8. Bank Group Inputs and Processes

**Highlights**

- The assumption that the Country Policy and Institutional Assessment, designed primarily as an instrument to determine allocations under the performance-based allocation system, works equally well for FCS classification has proved to be problematic in recent years with the emergence of new drivers of fragility and conflict.
- The World Bank has enhanced its capacity to engage in FCS through significant increases in administrative budgets and in-country staff resources.
- The unit cost for project preparation in Always FCS in FY12 was 9 percent higher than in Never FCS IDA countries.
- The unit cost per project for supervision in Always FCS in FY12 was 18 percent higher than in Never FCS IDA countries.
- Technical assistance, financed predominantly by trust funds, registered an exponential increase since FY01 by 504 percent in the Always FCS IDA countries.
- There is a need to clarify the Bank Group’s role on security and justice; the evaluation found demand for specialized services such as public expenditure reviews of the security sector conducted in partnership with United Nations agencies but little demand for Bank work on justice from clients or country departments.
- The IFC deploys its standard instruments with little adaptation or product innovation in FCS contexts.
- IFC performance incentives are not yet aligned with its strategy to increase engagement in FCS.

This chapter discusses the internal drivers and classification system for fragile and conflict-affected states (FCS) as well as the human and financial resources of the World Bank Group deployed to support assistance programs. Results for FCS International Development Assistance (IDA) countries are compared with those for non-FCS IDA countries in the light of the commitments made by Bank management to enhance its support. More recently, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have also signaled their intention to focus on the FCS. Findings and data on IFC are included in this chapter. Data on institutional inputs and incentives are not available for MIGA, which does not have any field offices in client countries.
The Relevance of Fragility and Conflict to FCS Classification

Classification of countries as FCS should be expected to draw attention to the relevance of fragility or conflict drivers to the Bank Group’s strategy and operational work. The classification itself, however, is not based on an analysis of fragility or conflict. It uses the Country Policy and Institutional Assessment (CPIA) ratings as a proxy indicator of fragility. The assumption that CPIA, designed primarily as an instrument to determine allocations under the performance-based allocation system, works equally well for FCS classification has proved to be problematic in recent years with the emergence of new manifestations of fragility and conflict.

The FCS classification derived primarily from CPIA ratings has not been consistent with actual fragility and conflict risks in many countries. The World Bank draws up the FCS list, based on an agreement reached at the beginning of the IDA Fifteenth Replenishment with other multilateral development banks, as countries having a harmonized average CPIA rating of 3.2 or less. The only exceptions are countries with a United Nations (UN) or regional peacekeeping or peace-building mission during the past three years. In reality, the characteristics of fragility and conflict appear to have evolved from those prevalent in low-income countries that are driven by ethnic or tribal divides, natural resource capture, or military coups to include fragility arising from dissatisfaction and the demand for political change in lower- and upper-middle-income countries. The FCS list did not include any of the Arab Spring countries, or Mali, because they were over the CPIA threshold, and the list does not consider underlying causes of conflict or political instability. Nepal was excluded from the list during its decade of conflict and was only added in 2010 after the Comprehensive Peace Agreement, when a UN mission was deployed. Cameroon has been on the FCS list during four of the last 10 years and has moved in and out of the list twice based on CPIA ratings, although the underlying fragility and political risks remain acute and unchanged. Because Cameroon’s CPIA rating is above the 3.2 threshold, the country team still does not treat it as a fragile and conflict-affected state. Unless the CPIA criteria change, countries such as Nepal and Sierra Leone will graduate from the list of fragile countries although risks persist.

Compiling country-level data on fragility and conflict from available sources, the evaluation identified 16 countries that could have been added to the FCS list during the past decade. Five criteria for fragility were considered: political coup, conflict and violence, social exclusion and ethnic diversity, refugee inflows, and conflicts in neighboring countries. Several countries with internal conflicts (like Nepal and Sri Lanka) were also excluded from the list during their conflict years. As the Bank evolves toward more robust analyses of fragility and conflict, and seeks to develop country assistance strategies that are more relevant and responsive to fragility and
conflict, a more robust approach to classification will be necessary. This could be done by expanding the list of indicators, supplementing the CPIA-based classification with other instruments, or substituting another instrument for classification purposes.

