[a] | 4,310 | | | | |
| St. Vincent[a] | 3,650 | | | | |
| Suriname | 2,250 | | | | |
| Trinidad and Tobago | 8,580 | | | | |
| Uruguay | 3,950 | | | | |
| Venezuela, R. B. de | 4,020 | | | | |

| South Asia (2 countries) | GNI per capita (Atlas method) | Africa (10 countries) | GNI per capita (Atlas method) | Middle East/ North Africa (11 countries) | GNI per capita (Atlas method) |
|---|---|---|---|---|---|
| Maldives[b] | 2,510 | Angola[b] | 1,030 | Algeria | 2,280 |
| Sri Lanka[b] | 1,040 | Botswana | 4,340 | Djibouti[b] | 1,030 |
| | | Cape Verde[b] | 1,770 | Egypt, Arab Rep. of | 1,310 |
| | | Equatorial Guinea | — | Iran, Islamic Rep. of | 2,300 |
| | | Gabon | 3,940 | Iraq | — |
| | | Mauritius | 4,640 | Jordan | 2,140 |
| | | Namibia | 2,370 | Lebanon | 4,980 |
| | | Seychelles | 8,090 | Libya | 4,450 |
| | | South Africa | 3,630 | Morocco | 1,520 |
| | | Swaziland | 1,660 | Syrian Arab Rep. | 1,190 |
| | | | | Tunisia | 2,630 |

*Sources:* World Bank, World Development Indicators; August 2005 WDI/GDF database.

*Note:* GNI per capita calculated using World Bank Atlas method. GNI = gross national income. Countries without footnotes are eligible for IBRD borrowing only.

a. Country is eligible for both IBRD borrowing and IDA credits.

b. Country is eligible for IDA credits only.

**Table A.2: Economic, Social, and Governance Indicators**

| Country | 2004 GNI per capita, Atlas method (current $) | 2004 Population (million) | 2004 GNI, Atlas method (current $ billion) | 2004 $2/day Poverty rate (percent) | 2004 Gini coefficient |
|---|---|---|---|---|---|
| Albania | 2,050 | 3.1 | 6.5 | 9 | 31 |
| Algeria | 2,280 | 32.4 | 73.6 | 10 | 35 |
| Angola | 1,030 | 15.5 | 14.4 | | |
| Antigua and Barbuda | 10,000 | 0.1 | 0.8 | | |
| Argentina | 3,720 | 38.4 | 137.3 | 17[b] | 51[b] |
| Armenia | 1,070 | 3.0 | 3.4 | 30 | 34 |
| Azerbaijan | 950 | 8.3 | 7.7 | 15 | 37 |
| Belarus | 2,120 | 9.8 | 21.1 | 1 | 30 |
| Belize | 3,940 | 0.3 | 1.0 | | |
| Bolivia | 960 | 9.0 | 8.6 | 43 | 60 |
| Bosnia and Herzegovina | 2,040 | 3.9 | 8.0 | | |
| Botswana | 4,340 | 1.8 | 7.8 | 46 | 61 |
| Brazil | 3,090 | 183.9 | 551.6 | 20 | 57 |
| Bulgaria | 2,740 | 7.8 | 21.4 | 6 | 29 |
| Cape Verde | 1,770 | 0.5 | 0.9 | 18 | 51 |
| Chile | 4,910 | 16.1 | 79.5 | 6 | 55 |
| China | 1,290 | 1,296.2 | 1,938.0 | 35 | 38/34[c] |
| Colombia | 2,000 | 44.9 | 90.3 | 19 | 59 |
| Costa Rica | 4,670 | 4.3 | 19.0 | 10 | 50 |
| Croatia | 6,590 | 4.4 | 30.3 | 0 | 31 |
| Djibouti | 1,030 | 0.8 | 0.7 | | |
| Dominica | 3,650 | 0.1 | 0.3 | | |
| Dominican Republic | 2,080 | 8.8 | 18.5 | 16 | 52 |
| Ecuador | 2,180 | 13.0 | 30.8 | 35 | 54 |
| Egypt, Arab Rep. of | 1,310 | 72.6 | 90.6 | 40 | 34 |
| El Salvador | 2,350 | 6.8 | 15.8 | 40 | 52 |
| Equatorial Guinea | | 0.5 | 0.0 | | |
| Estonia | 7,010 | 1.3 | 9.5 | 7 | 36 |
| Fiji | 2,690 | 0.8 | 2.4 | | |
| Gabon | 3,940 | 1.4 | 5.6 | | |

| 2005 KKM governance indicator[a] | 2001–05 Annualized GDP per capita growth (percent) | 1993–2004 Percentage point change in poverty rate | 2006 Human development index | Small state MIC indicator | Country |
|---|---|---|---|---|---|
| −0.76 | 4.5 | −10.5 | 0.78 | | Albania |
| −0.43 | 3.9 | −3.4 | 0.73 | | Algeria |
| −1.09 | 7.7 | | 0.44 | | Angola |
| 0.78 | 2.6 | | 0.81 | Yes | Antigua and Barbuda |
| −0.44 | 2.7 | 10.5[b] | 0.86 | | Argentina |
| −0.64 | 13.3 | −10.0 | 0.77 | | Armenia |
| −1.01 | 13.4 | −32.7 | 0.74 | | Azerbaijan |
| −0.90 | 8.7 | 0.7 | 0.79 | | Belarus |
| −0.22 | 2.0 | | 0.75 | Yes | Belize |
| −0.81 | 1.3 | 15.3 | 0.69 | | Bolivia |
| −0.32 | 5.3 | | 0.80 | | Bosnia and Herzegovina |
| 1.10 | 5.1 | −9.9 | 0.57 | Yes | Botswana |
| −0.28 | 1.0 | −3.6 | 0.79 | | Brazil |
| −0.05 | 5.7 | 5.1 | 0.82 | | Bulgaria |
| 0.21 | 2.7 | −20.7 | 0.72 | Yes | Cape Verde |
| 1.34 | 3.5 | −5.9 | 0.86 | | Chile |
| −0.69 | 9.1 | −33.2 | 0.77 | | China |
| −0.22 | 2.3 | 6.2 | 0.79 | | Colombia |
| 0.38 | 2.4 | −5.1 | 0.84 | | Costa Rica |
| 0.07 | 4.3 | 0.0 | 0.85 | | Croatia |
| −0.64 | 1.0 | | 0.49 | Yes | Djibouti |
| 0.68 | −0.3 | | 0.79 | Yes | Dominica |
| −0.66 | 0.7 | 6.1 | 0.75 | | Dominican Republic |
| −0.81 | 3.3 | −2.2 | 0.77 | | Ecuador |
| −0.42 | 1.9 | −5.9 | 0.70 | | Egypt, Arab Rep. of |
| −0.39 | 0.5 | −12.3 | 0.73 | | El Salvador |
| −1.79 | | | 0.65 | Yes | Equatorial Guinea |
| 0.88 | 8.3 | −0.7 | 0.86 | Yes | Estonia |
| −0.60 | 2.4 | | 0.76 | Yes | Fiji |
| −0.61 | −0.1 | | 0.63 | Yes | Gabon |

(*Table continues on the following page.*)

**Table A.2: Economic, Social, and Governance Indicators (continued)**

| Country | 2004 GNI per capita, Atlas method (current $) | 2004 Population (million) | 2004 GNI, Atlas method (current $ billion) | 2004 $2/day Poverty rate (percent) | 2004 Gini coefficient |
|---|---|---|---|---|---|
| Georgia | 1,030 | 4.5 | 4.8 | 26 | 40 |
| Grenada | 3,760 | 0.1 | 0.4 | | |
| Guatemala | 2,130 | 12.3 | 26.9 | 31 | 55 |
| Guyana | 990 | 0.8 | 0.8 | 9 | 45 |
| Honduras | 1,030 | 7.0 | 7.3 | 36 | 54 |
| Hungary | 8,270 | 10.1 | 84.6 | 0 | 27 |
| Indonesia | 1,140 | 217.6 | 246.3 | 48 | 34 |
| Iran, Islamic Rep. of | 2,300 | 67.0 | 155.8 | 4 | 44 |
| Iraq | | | 0.0 | | |
| Jamaica | 2,900 | 2.6 | 8.7 | 14 | 46 |
| Jordan | 2,140 | 5.3 | 11.9 | 4 | 39 |
| Kazakhstan | 2,260 | 15.0 | 34.5 | 17 | 34 |
| Kiribati | 970 | 0.1 | 0.1 | | |
| Latvia | 5,460 | 2.3 | 12.6 | 4 | 38 |
| Lebanon | 4,980 | 3.5 | 21.4 | | |
| Libya | 4,450 | 5.7 | 26.2 | | |
| Lithuania | 5,740 | 3.4 | 20.1 | 8 | 36 |
| Macedonia, FYR | 2,350 | 2.0 | 4.9 | 3 | 39 |
| Malaysia | 4,650 | 24.9 | 112.6 | 6 | 49 |
| Maldives | 2,510 | 0.3 | 0.8 | | |
| Marshall Islands | 2,370 | 0.1 | 0.2 | | |
| Mauritius | 4,640 | 1.2 | 5.7 | | |
| Mexico | 6,770 | 102.0 | 706.7 | 12 | 46 |
| Micronesia, Fed. Sts. of | 1,990 | 0.1 | 0.3 | | |
| Morocco | 1,520 | 29.8 | 46.9 | 11 | 39 |
| Namibia | 2,370 | 2.0 | 4.8 | 54 | 74 |
| Palau | 6,870 | 0.0 | 0.1 | | |
| Panama | 4,450 | 3.2 | 13.7 | 17 | 56 |
| Paraguay | 1,170 | 6.0 | 6.9 | 30 | 58 |
| Peru | 2,360 | 27.6 | 65.0 | 31 | 52 |

| 2005 KKM governance indicator[a] | 2001–05 Annualized GDP per capita growth (percent) | 1993–2004 Percentage point change in poverty rate | 2006 Human development index | Small state MIC indicator | Country |
|---|---|---|---|---|---|
| −0.57 | 9.1 | 20.5 | 0.74 | | Georgia |
| 0.68 | −0.1 | | 0.76 | Yes | Grenada |
| −0.98 | 0.1 | −25.9 | 0.67 | | Guatemala |
| −0.58 | −0.4 | −18.0 | 0.73 | Yes | Guyana |
| −0.67 | 1.5 | −14.8 | 0.68 | | Honduras |
| 0.63 | 4.3 | −0.3 | 0.87 | | Hungary |
| −0.86 | 3.5 | −15.7 | 0.71 | | Indonesia |
| −0.47 | 4.9 | −3.3 | 0.75 | | Iran, Islamic Rep. of |
| −1.27 | | | | | Iraq |
| −0.50 | 1.0 | −13.1 | 0.72 | Yes | Jamaica |
| 0.33 | 3.5 | −6.6 | 0.76 | | Jordan |
| −0.94 | 9.0 | −0.4 | 0.77 | | Kazakhstan |
| 0.22 | −2.4 | | | Yes | Kiribati |
| 0.33 | 8.8 | −0.6 | 0.85 | | Latvia |
| −0.39 | 2.6 | | 0.77 | | Lebanon |
| −0.89 | 3.1 | | | | Libya |
| 0.26 | 8.4 | −36.6 | 0.86 | | Lithuania |
| −0.50 | 2.7 | −1.2 | 0.80 | | Macedonia, FYR |
| 0.27 | 3.5 | −7.6 | 0.81 | | Malaysia |
| −0.28 | 2.2 | | 0.74 | Yes | Maldives |
| −0.43 | −1.2 | | | Yes | Marshall Islands |
| 0.32 | 2.7 | | 0.80 | Yes | Mauritius |
| −0.41 | 1.3 | −10.0 | 0.82 | | Mexico |
| −0.28 | −0.1 | | | Yes | Micronesia, Fed. Sts. of |
| −0.09 | 1.9 | 2.7 | 0.64 | | Morocco |
| 0.06 | 3.6 | −1.9 | 0.63 | Yes | Namibia |
| | | | | Yes | Palau |
| −0.27 | 3.2 | −1.5 | 0.81 | | Panama |
| −1.19 | −0.7 | −12.4 | 0.76 | | Paraguay |
| −0.49 | 3.5 | −1.0 | 0.77 | | Peru |

(*Table continues on the following page.*)

**Table A.2: Economic, Social, and Governance Indicators (continued)**

| Country | 2004 GNI per capita, Atlas method (current $) | 2004 Population (million) | 2004 GNI, Atlas method (current $ billion) | 2004 $2/day Poverty rate (percent) | 2004 Gini coefficient |
|---|---|---|---|---|---|
| Philippines | 1,170 | 81.6 | 98.3 | 44 | 44 |
| Poland | 6,090 | 38.2 | 234.5 | 1 | 34 |
| Romania | 2,920 | 21.7 | 64.0 | 13 | 31 |
| Russian Federation | 3,410 | 143.8 | 491.0 | 8 | 40 |
| Samoa | 1,860 | 0.2 | 0.3 | | |
| Serbia and Montenegro | 2,620 | 8.1 | 22.0 | | |
| Seychelles | 8,090 | 0.1 | 0.7 | | |
| Slovak Republic | 6,480 | 5.4 | 34.9 | 2 | 26 |
| South Africa | 3,630 | 45.5 | 167.2 | 32 | 58 |
| Sri Lanka | 1,040 | 19.4 | 19.5 | 36 | 40 |
| St. Kitts and Nevis | 7,600 | 0.0 | 0.4 | | |
| St. Lucia | 4,310 | 0.2 | 0.7 | 57 | 43 |
| St. Vincent | 3,650 | 0.1 | 0.4 | | |
| Suriname | 2,250 | 0.4 | 1.0 | | |
| Swaziland | 1,660 | 1.1 | 1.9 | 77 | 51 |
| Syrian Arab Republic | 1,190 | 18.6 | 23.7 | | |
| Thailand | 2,540 | 63.7 | 158.4 | 21 | 42 |
| Tonga | 1,830 | 0.1 | 0.2 | | |
| Trinidad and Tobago | 8,580 | 1.3 | 11.8 | 8 | 40 |
| Tunisia | 2,630 | 9.9 | 26.3 | 4 | 41 |
| Turkey | 3,750 | 71.7 | 269.0 | 19 | 44 |
| Turkmenistan | 1,340 | 4.8 | 0.0 | 29 | 41 |
| Ukraine | 1,260 | 47.5 | 60.2 | 5 | 28 |
| Uruguay | 3,950 | 3.4 | 13.4 | 9[b] | 46[b] |
| Vanuatu | 1,340 | 0.2 | 0.3 | | |
| Venezuela, R. B. de | 4,020 | 26.1 | 105.3 | 40 | 48 |

*Sources:* World Development Indicators 2006, Povcalnet, Kaufmann and others 2006, United Nations Development Programme 2006.

a. The KKM governance indicator ranges from 22.5 to 2.5, with higher values corresponding to better governance outcomes. For accompanying confidence intervals, refer to Kaufmann, Kraay, and Mastruzzi 2006.

b. Poverty and inequality for Argentina and Uruguay are measured only for urban areas.

c. The Gini coefficient for China is listed separately for rural/urban areas.

| 2005 KKM governance indicator[a] | 2001–05 Annualized GDP per capita growth (percent) | 1993–2004 Percentage point change in poverty rate | 2006 Human development index | Small state MIC indicator | Country |
|---|---|---|---|---|---|
| −0.58 | 3.1 | −8.9 | 0.76 | | Philippines |
| 0.19 | 3.5 | −10.7 | 0.86 | | Poland |
| −0.23 | 6.3 | −1.6 | 0.81 | | Romania |
| −0.74 | 6.9 | −14.6 | 0.80 | | Russian Federation |
| 0.17 | 3.0 | | 0.78 | Yes | Samoa |
| −0.55 | 5.2 | | | | Serbia and Montenegro |
| 0.01 | −3.3 | | 0.84 | Yes | Seychelles |
| 0.43 | 5.1 | 1.7 | 0.86 | | Slovak Republic |
| 0.54 | 3.8 | −2.7 | 0.6 | | South Africa |
| −0.31 | 4.0 | −5.5 | 0.76 | | Sri Lanka |
| 1.00 | 2.7 | | 0.83 | Yes | St. Kitts and Nevis |
| 1.15 | 1.8 | −6.3 | 0.79 | Yes | St. Lucia |
| 1.00 | 3.6 | | 0.76 | Yes | St. Vincent |
| 0.05 | 4.6 | | 0.76 | Yes | Suriname |
| −0.60 | 0.8 | −10.4 | 0.50 | Yes | Swaziland |
| −0.59 | 1.4 | | 0.72 | | Syrian Arab Republic |
| −0.24 | 4.8 | −16.7 | 0.78 | | Thailand |
| −1.28 | 1.9 | | 0.82 | Yes | Tonga |
| 0.01 | 8.2 | −14.8 | 0.81 | Yes | Trinidad and Tobago |
| 0.13 | 3.5 | −8.4 | 0.76 | | Tunisia |
| 0.08 | 6.0 | 1.4 | 0.76 | | Turkey |
| −1.30 | | −30.0 | 0.72 | | Turkmenistan |
| −0.63 | 8.1 | 5.0 | 0.77 | | Ukraine |
| 0.78 | 1.4 | | 0.85 | | Uruguay |
| 0.26 | −0.2 | | 0.67 | Yes | Vanuatu |
| −1.00 | 0.2 | 22.4 | 0.78 | | Venezuela, R. B. de |

**Table A.3: Composition of the MIC Group during the Review Period**

| | | | Countries entering group | | | Countries exiting group | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Fiscal 1996** | **Fiscal 2006** | **LICs to MICs** | **LMICs to UMICs** | **New clients** | **MICs to LICs** | **UMICs to LMICs** | **Graduates** |
| MICs | 77 | 86 | 10 | NA | 5 | 4 | NA | 2 |
| Upper MICs | 17 | 34 | 1 | 17 | 2 | 0 | 1 | 2 |

*Source:* World Bank database.

*Note:* In fiscal 2007, Estonia, Latvia, and Lithuania graduated from eligibility for World Bank lending. The two graduates referenced in the table are Slovenia, which graduated in fiscal 2004, and the Czech Republic, which graduated in fiscal 2005. LMIC = lower middle-income country; UMIC = upper middle-income country.

This evaluation uses a wide range of evidentiary sources. Table B.1 summarizes the country case reviews—those countries for which the Independent Evaluation Group (IEG) completed in-depth research specifically for this evaluation—by topic and Region. A discussion of each of these and the other sources of evidence follows.

## Country Assistance Evaluation Review

Since fiscal year 1995, IEG has assigned 80 ratings—using a six-point scale ranging from highly satisfactory to highly unsatisfactory—to 72 country programs. These evaluations (Country Assistance Evaluations [CAEs]) assess, among other things, the outcome of World Bank assistance, its institutional development impact,

**Table B.1: Case Reviews by Topic and Region**

| | Africa | East Asia/ Pacific | Europe/ Central Asia | Latin America/ Caribbean | Middle East/ North Africa | South Asia | Total studies |
|---|---|---|---|---|---|---|---|
| Field assessments | | **China**<br>**Philippines**<br>**Thailand** | **Bulgaria** | **Argentina**<br>**Colombia** | **Egypt, Arab Rep. of** | | 7 |
| Client survey | South Africa | China<br>Thailand | Kazakhstan<br>Russian Fed.<br>Turkey | Brazil<br>Jamaica<br>Mexico<br>Peru | Jordan<br>Morocco | | 12 |
| Expert reviews | | China<br>Indonesia | Russian Fed.<br>Turkey | Brazil<br>Mexico<br>LCR Region | MNA Region | | 8 |
| Global program case reviews | Mauritius<br>South Africa | China | Latvia<br>Russian Fed. | Brazil | Morocco | Sri Lanka | 8 |
| Cooperation case reviews | Angola<br>**South Africa** | **China**<br>**Philippines** | **Azerbaijan**<br>**Kazakhstan**<br>**Russian Fed.**<br>**Ukraine** | **Argentina**<br>**Brazil**<br>**Mexico**<br>**Uruguay** | **Egypt, Arab Rep. of**<br>**Jordan**<br>**Tunisia** | | 15 |
| Crisis case reviews | | Thailand | Russian Fed. | Brazil | | | 3 |
| Total countries and Regions | 3 | 4 | 7 | 8 | 5 | 1 | 53<br>28 |

*Note:* Entries in bold text indicate that the study involved field work. IEG completed 53 case reviews in 28 countries and Regions, of which 21 cases in 17 countries involved field work.

the sustainability of reforms, and Bank performance. CAEs are designed both to assess World Bank activity in a country, and to inform World Bank staff as they design new Country Assistance Strategies (CASs). In some cases, CAE ratings differ from a simple aggregation of project ratings in a given country. This is because the CAE reviews the entire program including nonlending services, and attempts to assess not only whether or not given projects were successful, but whether the overall strategy for development was appropriate and achieved overarching objectives.

The CAE Review draws out lessons from CAEs that are relevant to the MICs. IEG reviewed ratings for all CAEs so far completed. Of the 72 country programs rated, 43 are in MICs and 29 are in LICs. Each CAE studies World Bank assistance over a particular span of time and reports its ratings for these periods. Some countries have more than one rating to cover different periods, and the nine Pacific Islands were evaluated together with a single rating.

These differences account for the divergence between the number of ratings and the number of country programs rated. IEG also closely reviewed CAEs in an attempt to draw out qualitative findings that were present in a number of countries. This included reviewing the common factors present in both highly satisfactory and unsatisfactory country programs. The highlights of these quantitative and qualitative findings are included in the main body of this evaluation. A complete list of the CAEs reviewed is shown in table C.1, appendix C.

## Project Performance Review

Between fiscal years 1995 and 2006, IEG assessed the outcome of 1,558 Bank projects in MICs and 1,387 LICs via reviews of the independently verified Implementation Completion Reports and Project Performance Assessment Reports. Similar to the CAEs, outcomes were rated on a six-point scale between highly satisfactory and highly unsatisfactory.

IEG reviewed the distribution of project outcomes by country and sector, both statically and over time, tabulated along a great variety of country and other characteristics (including credit rating, institutional strength, and so forth); it also compared them with outcomes for LICs. IEG qualitatively analyzed the factors common to both highly satisfactory and unsatisfactory projects and included these findings in the text of this evaluation.

## Topic Review of IEG Evaluations

The topic review included two parts. First, IEG reviewed its own sector evaluations, themes, global programs, and corporate objectives that were relevant to the Bank's work in MICs, including annual reviews of development effectiveness and evaluations of the Bank's work on trade, pensions, knowledge, the financial sector, transition economies, small states, transport, global programs, and natural disasters. In some cases, IEG reanalyzed data with a MIC lens, and in others utilized examples and lessons learned from the text.

Second, IEG reviewed the Bank's activities (planned country work as set out in CASs and activities in global and Regional programs and partnerships), expenditures (budget allocation for lending preparation, supervision, and knowledge services), and strategies (task force reports and management action plans for this country group) in MICs over the past 10 years.

## Externally Conducted Client Survey

IEG commissioned Princeton Survey Research Associates International (PSRAI) to survey opinion leaders in 12 MICs to gauge their perceptions of the World Bank's work. More than 650 opinion leaders in government, multi- and bilateral donor agencies, civil society organizations, the private sector, media, and academia completed the survey online or on paper via fax.

### *Country selection*

Of the 86 MICs, IEG selected the 12 countries listed in table B.2. This group is representative of the diversity of geography, size, economic progress, and development challenges of all MICs. The questionnaire was translated into the relevant language for each country.

**Table B.2: Country Selection and Sample Sizes**

| | Number of interviews | Margin of error |
|---|---|---|
| Brazil | 59 | 13 |
| China | 50 | 14 |
| Jamaica | 53 | 14 |
| Jordan | 57 | 13 |
| Kazakhstan | 58 | 13 |
| Mexico | 53 | 14 |
| Morocco | 51 | 14 |
| Peru | 63 | 12 |
| Russia | 44 | 15 |
| South Africa | 51 | 14 |
| Thailand | 55 | 13 |
| Turkey | 62 | 13 |
| **Total sample** | 656 | 4 |

### *Sample sizes*

In each of the 12 countries, between 44 and 63 opinion leaders were interviewed for a total of 656 interviews. During final analysis of the data, survey results were weighted to approximate equal representation from each country. The margin of error for the full sample of opinion leaders is ±4 percent.