**Box 8.1. Post-Conflict Performance Indicators Framework**

During IDA replenishment negotiations in 2001–2002, the World Bank established an allocation framework to provide post-conflict countries access to IDA resources in addition to those they receive under the regular performance-based allocation system. The Post-Conflict Performance Indicators (PCPI) framework was developed as a key instrument for this approach.

The PCPI measures the quality of a country’s policy and institutional framework to support a successful transition and recovery from conflict as well as to foster sustainable growth, poverty reduction, and the effective use of development assistance. PCPI scores play a major role in determining the allocation of IDA resources to post-conflict countries and, starting in 2002, reengaging countries as well.

The PCPI is organized into four clusters:

- Economic Management and Structural Policies
- Social Inclusion and Human Development
- Governance
- Post-Conflict Risk

The first three clusters are used to assess the performance of all countries eligible for IDA special allocations. The Post-Conflict Risk cluster is designed to assess progress in areas that are particularly relevant in a post-conflict context. These include security, management of conflict and recovery, and peace building.

The PCPI partially overlaps with CPIA ratings. The overall PCPI score falls between 1 and 6. A PCPI score of 5-6 is broadly consistent with a CPIA rating scale of 3-3.5. However, the PCPI clusters provide a more in-depth and post-conflict relevant examination of some CPIA dimensions. The framework reflects an emerging consensus that development challenges in post-conflict and other fragile situations require a deep understanding of the links between the security, political, economic, and social spheres.

The Bank Group has developed additional indicators to assess fragility and conflict risks, but they are not currently used to develop the FCS list. The Bank Group relies on Post-Conflict Performance Indicators (PCPI) to inform the allocation of resources to countries eligible for IDA’s exceptional allocations to post-conflict and reengaging countries. This set of indicators, which includes indicators of conflict, is currently used by the Bank to determine the size of exceptional allocations to countries deemed eligible for this support and are only applied ex-post, after countries have been deemed eligible for exceptional allocations (Box 8.1), rather than to determine if
countries should be eligible for exceptional allocations. The PCPI instrument has added a conflict dimension to other indicators that resemble CPIA indicators. The use of explicit indicators of conflict and violence is thus not new but for this to be a useful tool for classification, such indicators would need to be applied ex-ante to all countries with fragility or conflict risks as part of a new or modified system for FCS classification.

Management Commitments to Enhance Bank Support to FCS

In 2007, the World Bank made several commitments and changes to enhance the effectiveness of its support to the FCS. The aim was to make operational procedures more appropriate for FCS circumstances and to ensure the Bank is investing adequately in the quality of the staff and support required to make projects work in challenging environments. Early reforms were outlined in the March 2007 paper, “Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States” in which Operations Policy and Country Services (OPCS) identified the importance of supervision and noted that additional staff time was required to work effectively in fragile environments (World Bank 2007). This necessitated an increase in FCS field presence given the limited representation of posted officers in these countries. A commitment was also made to increase support from back-line staff to FCS. The 2007 paper also made commitments to recruit high-quality talent and increase remuneration allowances for FCS postings. Additional career incentives were to be introduced by increasing the visibility and value of FCS field postings. This was to be complemented by better management of lessons learned in fragile environments, clearer guidelines on operational flexibility, and greater network support where required.

Human Resources in FCS

Organizational capacity has been an important issue for the Bank in FCS in recent years. In response to the 2006 evaluation of the Low-Income Countries Under Stress (LICUS) Initiative by the Independent Evaluation Group (IEG), which identified organizational capacity as a major constraint to implementation, OPCS prepared a paper in 2007 on “Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States.” The paper committed the Bank to addressing issues of organizational capacity in FCS and outlined a range of institutional reforms designed to improve Bank performance (World Bank 2007). These included the provision of more and better-organized staff support through increased field presence, callable sector capacity, institutional back-up, cross-country sharing of
lessons, and incentives to attract top-performing staff to work in these difficult environments.

The first of the OPCS reforms sought to address an increase in the field presence in FCS. Broad agreement on the limitations of the mission model for working in fragile states led to consultations with country directors and country managers on increasing staff presence in country offices. Among fragile states 68 percent of countries had either no internationally recruited staff or only one in the field. The OPCS paper committed to lifting the field presence to ensure adequate local knowledge and understanding of the fragility context in which the Bank was working. There was an initial commitment to an additional 30 staff in LICUS or near-LICUS field offices.