### *Professional sectors*

The target in each of the 12 countries was to conduct a total of 50 interviews allocated among the professional sectors as follows: 20 from government, 8 from civil society organizations, 2 from multilateral and bilateral agencies, 5 from media, 5 from academia, and 10 from the private sector. In countries where either too few or too many interviews were conducted in a particular sector, the survey results were weighted during final analysis of the data to approximate the original sector targets (see table B.3). For no question did this weighting differ from unweighted survey results by more than one percentage point.

### *Sample frame*

Names of potential respondents were compiled from two sources. PSRAI used publicly available material to compile lists of opinion leaders in each country. IEG also provided lists for some sectors in some countries. PSRAI combined the two lists, removed duplicate names, and categorized individuals by professional sector. From these lists, PSRAI randomly drew individuals to contact.

**Table B.3: Interviews by Professional Sector**

| | Number of interviews | Margin of error | Percent of total sample (unweighted) | Percent of total sample (weighted) |
|---|---|---|---|---|
| Government | 244 | 6 | 37 | 40 |
| Private sector | 129 | 9 | 20 | 20 |
| CSO | 109 | 9 | 17 | 16 |
| Academia | 78 | 11 | 12 | 10 |
| Media | 61 | 13 | 9 | 9 |
| Donor | 35 | 17 | 5 | 4 |

*Note:* CSO = civil society organization.

### *Recruiting opinion leaders*

The randomly chosen opinion leaders were e-mailed or faxed two letters inviting them to participate in the survey and explaining the purpose of the survey: an individualized letter from PSRAI explaining the procedure for completing the questionnaire and the confidentiality policy and a general letter from IEG explaining the purpose of the survey. Most individuals were contacted at least three times over a period of weeks before being replaced with another randomly selected opinion leader if they did not respond.

Overall, 34 percent of the 1,984 opinion leaders responded to the survey. Response rates to the survey ranged by country from more than 20 percent to more than 50 percent, with considerable variation by professional sector (table B.4). Depending on the accuracy of available contact information and the type of respondents being targeted, response rates for online surveys range from very low (less than 10 percent) to very high (70 percent or greater). Based on PSRAI's experience, the response rates for the current survey fall in the higher end of the range of response rates typical for an online survey of this type. Moreover, the vast majority of respondents

**Table B.4: Response Rates by Country and Professional Sector**

| | Brazil | China | Jamaica | Jordan | Kazakh-stan | Mexico | Morocco | Peru | Russian Fed. | South Africa | Thailand | Turkey |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total (%)** | 38 | 34 | 36 | 32 | 43 | 36 | 22 | 52 | 30 | 23 | 28 | 46 |
| Government | 43 | 30 | 39 | 33 | 40 | 32 | 21 | 56 | 20 | 18 | 23 | 44 |
| Private sector | 33 | 42 | 27 | 31 | 52 | 35 | 16 | 38 | 48 | 36 | 31 | 48 |
| CSO | 45 | 30 | 47 | 28 | 75 | 65 | 44 | 73 | 47 | 27 | 45 | 48 |
| Academia | 25 | 50 | 32 | 41 | 54 | 36 | 38 | 67 | 25 | 35 | 26 | 30 |
| Media | 42 | 50 | 22 | 33 | 8 | 39 | 13 | 35 | 26 | 10 | 37 | 63 |
| Donor | 50 | 15 | 83 | 18 | 18 | 11 | 33 | 60 | 40 | 43 | 20 | 83 |

*Note:* CSO = civil society organization.

indicated they were at least somewhat familiar with the World Bank's activities (97 percent), and about a quarter reported being very familiar. Those not at all familiar with the Bank were excluded from the survey.

### *Field work logistics*

PSRAI programmed and tested the online survey in each of the survey languages. Fieldwork was conducted between May and September 2006. To help ensure that the ideas and concepts of this study were clearly articulated in the questionnaire, a few pretest interviews were conducted in Jamaica and South Africa. During the fieldwork period, PSRAI monitored the data collected and provided technical assistance to survey respondents as necessary. A vast majority of opinion leaders surveyed (97 percent) responded to the questionnaire online, with only a few opinion leaders faxing in the questionnaire.

## Field Assessments

IEG conducted *field assessments* of client perspectives on MIC-specific issues in seven countries. The assessments in Argentina, Bulgaria, Colombia, and Egypt were completed by external experts based in their respective countries, while those in China, the Philippines, and Thailand were completed by IEG staff. The assessments were not intended to evaluate the entirety of the Bank's program in each of the countries, but rather to draw indicative conclusions in particular areas of Bank support that may apply to other countries in similar situations.

The authors of each assessment interviewed government officials, private sector representatives, academics, members of civil society, and Bank staff (a total of 166 stakeholders). Interviewees were selected for their knowledge of the Bank's programs and the broader development landscape in each country; they were identified by independent sources and with the help of the Bank's country offices.

Each assessment includes an exploration of the main themes in the overall evaluation—the Bank's relevance and effectiveness, its knowledge program, its engagement in global programs, and cooperation across the Bank Group. The *field assessments* are on file with IEG and are available on request.

## Crisis Case Review

IEG examined the Bank's work before, during, and after financial, banking, and/or debt crises in three countries—Brazil, Russia, and Thailand. Using IEG evaluations and Bank documentation created during the events, the review assessed the Bank's familiarity with the countries' macroeconomic situation prior to the crises and how that familiarity affected the Bank's assistance, the outcome of Bank projects carried out during the crises, the longer-term effects of crisis projects, the extent to which the Bank was able to help protect the poor, and its coordination with other international actors. A discussion of the findings can be found in appendix E.

## Global Program Case Review

### *Sample global programs*

Of more than 100 global programs in which the Bank is a partner, IEG investigated the experience and participation of MICs in 26 sample global programs (see table B.5); this sampling forms the basis for quantitative analysis in this evaluation. The programs were selected to capture all the largest programs in which the Bank is involved, as well as several medium and small programs. These 26 programs—representing a majority of the Bank's expenditure on all global programs—largely mirror those selected for IEG's evaluation *Addressing the Challenges of Globalization* (IEG 2005a). The difference between the two samples is that this evaluation replaced the Global Integrated Pest Management Facility (from which the Bank has disengaged) with the GFATM and replaced the Global Development Network (for which public data were limited) with the Global Development Learning Network.

**Table B.5: Global Programs and Partnerships: Abbreviation and Full Name**

| Abbreviation | Full Name |
|---|---|
| CA | Cities Alliance |
| CEPF | Critical Ecosystems Partnership Fund |
| CFs | Carbon Funds |
| CGAP | Consultative Group to Assist the Poorest |
| CGIAR | Consultative Group on International Agriculture Research |
| ESMAP | Energy Sector Management Assistance Program |
| FIRST | Financial Sector Reform and Strengthening Initiative |
| FSAP | Financial Sector Assessment Program |
| GAVI | Global Alliance for Vaccines and Immunization |
| GDLN | Global Development Learning Network |
| GEF | Global Environment Facility |
| GFATM | Global Fund to Fight AIDS, Tuberculosis and Malaria |
| GFHR | Global Forum for Health Research |
| GWP | Global Water Partnership |
| IF | Integrated Framework for Trade-Related Assistance |
| infoDev | Information for Development Program |
| MLF | Multilateral Fund for Montreal Protocol |
| PCF | Post Conflict Fund |
| PPIAF | Public-Private Infrastructure Advisory Facility |
| RBM | Roll Back Malaria |
| Stop TB | Stop Tuberculosis Partnership |
| TDR | Tropical Disease Research |
| UCW | Understanding Children's Work |
| UNAIDS | Joint United Nations Program on HIV/AIDS |
| WL | World Links |
| WSP | Water and Sanitation Program |

### *Country participation and governance*

Participation in a global program refers to active involvement at some level by stakeholders in a country. Because there are many types of global programs, this evaluation adopts the individual definitions used by the various programs themselves. For instance, in programs that provide investment grants, such as GEF, Carbon Funds, and GAVI, *participation* generally refers to those countries that receive such grants. In programs that provide technical assistance, such as FSAP, PPIAF, and IF, *participants* are those that receive that assistance. And in advocacy programs such as GFHR and GWP, participants are countries with active members (not limited to formal government involvement).

Global programs are generally administered by a secretariat and governed by an executive committee, steering group, and/or working group (which typically meet quarterly) and an oversight body with donor and some participant representation (which typically meets annually). In this evaluation, *governance* refers to official representation in either of these bodies. Data on participation and governance in global programs were obtained from the most recent annual reports available on program Web sites.

### *Bank engagement*

From a country perspective, IEG reviewed CASs for references to the sample global programs. The sample included CASs for all countries for which a strategy was completed since 2000—59 strategies in total. In addition, Bank expenditure patterns were analyzed using the Bank's central database.

### *Global program case review*

In addition to the broad review of the 26 sample global programs, case studies were conducted focusing on eight countries and six global programs. In the eight countries—Brazil, China, Latvia, Mauritius, Morocco, Russia, South Africa, and Sri Lanka—IEG assessed the degree of participation in all global programs and the degree to which global programs were integrated into Bank country strategies. In the six global programs—GEF, the Carbon Funds, Stop TB, ESMAP, CGAP, and FIRST—IEG explored the degree of participation by MICs, the role of the Bank in the program, and the program's governance structure.

## Cooperation Case Review

In 15 countries—Angola, Argentina, Azerbaijan, Brazil, China, Egypt, Jordan, Kazakhstan, Mexico, Morocco, the Philippines, Russia, South Africa, Ukraine, and Uruguay—IEG conducted field-based studies to assess cooperation between the Bank and IFC, interviewing IFC and Bank staff and clients. The cases compared areas in which cooperation was proposed in CASs with what occurred in practice. It also explored the drivers and inhibitors of cooperation among Bank and IFC staff and country teams. The list below summarizes the five common strategic objectives for cooperation between the Bank and IFC identified the Bank Group in joint strategies, as well as the 27 specific areas in which cooperation could achieve these objectives.

***Objective 1: Expanding access to financial services***

- Banking
- Capital markets (general)
- Housing finance
- Insurance
- Leasing
- Financial crisis recovery
- Small and medium-sized enterprise and micro-enterprise development

***Objective 2: Improving the provision of services and infrastructure through privatization and public-private partnerships***

- Infrastructure and public-private partnerships (general)
- Power
- Transport
- Water and sanitation
- Gas distribution
- Health
- Education

***Objective 3: Improving the overall business environment***

- Business climate and investment promotion
- Corporate governance
- Privatization and state-owned enterprise reform
- Property rights
- Gender

***Objective 4: Expanding the geographical spread of growth***

- Regional development
- Rural development, agriculture, and agribusiness

***Objective 5: Supporting development of specific sectors***

- Tourism
- Extractive industries
- Information and communications technology
- Forestry
- General environment
- Carbon finance

## Expert Reviews

Two external experts each selected MICs with which they were familiar and then reviewed Bank studies in their respective areas of expertise—rural and urban development—for these countries; 16 reports were reviewed in all. For rural development, these covered China, Indonesia, Mexico, and Turkey. For urban development, these covered China, Russia, Brazil and Latin America, and the Middle East and North Africa.

In their reports, the experts answered the following five questions:

- Do the reports reflect the current state of thinking and cutting-edge knowledge available both inside and outside the Bank?
- Do they incorporate lessons from the application of various approaches across countries?
- Do they reflect in-depth knowledge of the context and the realities of good program design and implementation in the sector and country they refer to?
- Do they take into account relevant cross-sectoral considerations?
- Do the reports show evidence of using—and building up—national expertise, that is, drawing on analysis and research of in-country academics and practitioners?

In addition, the experts rated the Bank studies overall and along the five dimensions on a six-point scale from highly unsatisfactory to highly satisfactory (similar to IEG's scale for projects and country programs). The expert analyses are on file with IEG and are available on request.

## Quality Assurance Group Review of AAA

IEG reviewed country analytical advisory activities (AAA) assessments completed by the Bank's Quality Assurance Group in the 22 MICs for which they were conducted—Albania, Angola, Belarus, Brazil, Bulgaria, Chile, China, the Dominican Republic, Egypt, El Salvador, Guatemala, Kazakhstan, Lebanon, Mauritius, Mexico, Morocco, Peru, Russia, the Slovak Republic, South Africa, Thailand, and Ukraine. These assessments cover the key aspects of the quality and usefulness of the Bank's knowledge services.

# APPENDIX C: INDICATORS OF BANK ACTIVITY AND PERFORMANCE

**Table C.1: IEG's Country Assistance Evaluation Ratings in MICs**

| | Unsatisfactory | Moderately unsatisfactory | Moderately satisfactory | Satisfactory | Highly satisfactory | No. of ratings |
|---|---|---|---|---|---|---|
| Albania | | | (1995–2004) | | | 1 |
| Angola | | (1995–2006) | | | | 1 |
| Argentina | | | | (1995–2000) | | 1 |
| Armenia | | | | (1995–2002) | | 1 |
| Bolivia | | (1998–2004) | (1995–96) | | | 2 |
| Bosnia and Herzegovina | | | | (1996–2003) | | 1 |
| Brazil | | | | (1995–2002) | | 1 |
| Bulgaria | (1995–97) | | | (1998–2001) | | 2 |
| Chile | | | | | (1995–2000) | 1 |
| China | | | | (1995–2002) | | 1 |
| Costa Rica | (1995–2000) | | | | | 1 |
| Croatia | (1995–2001) | | (2002–03) | | | 2 |
| Dominican Republic | | | (1995–2002) | | | 1 |
| Ecuador | (1995–98) | | | | | 1 |
| Egypt, Arab Rep. of | | | (1995–2000) | | | 1 |
| El Salvador | | | | | (1995–2000) | 1 |
| Guatemala | | | | (1995–2001) | | 1 |
| Honduras | | (1995–2005) | | | | 1 |
| Indonesia | | | (1995–2006) | | | 1 |

| | Unsatisfactory | Moderately unsatisfactory | Moderately satisfactory | Satisfactory | Highly satisfactory | No. of ratings |
|---|---|---|---|---|---|---|
| Jamaica | (1995–98) | | | | | 1 |
| Jordan | | | (1995–2000) | | | 1 |
| Kazakhstan | | | (1995–99) | | | 1 |
| Lithuania | | | | (1995–2002) | | 1 |
| Maldives | | | | (1995–98) | | 1 |
| Mexico | | | (1995–96) | (1997–2000) | | 2 |
| Morocco | | (1995–2000) | | | | 1 |
| Pacific Islands | | (1995–2002) | | | | 1 |
| Paraguay | (1995–2000) | | | | | 1 |
| Peru | (1995–2000) | | | (1995–96) | | 2 |
| Romania | (1995–99) | | | (2000–04) | | 2 |
| Russian Federation | (1995–98) | | | (1999–2001) | | 2 |
| Sri Lanka | | | (1995–98) | | | 1 |
| Tunisia | | | | (1995–2003) | | 1 |
| Turkey | | | (1995–2004) | | | 1 |
| Ukraine | (1995–98) | | (1999–2006) | | | 2 |
| Uruguay | | | | | (1995–99) | 1 |
| **Total** | 10 | 5 | 12 | 14 | 3 | 44 |
| | 23% | 11% | 27% | 32% | 7% | 100% |

*Source:* IEG's Country Assistance Evaluations (CAEs).

*Note:* There were seven CAEs for MICs without ratings during this period: Albania, Argentina, Azerbaijan, Morocco, the Philippines, Poland, and Thailand. The beginning of the CAE review period for some country programs predates the period covered by this evaluation. In those cases, 1995 is considered the relevant beginning year for the period of study.

**Table C.2: Bank Indicators by Country**

| | Fiscal 1995–2006 | | Fiscal 2004–06 | Exit fiscal 1995–2006 | |
|---|---|---|---|---|---|
| Country | Number of Bank projects | Bank lending ($m) | Average annual lending ($m) | Number of Bank projects evaluated | Moderately satisfactory or better (%) |
| Albania | 49 | 722 | 52 | 42 | 86 |
| Algeria | 18 | 1,351 | 0 | 31 | 52 |
| Angola | 8 | 238 | 42 | 11 | 64 |
| Antigua and Barbuda | 0 | 0 | 0 | 0 | NA |
| Argentina | 72 | 14,156 | 950 | 57 | 84 |
| Armenia | 40 | 887 | 64 | 22 | 91 |
| Azerbaijan | 31 | 1,028 | 144 | 12 | 58 |
| Belarus | 2 | 73 | 17 | 3 | 33 |
| Belize | 3 | 33 | 0 | 6 | 67 |
| Bolivia | 33 | 996 | 37 | 43 | 65 |
| Bosnia and Herzegovina | 52 | 1,039 | 68 | 33 | 94 |
| Botswana | 0 | 0 | 0 | 2 | 100 |
| Brazil | 108 | 16,208 | 1,572 | 108 | 94 |
| Bulgaria | 25 | 1,508 | 100 | 26 | 81 |
| Cape Verde | 14 | 193 | 15 | 12 | 92 |
| Chile | 15 | 776 | 107 | 19 | 89 |
| China | 133 | 21,368 | 1,234 | 145 | 89 |
| Colombia | 50 | 5,337 | 660 | 45 | 80 |
| Costa Rica | 4 | 110 | 20 | 5 | 100 |
| Croatia | 29 | 1,573 | 222 | 17 | 76 |
| Djibouti | 11 | 120 | 8 | 7 | 57 |
| Dominica | 4 | 17 | 1 | 5 | 80 |
| Dominican Republic | 17 | 697 | 98 | 13 | 85 |
| Ecuador | 25 | 1,214 | 101 | 27 | 78 |
| Egypt, Arab Rep. of | 25 | 2,392 | 420 | 20 | 70 |
| El Salvador | 15 | 847 | 117 | 11 | 100 |
| Equatorial Guinea | 0 | 0 | 0 | 4 | 25 |
| Estonia | 5 | 70 | 0 | 8 | 100 |
| Fiji | 0 | 0 | 0 | 3 | 100 |
| Gabon | 5 | 60 | 13 | 6 | 67 |

| CAE ratings through fiscal 2007 | Approval fiscal 1995–2002: Number of IFC projects | Approval fiscal 1995–2002: IFC investments ($m) | Approval fiscal 1995–2002: Satisfactory development outcome (%) | Country |
|---|---|---|---|---|
| Moderately satisfactory | | | | Albania |
| | 3 | 8 | 50 | Algeria |
| Moderately unsatisfactory | | | | Angola |
| | | | | Antigua and Barbuda |
| Satisfactory | 26 | 704 | 42 | Argentina |
| Satisfactory | | | | Armenia |
| | 3 | 56 | NA | Azerbaijan |
| | | | | Belarus |
| | 1 | 6 | NA | Belize |
| Moderately unsatisfactory | 5 | 83 | NA | Bolivia |
| Satisfactory | 4 | 21 | 50 | Bosnia and Herzegovina |
| | | | | Botswana |
| Satisfactory | 28 | 950 | 75 | Brazil |
| Unsatisfactory/Satisfactory | 4 | 86 | 50 | Bulgaria |
| | | | | Cape Verde |
| Highly satisfactory | 5 | 82 | NA | Chile |
| Satisfactory | 13 | 233 | 46 | China |
| | 4 | 98 | NA | Colombia |
| Unsatisfactory | 1 | 5 | NA | Costa Rica |
| Unsatisfactory/Moderately satisfactory | 5 | 56 | 60 | Croatia |
| | | | | Djibouti |
| | | | | Dominica |
| Moderately satisfactory | 4 | 72 | 50 | Dominican Republic |
| Unsatisfactory | 3 | 28 | 33 | Ecuador |
| Moderately satisfactory | 10 | 187 | 50 | Egypt, Arab Rep. of |
| Highly satisfactory | 3 | 170 | NA | El Salvador |
| | | | | Equatorial Guinea |
| | 7 | 43 | 71 | Estonia |
| | 1 | 4 | NA | Fiji |
| | | | | Gabon |

(*Table continues on the following page.*)

**Table C.2: Bank Indicators by Country (continued)**

| | Fiscal 1995–2006 | | Fiscal 2004–06 | Exit fiscal 1995–2006 | |
|---|---|---|---|---|---|
| Country | Number of Bank projects | Bank lending ($m) | Average annual lending ($m) | Number of Bank projects evaluated | Moderately satisfactory or better (%) |
| Georgia | 40 | 831 | 35 | 19 | 84 |
| Grenada | 7 | 49 | 5 | 3 | 100 |
| Guatemala | 21 | 859 | 60 | 11 | 91 |
| Guyana | 10 | 107 | 10 | 14 | 71 |
| Honduras | 30 | 1,152 | 115 | 20 | 70 |
| Hungary | 8 | 699 | 0 | 22 | 86 |
| Indonesia | 84 | 10,179 | 641 | 119 | 71 |
| Iran, Islamic Rep. of | 9 | 1,355 | 308 | 6 | 83 |
| Iraq | 2 | 235 | 78 | 0 | NA |
| Jamaica | 12 | 462 | 10 | 20 | 60 |
| Jordan | 20 | 1,136 | 18 | 24 | 96 |
| Kazakhstan | 23 | 1,839 | 63 | 18 | 83 |
| Kiribati | 0 | 0 | 0 | 0 | NA |
| Latvia | 17 | 346 | 0 | 16 | 100 |
| Lebanon | 14 | 717 | 2 | 11 | 55 |
| Libya | 0 | 0 | 0 | 0 | NA |
| Lithuania | 15 | 404 | 0 | 13 | 77 |
| Macedonia, FYR | 34 | 718 | 56 | 22 | 82 |
| Malaysia | 5 | 704 | 0 | 11 | 91 |
| Maldives | 4 | 68 | 12 | 4 | 100 |
| Marshall Islands | 0 | 0 | 0 | 0 | NA |
| Mauritius | 6 | 105 | 0 | 12 | 75 |
| Mexico | 59 | 14,621 | 1,016 | 68 | 79 |
| Micronesia, Federated States of | 0 | 0 | 0 | 0 | NA |
| Morocco | 35 | 2,338 | 269 | 50 | 68 |
| Namibia | 0 | 0 | 0 | 0 | NA |
| Palau | 0 | 0 | 0 | 0 | NA |
| Panama | 12 | 397 | 0 | 10 | 80 |
| Paraguay | 12 | 296 | 35 | 9 | 56 |
| Peru | 37 | 2,992 | 296 | 24 | 88 |

| CAE ratings through fiscal 2007 | Approval fiscal 1995–2002: Number of IFC projects | IFC investments ($m) | Satisfactory development outcome (%) | Country |
|---|---|---|---|---|
| | 7 | 50 | 71 | Georgia |
| | | | | Grenada |
| Satisfactory | 4 | 75 | 75 | Guatemala |
| | | | | Guyana |
| Moderately unsatisfactory | 2 | 16 | NA | Honduras |
| | 2 | 4 | NA | Hungary |
| Moderately satisfactory | 13 | 317 | 45 | Indonesia |
| | | | | Iran, Islamic Rep. of |
| | | | | Iraq |
| Unsatisfactory | 1 | 22 | NA | Jamaica |
| Moderately satisfactory | 5 | 44 | 25 | Jordan |
| Moderately satisfactory | 2 | 77 | NA | Kazakhstan |
| | | | | Kiribati |
| | 3 | 66 | NA | Latvia |
| | 7 | 122 | 57 | Lebanon |
| | | | | Libya |
| Satisfactory | 2 | 18 | NA | Lithuania |
| | 6 | 44 | 20 | Macedonia, FYR |
| | | | | Malaysia |
| Satisfactory | 1 | 6 | NA | Maldives |
| | | | | Marshall Islands |
| | 1 | 1 | NA | Mauritius |
| Moderately satisfactory/Satisfactory | 19 | 402 | 63 | Mexico |
| | | | | Micronesia, Federated States of |
| Moderately unsatisfactory | 1 | 5 | NA | Morocco |
| | 3 | 7 | 50 | Namibia |
| | | | | Palau |
| | 4 | 105 | NA | Panama |
| Unsatisfactory | | | | Paraguay |
| Satisfactory/Unsatisfactory | 11 | 192 | 86 | Peru |