The second and third reforms were focused on getting the right type of specialized capacity to provide extended mission support when required. A callable roster of staff and consultants was to be set up and deployed when required with FCS experience. In addition, work programs of the technical networks were to be adjusted to respond to FCS demands on legal and fiduciary functions, operational procurement, and strategy support.

The fourth reform was to make changes to the incentive system to attract high-quality staff to work in FCS. The commitment was to instigate proactive recruitment through making customized offers, grading country managers in FCS at the same level as counterparts in other countries, and revisiting promotion criteria with networks to better recognize the skills acquired in FCS. A guaranteed short-listing process was also to be introduced to facilitate better options for reentry of staff from their field assignments. In addition, new extended assignment benefits were introduced in 2008 for FCS staff. The rationale for these changes was to make FCS assignments more workable for staff with families and broaden the pool of those applying for positions.

These reforms were to be implemented to ensure the Bank had a stronger organizational structure to address the challenges of working in FCS. This IEG evaluation looks at the progress, if any, against this commitment and gauges the impact of these changes on the performance of the Bank in FCS.

**Staff Numbers**

World Bank staff numbers in FCS have increased considerably since 2006. In all IDA FCS, there has been a 68 percent increase from 265 GE+ level staff in FY06 to 446 GE+ level staff in FY12 (see Figure 8.1). In comparison, GE+ staff increases in the IDA countries that were Never FCS have risen only 34 percent from 463 to 621. This
Chapter 8
Bank Group Inputs and Processes

shows that additional human resources have been deployed in IDA FCS in keeping with management’s commitment. In addition, the only two FCS countries that previously had no Bank staff (Kiribati and Solomon Islands) now have GE+ staff based in the country resulting in a Bank presence in all FCS countries.

**Figure 8.1. Increase in GE+ Staff in FCS Country Offices (FY06–12)**

![Chart showing increase in GE+ staff in FCS Country Offices (FY06–12)]

Source: HR Analytics data of the World Bank.
Note: Total FCS figures include countries excluded from the Always and Partial lists that are used for broader analysis of data in the evaluation.

While the staff increases in FCS are considerable, there are notable regional and country-specific differences. The increases have been consistent between the FCS in the Africa Region and FCS staff in other Regions (see Figure 8.2), but this differs from the trend for the remaining IDA countries. In the Africa Region, countries which were Never FCS absorbed the majority of additional GE+ staff, while all other IDA countries only increased their levels by 25 percent. The increases in GE+ staff numbers have been steady over time (see Figure 8.3) indicating that the commitment to increase human resource capacity has been addressed in FCS both in the Africa Region and other Regions over time.

However, staff increases in FCS have been concentrated in a few countries. The top eight FCS countries accounted for 63 percent of the increase, five countries accounting for 46 percent of the increase. The high growth FCS countries are equally split with four countries in Africa and four in other Regions. This shows a targeting of resources to particular FCS countries, the growth being higher in countries where the country director is based than in other FCS country offices, and some case study countries still lacked staff capacity. The upgrading of country managers in FCS to the level of those in other countries is to be commended.
NATURE OF STAFFING

The regions have also focused on the seniority and diversity of their staff, increasing internationally recruited staff by 150 percent (from 26 to 66) in FCS Africa and by 100 percent (from 41 to 80) from FY06 to FY12 in other Regions (Figure 8.4). This indicates that the 2008 human resources policies of the Bank led to decentralization of skilled Bank staff, and there is now a broader skill set contributing to the Bank’s work in FCS.
CHAPTER 8
BANK GROUP INPUTS AND PROCESSES

There has been a significant increase in female representation in FCS. In FY07 only eight FCS country offices had female GE+ staff. By FY12, more than 18 of the 32 FCS country offices had female GE+ staff. Similarly, in FY07 women made up only 15 percent of the total GE+ staff in FCS offices; by FY12 this figure had increased to 30 percent. It is noteworthy that 51 percent of all new international hires to FCS between FY07 and FY12 were female. This compares favorably with other IDA countries where only 30 percent of additional international hires were female. The improvement in the gender balance and diversity of staff in FCS has been a positive outcome of the 2007 human resources reforms.