(*Table continues on the following page.*)

**Table C.2: Bank Indicators by Country (continued)**

| Country | Fiscal 1995–2006 Number of Bank projects | Fiscal 1995–2006 Bank lending ($m) | Fiscal 2004–06 Average annual lending ($m) | Exit fiscal 1995–2006 Number of Bank projects evaluated | Exit fiscal 1995–2006 Moderately satisfactory or better (%) |
|---|---|---|---|---|---|
| Philippines | 37 | 2,877 | 202 | 42 | 69 |
| Poland | 24 | 2,553 | 275 | 33 | 79 |
| Romania | 41 | 3,637 | 396 | 29 | 90 |
| Russian Federation | 51 | 10,706 | 152 | 38 | 55 |
| Samoa | 5 | 41 | 6 | 4 | 100 |
| Serbia and Montenegro | 19 | 669 | 92 | 6 | 100 |
| Seychelles | 0 | 0 | 0 | 1 | 0 |
| Slovak Republic | 7 | 290 | 28 | 3 | 100 |
| South Africa | 2 | 61 | 0 | 1 | 100 |
| Sri Lanka | 29 | 1,338 | 180 | 35 | 63 |
| St. Kitts and Nevis | 4 | 22 | 0 | 3 | 67 |
| St. Lucia | 10 | 64 | 7 | 6 | 67 |
| St. Vincent | 4 | 22 | 4 | 3 | 100 |
| Suriname | 0 | 0 | 0 | 0 | NA |
| Swaziland | 1 | 29 | 0 | 1 | 100 |
| Syrian Arab Rep. | 0 | 0 | 0 | 0 | NA |
| Thailand | 19 | 3,329 | 28 | 27 | 85 |
| Tonga | 3 | 18 | 4 | 1 | 0 |
| Trinidad and Tobago | 5 | 117 | 0 | 6 | 50 |
| Tunisia | 30 | 2,115 | 148 | 37 | 86 |
| Turkey | 42 | 13,271 | 1,637 | 43 | 81 |
| Turkmenistan | 3 | 90 | 0 | 3 | 0 |
| Ukraine | 32 | 4,471 | 325 | 18 | 83 |
| Uruguay | 18 | 1,314 | 58 | 19 | 95 |
| Vanuatu | 1 | 4 | 0 | 2 | 50 |
| Venezuela, R. B. de | 11 | 344 | 0 | 18 | 50 |
| **Overall** | **1,707** | **163,006** | **12,632** | **1,648** | **79** |

*Sources:* World Bank database; IEG database, IEG's Country Assistance Evaluations.
*Note:* Table lists outcome ratings for projects financed by IBRD or IDA exclusively.

| CAE ratings through fiscal 2007 | Approval fiscal 1995–2002: Number of IFC projects | IFC investments ($m) | Satisfactory development outcome (%) | Country |
|---|---|---|---|---|
| | 6 | 47 | 25 | Philippines |
| | 6 | 47 | 50 | Poland |
| Unsatisfactory/Satisfactory | 9 | 77 | 75 | Romania |
| Unsatisfactory/Satisfactory | 17 | 350 | 64 | Russian Federation |
| | | | | Samoa |
| | 2 | 12 | NA | Serbia and Montenegro |
| | | | | Seychelles |
| | 1 | 50 | NA | Slovak Republic |
| | 4 | 27 | 67 | South Africa |
| Moderately satisfactory | 4 | 33 | 50 | Sri Lanka |
| | | | | St. Kitts and Nevis |
| | | | | St. Lucia |
| | | | | St. Vincent |
| | | | | Suriname |
| | 1 | 5 | NA | Swaziland |
| | 1 | 1 | NA | Syrian Arab Rep. |
| | 5 | 245 | NA | Thailand |
| | | | | Tonga |
| | | | | Trinidad and Tobago |
| Satisfactory | 2 | 5 | NA | Tunisia |
| Moderately satisfactory | 25 | 407 | 79 | Turkey |
| | | | | Turkmenistan |
| Unsatisfactory/Moderately satisfactory | 2 | 24 | NA | Ukraine |
| Highly satisfactory | 2 | 11 | NA | Uruguay |
| | 1 | 5 | NA | Vanuatu |
| | 5 | 145 | 60 | Venezuela, R. B. de |
| | **317** | **5,951** | **62** | **Overall** |

**Table C.3: Bank Activity and Performance**

| | Fiscal 1995–2006 | | Fiscal 2004–06 | Exit fiscal 1995–2006 | | |
|---|---|---|---|---|---|---|
| **Sector** | **Number of Bank projects*** | **Bank lending ($m)*** | **Avg. annual lending ($m)** | **Number of Bank projects evaluated** | **Satisfactory (by number) (%)** | **Satisfactory (by value) (%)** |
| **By country group** | | | | | | |
| MIC total | 1,707 | 163,006 | 12,632 | 1,648 | 79 | 80 |
| LIC total | 1,271 | 85,218 | 8,856 | 1,269 | 66 | 73 |
| **MICs by type of instrument** | | | | | | |
| Development policy loans | 272 | 62,747 | 4,563 | 250 | 84 | 75 |
| Investment loans | 1,435 | 100,259 | 8,069 | 1,398 | 78 | 83 |
| **MICs by sector** | | | | | | |
| Economic policy | 90 | 18,476 | 1,214 | 94 | 77 | 53 |
| Education | 164 | 12,062 | 819 | 165 | 85 | 87 |
| Energy and mining | 132 | 14,606 | 941 | 168 | 75 | 77 |
| Environment | 69 | 3,995 | 439 | 59 | 66 | 65 |
| Financial sector | 96 | 18,207 | 992 | 103 | 73 | 78 |
| Global information/ communications technology | 11 | 747 | 22 | 21 | 95 | 98 |
| Health, nutrition, and population | 128 | 8,331 | 632 | 100 | 71 | 78 |
| Poverty reduction | 7 | 266 | 47 | 4 | 75 | 46 |
| Private sector development | 91 | 6,384 | 729 | 82 | 72 | 88 |
| Public sector governance | 148 | 12,219 | 626 | 127 | 81 | 87 |
| Rural sector | 243 | 16,384 | 1,202 | 252 | 79 | 84 |
| Social development | 28 | 1,383 | 182 | 10 | 60 | 40 |
| Social protection | 132 | 13,822 | 1,247 | 97 | 88 | 88 |
| Transport | 172 | 20,541 | 1,747 | 180 | 91 | 94 |
| Urban development | 106 | 9,188 | 1,103 | 107 | 81 | 88 |
| Water and sanitation | 90 | 6,394 | 689 | 79 | 72 | 73 |
| **Overall** | **1,707** | **163,006** | **12,632** | **1,648** | **79** | **80** |

*Source:* IEG database, World Bank database.

*Note:* Table lists outcome ratings for projects financed by IBRD or IDA exclusively.

**Table C.4: Results of the Independently Conducted Client Survey**

| Question | | Response | Percent |
|---|---|---|---|
| **Screening question** | | | |
| S1 | How familiar would you say you are about the World Bank's activities in [country]? [If not familiar at all, terminate questionnaire] | Very familiar | 23 |
| | | Somewhat familiar | 59 |
| | | Not too familiar | 15 |
| | | Not familiar at all | 3 |
| **General questions** | | | |
| Q1 | Overall, how effective have the World Bank's programs and services been in helping achieve [country]'s development goals? | Highly effective | 2 |
| | | Effective | 28 |
| | | Moderately effective | 53 |
| | | Moderately ineffective | 12 |
| | | Ineffective | 4 |
| | | Highly ineffective | 1 |
| Q2 | Of those responding ineffective: Which ONE of the following best describes why you think the World Bank's programs and services have been ineffective in achieving [country]'s development goals? | Bank's programs and services are not relevant to [country]'s needs | 36 |
| | | Bank's procedures and regulations are too demanding and complicated | 33 |
| | | Bank's lack of technical skill and ability | 18 |
| | | Bank's loan terms are too expensive | 13 |
| Q3 | Is it your perception that the World Bank's programs and services in [country] are much less effective, somewhat less effective, about the same, somewhat more effective, or much more effective than they were three years ago? | Much more effective | 5 |
| | | More effective | 35 |
| | | About the same | 50 |
| | | Less effective | 9 |
| | | Much less effective | 1 |
| Q4 | When you weigh up the costs and benefits, how effective are the Bank's programs and services in [country] compared to programs and services offered by the following institutions? | | |
| Q4a | Regional development banks and bilateral programs | Much more effective | 8 |
| | | More effective | 37 |
| | | About the same | 33 |
| | | Less effective | 18 |
| | | Much less effective | 3 |
| Q4b | Private sector capital | Much more effective | 10 |
| | | More effective | 27 |
| | | About the same | 20 |
| | | Less effective | 32 |
| | | Much less effective | 11 |

(*Table continues on the following page.*)

**Table C.4: Results of the Independently Conducted Client Survey (continued)**

| Question | | Response | Percent |
|---|---|---|---|
| Q5 | Compared to other international institutions—such as regional development banks, bilateral programs, and private sector capital—how would you rate the World Bank in terms of the following characteristics? | | |
| Q5a | World Bank's quality | Much better | 13 |
| | | Somewhat better | 47 |
| | | About the same | 34 |
| | | Somewhat worse | 6 |
| | | Much worse | 1 |
| Q5b | World Bank's fit to [country]'s needs | Much better | 6 |
| | | Somewhat better | 37 |
| | | About the same | 39 |
| | | Somewhat worse | 16 |
| | | Much worse | 2 |
| Q5c | World Bank's responsiveness when [country]'s needs change | Much better | 7 |
| | | Somewhat better | 31 |
| | | About the same | 34 |
| | | Somewhat worse | 24 |
| | | Much worse | 4 |
| Q5d | the ease of access to World Bank's support | Much better | 5 |
| | | Somewhat better | 26 |
| | | About the same | 37 |
| | | Somewhat worse | 26 |
| | | Much worse | 6 |
| Q6 | Now thinking about specific development areas, how effective has the World Bank been in helping [country] in the following areas? | | |
| Q6a | Poverty reduction | Highly effective | 1 |
| | | Effective | 15 |
| | | Moderately effective | 43 |
| | | Moderately ineffective | 22 |
| | | Ineffective | 15 |
| | | Highly ineffective | 4 |
| Q6b | Fostering growth | Highly effective | 2 |
| | | Effective | 19 |
| | | Moderately effective | 48 |
| | | Moderately ineffective | 21 |
| | | Ineffective | 9 |
| | | Highly ineffective | 2 |

| Question | | Response | Percent |
|---|---|---|---|
| Q6c | Addressing inequality | Highly effective | 0 |
| | | Effective | 8 |
| | | Moderately effective | 36 |
| | | Moderately ineffective | 31 |
| | | Ineffective | 19 |
| | | Highly ineffective | 6 |
| Q6d | Reducing corruption | Highly effective | 0 |
| | | Effective | 6 |
| | | Moderately effective | 29 |
| | | Moderately ineffective | 27 |
| | | Ineffective | 25 |
| | | Highly ineffective | 12 |
| **Knowledge services questions** One of the ways the Bank tries to help a country is by providing advice, expertise, and technical assistance. These are called "knowledge services" and are delivered in various ways—such as formal reports and publications; informal policy advice; research. | | | |
| Q7 | In your opinion, how effective have the Bank's knowledge services been in helping achieve [country]'s development goals? [If not familiar, continue to Q12] | Highly effective | 9 |
| | | Effective | 28 |
| | | Moderately effective | 42 |
| | | Moderately ineffective | 13 |
| | | Ineffective | 6 |
| | | Highly ineffective | 2 |
| Q8 | [Asked of those choosing ineffective]: Which ONE of the following best describes why you think the Bank's knowledge services have been ineffective? | Services are not relevant | 4 |
| | | Inadequate quality of the professional staff delivering knowledge services | 11 |
| | | Services are not making proper use of [country]'s own knowledge and expertise | 28 |
| | | Bank advice is not adequately presented and disseminated | 36 |
| | | Bank knowledge services do not provide recommendations specific enough for [country]'s needs | 22 |
| Q9 | In your opinion, how effective are the Bank's knowledge services now compared to three years ago? | Much more effective | 7 |
| | | More effective | 36 |
| | | About the same | 51 |
| | | Less effective | 5 |
| | | Much less effective | 0 |

(*Table continues on the following page.*)

**Table C.4: Results of the Independently Conducted Client Survey (continued)**

| Question | | Response | Percent |
|---|---|---|---|
| Q10 | More specifically, how effective have the Bank's knowledge services been in achieving the following? | | |
| Q10a | Providing opportunities for local input by partnering with government and academia | Highly effective | 3 |
| | | Effective | 16 |
| | | Moderately effective | 46 |
| | | Moderately ineffective | 22 |
| | | Ineffective | 11 |
| | | Highly ineffective | 2 |
| Q10b | Shaping public opinion about the priorities for public policy and investment | Highly effective | 3 |
| | | Effective | 16 |
| | | Moderately effective | 36 |
| | | Moderately ineffective | 24 |
| | | Ineffective | 15 |
| | | Highly ineffective | 6 |
| Q10c | Sharing relevant experiences from different countries | Highly effective | 9 |
| | | Effective | 26 |
| | | Moderately effective | 40 |
| | | Moderately ineffective | 17 |
| | | Ineffective | 6 |
| | | Highly ineffective | 2 |
| Q10d | Positively influencing the government's policy and investment decisions | Highly effective | 3 |
| | | Effective | 20 |
| | | Moderately effective | 45 |
| | | Moderately ineffective | 19 |
| | | Ineffective | 10 |
| | | Highly ineffective | 4 |
| Q11 | How effective are the Bank's knowledge services compared to knowledge services from the following institutions? | | |
| Q11a | Regional development banks and bilateral programs | Much more effective | 12 |
| | | More effective | 43 |
| | | About the same | 35 |
| | | Less effective | 9 |
| | | Much less effective | 1 |
| Q11b | Professional advisers such as consultants and academics | Much more effective | 9 |
| | | More effective | 36 |
| | | About the same | 31 |
| | | Less effective | 21 |
| | | Much less effective | 3 |

| Question | | Response | Percent |
|---|---|---|---|
| **Global engagement questions** | | | |
| In recent years, development issues have been increasingly addressed through global cooperation—often through global programs or initiatives that the World Bank has supported. For example, some environmental problems are being addressed by programs such as the Global Environment Facility (GEF) and the Carbon Finance program. Global initiatives also address health, infrastructure, finance, and knowledge issues through such programs as [a number of global programs with relevance for each country surveyed are indicated]. | | | |
| Q12 | In general, what is your perception of the World Bank's involvement in global programs [If not familiar, continue to Q15]? | Highly effective | 8 |
| | | Effective | 34 |
| | | Moderately effective | 44 |
| | | Moderately ineffective | 10 |
| | | Ineffective | 4 |
| | | Highly ineffective | 1 |
| Q13 | How effective do you think the Bank's global programs will be in achieving [country]'s own development goals? | Highly effective | 2 |
| | | Effective | 21 |
| | | Moderately effective | 52 |
| | | Moderately ineffective | 19 |
| | | Ineffective | 5 |
| | | Highly ineffective | 1 |
| Q14 | How would you rate the Bank's efforts in the following areas? | | |
| Q14a | Informing [country] about global programs | Highly effective | 5 |
| | | Effective | 26 |
| | | Moderately effective | 40 |
| | | Moderately ineffective | 22 |
| | | Ineffective | 7 |
| | | Highly ineffective | 1 |
| Q14b | Involving [country] in global programs? | Highly effective | 3 |
| | | Effective | 17 |
| | | Moderately effective | 47 |
| | | Moderately ineffective | 25 |
| | | Ineffective | 7 |
| | | Highly ineffective | 1 |
| Q14c | Tailoring global programs to meet [country]'s development needs? | Highly effective | 1 |
| | | Effective | 11 |
| | | Moderately effective | 38 |
| | | Moderately ineffective | 32 |
| | | Ineffective | 14 |
| | | Highly ineffective | 4 |

(*Table continues on the following page.*)

**Table C.4: Results of the Independently Conducted Client Survey (continued)**

| Question | Response | Percent |
|---|---|---|
| Q14d Linking global programs and resources to its strategy for assisting [country]? | Highly effective | 2 |
| | Effective | 15 |
| | Moderately effective | 39 |
| | Moderately ineffective | 27 |
| | Ineffective | 12 |
| | Highly ineffective | 4 |
| **World Bank Group coordination questions** | | |
| The World Bank Group has different operational arms, including the World Bank itself (IBRD) and the International Finance Corporation (IFC). We are interested in your perceptions of how well the services across the World Bank Group are coordinated to meet [country]'s needs. | | |
| Q15 How coordinated have the World Bank and the IFC been in *designing* services that support [country]'s development needs? [If not familiar, continue to Q17] | Very coordinated | 19 |
| | Somewhat coordinated | 56 |
| | Not too coordinated | 22 |
| | Not coordinated at all | 4 |
| Q16 Now thinking about the *implementation* of services, how effective has the coordinated support from the World Bank and IFC been? | Highly effective | 1 |
| | Effective | 15 |
| | Moderately effective | 54 |
| | Moderately ineffective | 22 |
| | Ineffective | 7 |
| | Highly ineffective | 1 |
| **Crisis questions (asked in Brazil, Mexico, Russia, Thailand, and Turkey)** | | |
| Q17 How effective was the World Bank in helping [country] deal with the [year] financial crisis through the following means? | | |
| Q17a Its technical assistance | Highly effective | 6 |
| | Effective | 26 |
| | Moderately effective | 38 |
| | Moderately ineffective | 16 |
| | Ineffective | 9 |
| | Highly ineffective | 5 |
| Q17b Its financial assistance | Highly effective | 11 |
| | Effective | 26 |
| | Moderately effective | 37 |
| | Moderately ineffective | 14 |
| | Ineffective | 9 |
| | Highly ineffective | 4 |

| Question | | Response | Percent |
|---|---|---|---|
| Q18 | How effective was the World Bank's assistance in helping protect the poor from the effects of the crisis? | Highly effective | 2 |
| | | Effective | 6 |
| | | Moderately effective | 29 |
| | | Moderately ineffective | 33 |
| | | Ineffective | 22 |
| | | Highly ineffective | 9 |
| **Future engagement questions** | | | |
| Q19a | Over the next five years would [country]'s development goals be best serviced if the Bank's lending to [country] was terminated, decreased, about the same, or increased? | Increased | 44 |
| | | About the same | 37 |
| | | Decreased | 13 |
| | | Terminated | 6 |
| Q19b | Over the next five years would [country]'s development goals be best serviced if the Bank's knowledge services to [country] were terminated, decreased, about the same, or increased? | Increased | 76 |
| | | About the same | 17 |
| | | Decreased | 5 |
| | | Terminated | 2 |
| Q20 | To be more effective in the future, how much of a priority should the Bank place on the following areas? | | |
| Q20a | Making its procedures and regulations less demanding and complicated | Top priority | 22 |
| | | High priority | 38 |
| | | Moderate priority | 25 |
| | | Low priority | 8 |
| | | Very low priority | 3 |
| | | No priority at all | 3 |
| Q20b | Using more local capacity | Top priority | 33 |
| | | High priority | 44 |
| | | Moderate priority | 17 |
| | | Low priority | 4 |
| | | Very low priority | 1 |
| | | No priority at all | 0 |
| Q20c | Bringing more global knowledge to opinion leaders | Top priority | 32 |
| | | High priority | 39 |
| | | Moderate priority | 22 |
| | | Low priority | 5 |
| | | Very low priority | 2 |
| | | No priority at all | 0 |

(*Table continues on the following page.*)

**Table C.4: Results of the Independently Conducted Client Survey (continued)**

| Question | | Response | Percent |
|---|---|---|---|
| Q20d | Applying knowledge more specifically to the needs of [country] | Top priority | 60 |
| | | High priority | 31 |
| | | Moderate priority | 8 |
| | | Low priority | 1 |
| | | Very low priority | 0 |
| | | No priority at all | 0 |
| Q21 | It may be that we have not been able to cover all the points of interest to you, or you may have additional views you would like to make known. If you have any further comments with regard to the Bank's work in [country], such as areas in which the Bank has been particularly effective or ineffective, please make a brief note here. | (open-ended) | |

# APPENDIX D: CRISIS CASE REVIEW

Managing financial crises and mitigating the risks thereof has been a distinctive feature of the Bank's work in several MICs over the years. Crises have been an important feature of the MIC experience—about one in six MICs (and almost one in three of the larger MICs) has been affected by financial turbulence over the last decade. These abrupt and disruptive events—involving acute problems in the exchange rate, the banking system, or the external debt—carried considerable costs in terms of economic recession and a worsening of poverty conditions. Although more recently a number of countries have taken advantage of benign world economic conditions to build up defenses against the recurrence of crises—mainly stronger reserves and fiscal positions—these defenses have yet to be tested in the downside of the cycle, let alone in a situation where the existing global imbalances do not resolve themselves harmoniously. The possibility of further crises cannot be ruled out.

In the existing architecture of the international financial system, international financial institutions—including the Bank—are expected to join in providing assistance, especially financial, to countries affected by crises. This is particularly the case when the country is of systemic relevance and contagion to other MICs is feared. In fact, the Bank has been called to provide financial assistance in the great majority of recent crises. This appendix summarizes key aspects of the Bank's work in this area, based primarily on an assessment of the experience in the crises of Thailand (1997), the Russian Federation (1998), and Brazil (1999).

***In all three cases, the Bank was insufficiently familiar with the macroeconomic situation prior to the crisis.*** This was most marked in the case of Thailand, where the Bank's minimal involvement in the country before the crisis had been mostly focused on infrastructure projects. In Brazil and Russia there had been a shift toward adjustment lending and sectoral work a few years earlier, but at the time of the crisis these projects had not yet yielded adequate knowledge about ongoing macroeconomic developments.

***Crisis cannot be predicted accurately, but it is possible to identify vulnerabilities that may lead to crises.*** Prominent among these are a country's dependence on international capital markets for its financing (and the associated risk of a reversal of these capital flows) and weaknesses in the financial system, usually the result of identifiable failings in prudential regulation or banking supervision. ***Vulnerabilities of this type were present in all three cases studied, but they were not highlighted in Board documents issued prior to the crisis.*** Inadequate knowledge was only part of the explanation for this omission: there was also the apparent lack of a system whereby candid assessments could be conveyed in a confidential manner.

***Inadequate knowledge about the macroeconomic situation prevented meaningful participation by the Bank in the early discussions coordinated by the International Monetary Fund (IMF) on measures to stave off or respond to the crisis.*** This resulted in a few instances where the Bank acquiesced to measures that were subsequently judged to run counter to Bank objectives for assistance. The Bank gained influence only in later stages, when countries moved on to the specifics of restarting the economy and correcting the structural deficiencies that had contributed to the crisis.

***The insufficient attention to ongoing developments had as a corollary that the Bank was not prepared with contingent plans for the event of a crisis.*** Once the crises broke, the Bank was quick to provide the financial assistance agreed on with other partners in the rescue effort. However—other than in the case of Russia, where an adjustment loan was already in preparation—the lack of prior analytical work that would have identified structural weaknesses and needed reforms meant that the initial assistance had to be directed to the support of initiatives already adopted by the governments or local agencies and in whose design the Bank may have had little influence. This blurred to some extent the difference between adjustment lending and plain balance of payments support; it also caused difficulties in the justification of the relevance and scope of some of these loans, which subsequently affected adversely the rating of these loans' outcome.

***Indeed, the evaluation of the 13 loans granted in relation to these three crisis cases indicated that only 9 (69 percent) had a satisfactory outcome.*** This is significantly below Bank-wide averages. The four loans deemed unsatisfactory included that for Russia—where reforms were insufficiently implemented—and three adjustment loans for the reform of Thailand's financial system—where the Bank's role in closing distressed intermediaries was deemed unsatisfactory. In general, overly ambitious objectives given to these loans to justify their large size and an overestimation of the governments' implementation capability or commitment to reform were the most prominent causes for the shortfall in performance.

***Deficiencies in crisis preparedness were particularly evident in the area of poverty.*** Crises pose a major threat to the more vulnerable segments of society, because of both the recession and rising unemployment that accompany them and the curtailment of governmental social programs entailed in the fiscal adjustment required in their aftermath. In none of these three cases did the Bank have contingency plans that would have allowed the rapid deployment of measures to strengthen the social safety net.

In Russia, where the impact on poverty was the largest, the Bank had proven unable before the crisis to interest the government in setting up formal safety net mechanisms. Local assistance arrangements, but mainly the rapid rebound of economic activity after the crisis, prevented a social crisis of major proportions.

In Brazil and Thailand, the Bank effectively supported existing programs that served as safety nets. However, as the Bank had not been involved in the design of these programs, it was not perceived as being active in the area of poverty. A *client survey,* which otherwise indicated favorable views on the Bank's effectiveness during crises, revealed high levels of dissatisfaction with the Bank's role in protecting the poor.

***The Bank took advantage of the window of opportunity created by the crises to promote structural reforms, but the record in regard to these efforts is mixed.*** Reforms made a lasting contribution mainly in those areas where they coincided fully with the interest of the governments. Ownership proved to be crucial once the urgency of the crisis waned. Thus, the assistance provided in the area of social protection left little in terms of lasting reform, given the circumstances described in the preceding paragraph. On the other hand, the other crisis loans, which focused on the public and financial sectors, by and large helped secure improvements that contributed to the permanence of the fiscal adjustment and strengthened the financial sector in the three economies (even when considering that these loans included the four loans that received less-than-satisfactory ratings).

***The flurry of activity during the crisis period did not translate into a long-term lending engagement.*** Once the crisis was over, the countries' demand for Bank loans declined abruptly (with the possible exception of Brazil). However, subsequent evaluations found that the Bank's influence in all cases had increased from what it was before the crisis. The heightened profile the Bank acquired through its assistance during the crisis increased the Bank's relevance to these countries as a source of knowledge.

***There is also evidence that the policy and institutional environment in the crisis countries strengthened at a faster rate than in the average of all countries where Country Policy and Institutional Assessments (CPIAs) are made.*** In the three cases studied, the CPIA index showed gains in the years after the crisis that were significantly larger than those made contemporaneously by the rest of the countries. The need to address weaknesses that had led to the crisis appears to account for this stronger performance. Bank assistance played a part in this process, although precise attribution is not possible.

***The division of responsibilities and coordination with other international financial institutions (IFIs), particularly the IMF, showed problems in some instances.*** This was particularly true in the case of Thailand. Eventually these discrepancies were resolved, but not before a period of conflicting views and confusion had complicated the assistance effort.

In general, and reflecting the broad mandates of the institutions, the IMF took the lead in coordinating the assistance in the early stages of the crises and in discussing with the governments measures to restore order to markets, stem the run on the currency and/or the banks, and reestablish confidence. The Bank came into its own in later stages, when countries moved to the specifics of restarting the economy and addressing structural weaknesses.

***There is no overall assessment of the Bank's assistance to crisis MICs.*** The countries eventually did emerge from the crises and did so with important structural changes that increased their resilience to further shocks. It is not possible, however, to disentangle the extent to which the recovery was due to the assistance from the IFIs or to country-specific factors. The Bank did contribute to the liquidity assistance required at times of crisis and, beyond that, it clearly was instrumental in advancing relevant reforms. However, it remains open to question whether the advances made were commensurate with the large, mostly unconditional resources involved in crisis support.

This evaluation suggests a few areas where improvements could be made to enhance the effectiveness of the Bank's assistance in crisis cases:

- Although it is not possible to devote resources to maintain general macroeconomic surveillance in every MIC in which the Bank is involved, regular monitoring should be established for a select group of MICs, including those systemically relevant countries that are exposed to capital markets or where significant vulnerabilities have been detected through the FSAP. This task should be pursued in a regular and structured manner, regardless of the strength of a particular economic situation or the degree of the Bank's involvement in the country. This effort should be complemented by the establishment of a formal mechanism of discussion with the respective counterparts at the IMF, periodically to exchange views on the situation and prospects of the vulnerable countries.
- The response of the Bank to crises would be enhanced if advance work were done on the preparation of those policies and reforms that may become feasible once a crisis has occurred. The preparation of this "reserve portfolio" could speed the design of adjustment loans in the aftermath of a crisis.
- Particular attention in this regard should be given to social protection, given the sharply adverse effect of crises on poverty conditions. Advance work should be done in countries at risk to prepare contingent social protection measures (a safety net) to be deployed at the time of need.
- Crises are not frequent enough to justify setting up a dedicated unit to deal with them. Moreover, the resolution of crises may require quite diverse types of expertise, depending on the circumstances. However, such expertise exists in the Bank, and it should be possible to identify staff who could help in the event of a crisis and make the institutional arrangements that would allow their quick deployment when needed.
- Communication channels in the Bank should be reexamined with a view to allowing the candid exchange of information with management and the Board, with due regard to effects on country authorities or the markets.

Crises are chaotic events, and in their immediate aftermath there are bound to be disagreements and problems of coordination among the IFIs involved in the assistance effort. These problems should be minimized. A more continuous dialogue between the institutions in the run up to the crisis could help reduce misunderstandings. Once the crisis has erupted, efforts should be made at the outset to coordinate activities and define areas of responsibility.

Through its loan and equity products, IFC invested some $4 billion in MICs in 2006. In absolute terms, IFC has doubled its commitments in MICs since 1996 (figure E.1). IFC commitments have also increased by the same factor in LICs, meaning that MICs continue to account for approximately 80 percent of IFC's total commitment volumes.[1] By number of projects, the share of operations in MICs drops a little (to 69 percent) because IFC is involved with, on average, larger investments in these countries than in LICs ($16.7 million per investment in MICs, compared with $8.6 million in LICs). In general, IFC's investments in MICs are reflective of MICs' share of developing country gross domestic product (81 percent).

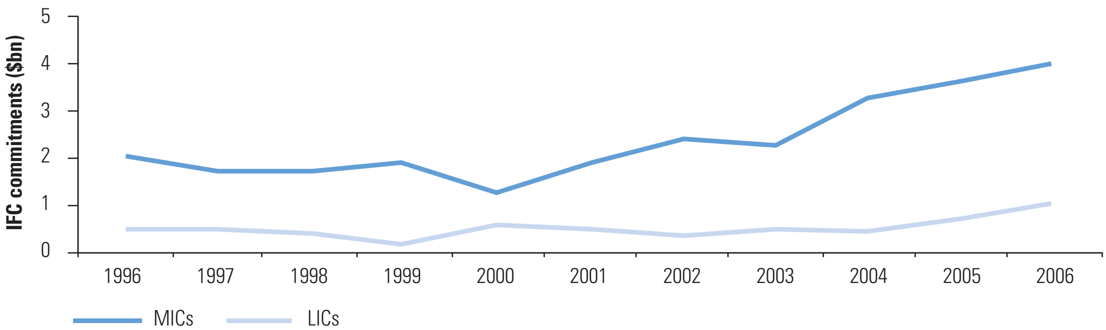
IFC managed approximately $233 million worth of advisory services operations in 76 MICs between 1996 and 2006. This compares to approximately $150 million worth of advisory services operations in LICs over the same period.

*MICs are a key group of countries for IFC, accounting for some 80 percent of IFC's investment volumes.*

IFC has achieved much higher development ratings in its projects in MICs (62 percent) than in LICs (53 percent). IFC has also provided greater additionality (role and contribution) in its projects in MICs (83 percent) than in LICs (75 percent). IFC's project development ratings have been especially positive in MICs considered high risk at approval (67 percent); this is partly reflective of greater additionality in these countries overall (see table E.1) but is also due to better appraisal and supervision quality, as well as more positive improvements in business climate risk post approval than in LICs (where the business climate risk has tended to remain high, especially in Africa). IFC's development results are not directly comparable with those of the World Bank.[2]

*A smaller share, but still a majority, of IFC's advisory operations have been in MICs.*

**Figure E.1: IFC's Investment Operations in MICs, 1996–2006**




*Source:* IFC.

*Note:* Most IFC investment operations since 1996 have been in MICs. The balance of commitments between MICs and LICs has been relatively consistent over time (approximately 4:1), except in 2000, when the balance was closer to 2:1. The drop in investments in MICs in 2000, in relative and absolute terms, reflected a more general decline in investor confidence in many of these countries in the wake of various financial crises, in Asia and elsewhere.

**Table E.1: IFC Development Ratings in MICs and LICs, 1996–2006**

| Income classification | Development success rate (%) | IFC role and contribution (% high rating) |
|---|---|---|
| MIC, all | 62 | 83 |
| | 67 | 87 |
| MIC, non-high risk | 59 | 81 |
| LIC | 53 | 75 |
| All | 59 | 81 |

*Source:* IEG-IFC.

*Note:* Ratings are for 627 investment operations evaluated between 1996 and 2006. The development rating is a synthesis rating of four ratings: project business success, economic sustainability, environmental and social effects, and private sector development impacts beyond the project (for example, demonstration effects). IFC role and contribution is defined as the extent to which IFC played a catalytic role in an investment and made a special contribution. For example, did IFC adhere to its corporate, country, and sector strategies and business principles, and was IFC timely and efficient in its dealings with the client?

a. IFC considers a country to be high risk if its Institutional Investor Country Credit Rating is less than 30 (out of 100).

*IFC has achieved better development results in MICs than in LICs, though at times of abundant private capital flows, IFC additionality has been weaker.*

When private capital flows were more abundant in the mid 1990s, however, IFC struggled to make a unique, pioneering contribution in MICs and to deliver high results. During previous buoyant periods in the emerging markets, IFC achieved noticeably worse investment ratings in MICs when it supported projects in these countries without a high role and contribution. Generally, where IFC's role and contribution has been low in MICs, only 31 percent of IFC-supported projects have achieved high development ratings, compared with 70 percent when IFC's role and contribution was high—a bigger differential than for IFC projects in LICS.[3]

The higher development ratings that IFC has achieved in its projects in MICs (relative to LICs) applies across almost all of IFC's sector departments. The only exception is the infrastructure sector, where IFC has been extremely successful in LICs, with its investment operations realizing a 95 percent success rate (table E.2).

IEG-IFC's forthcoming *IFC's Experience in Middle-Income Countries 1996–2006* covers IFC's performance in MICS in greater detail.

**Table E.2: IFC Development Ratings by Sector, 1996–2006**

| Sector | Development success rate—MICs (%) | Development success rate—LICs (%) |
|---|---|---|
| Infrastructure | 79 | 95 |
| Extractive | 78 | 67 |
| Finance | 64 | 50 |
| Food and agribusiness | 62 | 43 |
| General manufacturing and services | 50 | 53 |
| Funds | 50 | 0 |
| Health and education | 33 | a |
| All | 61 | 49 |

*Source:* IEG-IFC.

*Note:* Ratings are for 627 investment operations evaluated between 1996 and 2006. The development rating is a synthesis rating of four ratings: project business success, economic sustainability, environmental and social effects, and private sector development impacts beyond the project (such as demonstration effects).

a. Only three evaluated operations, of which one was rated as having high development success.

## Chapter 1

1. At the time this evaluation was prepared, MICs were classified by the Bank's World Development Indicators as those with GNI per capita (Atlas method) within the range $826–$10,065 in 2004. This evaluation assesses Bank support to countries in this range that have been eligible for Bank finance. See appendix A for a full list of MICs.

2. In some cases, such as in the recent strategy paper on the topic (World Bank 2006d), the Bank has adopted a definition of MICs that consists of all countries eligible for IBRD lending, including some low-income countries such as India and Pakistan. The share of the world's poor in this set of countries is over 70 percent.

3. This refers to transfers from the IBRD net income and reserves. The IBRD provides development loans to MICs and creditworthy LICs. Of the total Bank lending to MICs, some 91 percent is from the IBRD (the remaining 9 percent is from IDA, going to a small number of MICs at the lower end of the income spectrum with particular difficulties and constraints). And MICs are the overwhelming client group for IBRD, accounting for 90 percent of its lending.

4. This evaluation follows the established convention used by IEG, the Bank, and others—see Chen and Ravallion 2007—in which the phrase *$2-per-day poverty* is based on a threshold of $65.48 per month at 1993 international purchasing power parity.

5. China, for instance, has amassed over $1,000 billion in reserves, and many other MICs have also increased their reserves (Summers 2006).

6. The number of researchers in MIC Regions is now twice that in Europe and North America, according to the Global Development Network (GDN) database.

7. Notable examples include Meltzer (2000), Besley and Zagha (2005), Center for Global Development (2006), and Jansen and others (2006).

## Chapter 2

1. Country Assistance Strategy Completion Report Reviews (CASCR Reviews), of which 22 have been produced by IEG for MICs since 2003, show a similar picture of the relevance of Bank programs to respective country needs.

2. This review adopts the definition used in IEG's report *Small States: Making the Most of Development Assistance* (IEG 2006f). This definition uses a population threshold of 1.5 million people but also includes the slightly more populous countries of Botswana, Jamaica, and Namibia because they share many characteristics with small states. For a complete list of small state MICs, refer to appendix A, table A.2.

3. Similarly, IEG's evaluation of the Bank's support to Pacific Island states (IEG 2005c) found that while the Bank had a small resource transfer role in the region, its role as a knowledge provider was undermined by a lack of country-specific analysis, and its financial assistance was weakened by the lack of specific country or sector objectives.

4. This definition of "nonborrower"—having no new commitments for four or more consecutive years or in any five of the past six years—and "sporadic borrower"—having no new commitments for any three of the past six years—has been used by the Bank for analytical purposes.

5. The three countries without Poverty Assessments—Botswana, Namibia, and St. Lucia—have populations at or below 2 million.

6. These conclusions are drawn from the CAE review and *field assessments.*

7. For work on this topic in particular, see Wapenhans (1992), IEG (2002), and World Bank (2002).

8. The Emerging Market Bond Index (EMBI), for example, has narrowed the gap against U.S. Treasury benchmarks significantly in recent years.

9. See 2002 Peru CAE for discussion of the country's policy deterioration in the mid- to late 1990s.

10. The issue in the Philippines was centered on the client wanting more programmatic lending that

helped finance items within the national budget; this contrasted with the more established pattern of Bank offering, which was project finance for activities, often in addition to those originally specified in the national budget (which led to problems with the availability of counterpart funding).

## Chapter 3

1. More recently, in some cases the program is set out in a Country Partnership Strategy (CPS).

2. This performance of sectors is assessed by the number of projects at various ratings. Economic policy is the worst-performing sector by weighted disbursements, although this is explained by the five poorly performing adjustment loans in crisis conditions ($4.8 billion of commitments).

3. Other sources of assistance have also examined how to redefine their roles in MICs (African Development Bank 2005; Asian Development Bank 2006, 2007; DFID 2004).

4. See also Woods (2006) for a discussion of staff incentives for innovation.

5. Data from the Bank's DECRG poverty database are available for the 57 MICs from 1993 to 2004.

6. See Thomas (2006) for a textured account of income inequality and other welfare differences in Brazil.

7. Some commentators suggest that the work of the Bank and others on improving public service delivery—for example, in education and health—can play an important role in enhancing equality of opportunity, which in itself is important, and equality of outcomes. The Bank's work on public sector reform is the subject of an ongoing IEG evaluation.

8. These observations are drawn from the Worldwide Governance Indicators (Kaufman and others 2006). The authors note that all measures of governance, including the ones used in their paper, are subject to measurement error. Thus the control of corruption indicators, based on perceptions data, has an accompanying confidence interval.

9. The Bank also records data on projects in MICs mapped to the Environment Sector Board and supervised by the Bank, but financed by the Global Environment Facility (GEF) and other sources. These grant-financed projects are typically small (an average of $7.6 million in MICs), and adding their total value to the sample does not alter the overall assessment. Including them does somewhat improve the picture of Environment Sector Board projects when measuring the number (not value) rated as moderately satisfactory or better.

10. A preliminary analysis suggests that projects with components coded to an environmental theme but mapped to a sector board other than the environment have evaluation ratings similar to the all-sector average. A broader examination of the Bank's assistance for the environment is the subject of a forthcoming IEG evaluation.

12. A detailed, desk-based case study—the crisis case review—was completed on each of these three cases, and is available on request.

12. IEG's Financial Sector Assessment Program evaluation (2006c). See also a companion evaluation by the Independent Evaluation Office of the IMF (IEO-IMF 2006).

13. A similar finding was reported by the IMF's Independent Evaluation Office (IEO-IMF 2003). The IEO recommended that the IMF draw on inputs from the World Bank to help support governments to preserve critical spending categories and well-targeted social programs that play an important role in protecting the poor from adverse (external) shocks.

14. Poland became a member of the EU in May 2004, and Bulgaria and Romania acceded to membership on January 1, 2007.

15. The combined population of small-state MICs is 18.6 million, about the same as the Syrian Arab Republic, which is the twenty-third-largest MIC.

16. Chile, El Salvador, and Uruguay.

## Chapter 4

1. The broadest of definitions of the Bank's knowledge services could also be deemed to include its research activity, often produced by central units. This evaluation casts light on the combined qualities of the Bank's services at the country level, including client perspectives on all aspects of the Bank's work with which they are familiar and they consider under this rubric. An explicit evaluation of Bank's research in itself is outside the scope of this report, but more information can be found in Deaton and others (2006).

2. The *expert review* suggested that two agricultural studies in Indonesia were carried out on topics that were far from core issues in the sector, at a time when the Bank had little focus on agriculture in its strategy.

3. The Bulgaria *field assessment,* drawing on respondents' input, recommends that a local capacity building module be instituted with each project and program of the Bank.

4. An upcoming IEG evaluation, *Using Training to Build Capacity for Development* (IEG 2007d) covers several aspects of WBI's work in much more detail. In addition to its training work, WBI has also delivered services to MICs on knowledge economy issues and supported the Bank's "knowledge-broker" role, but there is little evaluative evidence to present on those aspects. Other elements of the Bank's activity, including the Global Development Network (GDN) and support for institutions offering graduate economics programs in several Europe and Central Asia Region countries, aim to develop national capacity (but there is no clear evaluation of impact yet).

5. In addition to these cost-sharing arrangements with MICs, there are two related programs. The first is the Reimbursable Technical Assistance Program with Saudi Arabia and the Gulf States, and the second is technical assistance for asset and public debt management carried out by the Treasury Department of the Bank. Both programs involve full reimbursement of the Bank's costs.

6. IBRD countries' total share of reimbursable programs is about $4–5 million yearly, according to World Bank data.. This accounts for about a quarter of total cash reimbursements received from clients each year, which has been around $20 million, the balance of which is mostly generated through the Foreign Investment Advisory Service and the Private Sector Advisory Service.

## Chapter 5

1. The Bank's definition of global programs and partnerships (GPPs) consists of Bank involvement in programs that (i) commit Bank resources; (ii) involve activities coordinated with one or more non-Bank entities; (iii) are global, regional, or multicountry in scope; and (iv) are part of an enduring or formal relationship. The Bank's own internal review of 137 GPPs estimated that in fiscal 2005 they accounted for $2.13 billion in total funding.

2. Global programs are the primary vehicle through which the Bank channels its support to countries and other partners to tackle global issues. Therefore, this chapter focuses on the connection among global programs, MICs, and the Bank. For a wider discussion of global public goods (GPGs) and GPPs, see IEG and DCDNDE (2007).

3. These data are assembled from a stratified sample of a quarter of the MIC group, covering larger and smaller MICs. Within this sample, the larger MICs are Brazil, China, Mexico, Morocco, Peru, the Philippines, Russia, South Africa, Sri Lanka, Thailand, and Turkey. The smaller MICs are Dominica, Equatorial Guinea, Guyana, Latvia, Maldives, Mauritius, the Federated States of Micronesia, the Seychelles, St. Lucia, St. Kitts and Nevis, Tonga, and Vanuatu.

4. For each of the countries in the MIC group, the analysis reviewed the most recent CAS available (since 2000)—some 59 CASs in total.

5. IEG (IEG 2005a) suggested countries might recognize the "Bank brand" on global programs housed in the Bank and be more likely to engage with such programs than those housed elsewhere.

6. See, for example, comments in the IEG evaluation case studies of CGAP (IEG 2004a) and the Global Development Network (IEG 2004b).

## Chapter 6

1. Cooperation is defined broadly to include any interaction among WBG institutions aimed at improving the development impact of WBG instruments by maximizing synergies and reducing duplication and inconsistencies. It includes both coordination (efforts to integrate the strategies of the institutions to accomplish common objectives, such as through division of labor, but which do not necessarily involve interaction or specific interventions) and collaboration (defined as interaction between the institutions on specific interventions).

2. This was apparent, for instance, in *field assessments* for Bulgaria, China, Egypt, and the Philippines.

3. Management notes that the report also found several examples of cooperation beyond strategy. It notes that the Bank and IFC have cooperated as needed to the extent possible during CAS implementation. According to the report, although 117 areas for cooperation were anticipated in CASs, 85 cases of cooperation were identified, of which 59 were envisaged in CASs; the balance (26 cases) was not specified in CASs.

4.The term CAS is used here to refer to all strategic country documents of a similar nature to the CAS, including the CAS itself, country partnership strategies, Interim Strategy Notes, and CAS Progress Reports.

5. To some extent, conditions in the marketplace—the availability of a suitable private sector or government sponsor for planned projects, the context of external conditions, changes in government strategy—can change and do not always emerge as the Bank, IFC, and

MIGA might wish or expect during the creation of the CAS. For MIGA, given its business model as a political risk insurer without the capacity to design or develop projects, the participation in and implementation of joint strategies beyond the identification of very general strategic has limitations.

6. Management notes that the evaluation searched for planned areas of Bank and IFC cooperation in CASs and determined whether they were implemented. This methodology implicitly assumes that all potential areas for cooperation identified in joint CASs are firm commitments. This does not recognize the inherent uncertainties involved in planning investments involving various market players. For example, IFC's operation is market based and is therefore expected to respond to market conditions. The methodology also focuses more on the number of interactions per se than on the more important issue of whether cooperation happened where it was appropriate.

7. See MIGA's new business model (MIGA 2004) and *Strategic Directions FY05–08,* which call for leveraging MIGA within the Bank Group (MIGA 2005). Prior to this, MIGA participated in joint projects with the IFC, often delegating responsibility for project assessment and supervision to IFC.

8. See, for instance, a recent Bank Group annual report (World Bank 2006f), which highlights an instance of Bank Group cooperation—a mining project in Russia in which the Bank helped the government develop a policy in the extractive industries, the IFC provided a sizable loan to the project, and MIGA issued guarantees to cover equity investments.

9. A forthcoming IEG-IFC *Evaluation Brief* will discuss other cases of the approach to cooperation in practice.

10. The magnitude and direction of associations between the scale of cooperation in a country and the WBG's project outcomes varied widely based on the thresholds set to differentiate between levels of cooperation.

11. Management notes that others alleged that the Bank defended public sector behavior affecting private sector rights.

12. Management notes that, like all other commercial creditors, IFC sought remedies from the courts in Thailand and not through its links with the World Bank.

13. The evaluation has not tried to assess whether either of these cases was an actual conflict of interest, but rather to show that a perception thereof has impinged on WBG effectiveness.

## Appendix E

1. Excluding Regional investments and a small number of investments in high-income countries, which together accounted for approximately 14 percent of IFC investments between 1996 and 2006.

2. Evaluation differences include the focus, timing, and benchmarks used to assess performance. For example, the World Bank evaluates projects immediately after disbursement, but IFC does so a few years after disbursement (at early operating maturity). The Bank assesses results based on achievement of objectives, and IFC considers financial and economic results based on market benchmarks along with environmental and social effects and private sector impacts beyond the project company.

3. This contrasts with IFC's experience in LICs, where the development success rate was 36 percent with a low IFC role and contribution and 49 percent with a high role and contribution.

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