DIFFICULTY IN RECRUITING AND RETAINING STAFF

Another objective of the human resources reform was to get specialized capacity at the right time and to institute good practice mechanisms and systems for capturing lessons among staff. While there is some evidence from the case study countries that specialized capacity has been called on for individual program tasks, and in the preparation of country assistance strategy (CAS) documents in the post 2011 World Development Report (WDR) period, there were few examples to indicate it had been institutionalized. Results from the IEG staff survey, conducted for this evaluation in the fourth quarter of FY13, was less positive about the support from headquarters and other regional offices than about the support from country office staff. There was little evidence from any of the case study countries that formal systems to capture lessons learned was prevalent, and few staff were aware of specific guidelines for working in FCS.

Figure 8.4. International and Locally Recruited Staff in FCS (FY06–12)

Source: HR Analytics data of the World Bank.
Note: AFR = Africa Region; FCS = fragile and conflict-affected states; LRS = locally recruited staff; IRS = internationally recruited staff.
Staff remain unconvinced that financial incentives alone were the determinant in attracting seasoned Bank Group staff and managers to FCS postings. Most in-country Bank staff reported working in FCS because of the interesting assignment; none mentioned financial incentives as a determinant for taking on the position. In several case study countries, IEG found a large number of contractual staff (many of whom were young and inexperienced) who were there to gain the experience they value, and there continues to be a reliance on headquarter-based task team leaders in smaller country offices. The case study findings were further reinforced by staff survey results, where staff was more positive about the efforts to ensure their security and safety than about other incentives or the realism of management expectations (Figure 8.5).

Analysis of the data showed little change in the quality of international staff posted across all FCS in terms of years of experience in the Bank. There has been an increase in the number of senior level staff posted in FCS country offices (GH-level staff increased by 26 and GI-level staff by 5). This represents a 103 percent increase in the seniority of FCS field staff including country managers.

Figure 8.5. Views of Bank Staff Working on FCS Issues about Human Resources Incentives

When working on a FCS country, what has been your experience in each of the following human resource matters?

<table>
<thead>
<tr>
<th>Percentage of responses</th>
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</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Improved</td>
</tr>
<tr>
<td>Remained the same</td>
</tr>
<tr>
<td>Worsened</td>
</tr>
<tr>
<td>Do Not Know</td>
</tr>
</tbody>
</table>

Source: IEG FCS staff survey, 2013.

**Career Prospects for Bank Staff Deployed in FCS Country Offices**

The other historical concern related to FCS staffing is the long-term opportunity and career prospects for those working in isolated and difficult operational conditions. Staff posted to FCS country offices are concerned about the opportunities they have when they return to headquarters or complete their posting. Human resources
policies introduced to address these concerns, including mandatory interview inclusion for returning FCS staff applying for jobs at headquarters, are not perceived as adequate. Most staff feel that this incentive does not supplant the benefit of being deployed in large offices engaging regularly with multiple projects and senior staff, and having access to important networks that often do not reach the FCS country offices. Despite the aggregate results on deployment of more and experienced staff to FCS country offices, interviews with staffs from the case study countries indicate that they remain unconvinced about the effectiveness of human resources policies and career incentives or their ability to successfully transition back into positions at headquarters at the end of their field posting. In contrast, in other organizations, taking a post in a difficult environment such as FCS would be high profile and career enhancing rather than detrimental.

The Role of the Center on Conflict, Security and Development

The Center on Conflict, Security and Development (CCSD) was established by the World Bank in 2011 to strengthen corporate support to the FCS agenda. The evaluation found evidence of different forms of support mobilized and provided by the CCSD to the country teams in FCS. It has successfully raised the profile and visibility of Bank Group support to FCS and established a community of practice for FCS work. Feedback from UN partners at headquarters indicates an improvement in the relationship at the corporate level. Beginning with the intensive engagement in preparation of the 2011 WDR, the UN–World Bank Partnership appears to be one that is valued mutually.

At the country level the feedback is more mixed but that seems to be more dependent on the personalities of the country management and the nature of the operational engagement by the country teams —more collegial where it is complementary and more fractious where overlapping activities or competition over resources lead to rivalries. The role of personalities is difficult to assess objectively, but the change in relationships when individuals arrive or depart is quite noticeable. CCSD could help to clarify with its UN counterparts the respective roles and boundaries of work on governance and rule of law, where the relationship with the United Nations Development Programme is unclear and uneasy.

The survey of Bank staff working on FCS issues found the CCSD to be relatively more effective in getting visibility and support from senior management and in providing substantive support for CAS development and fragility assessments. Support for projects was reported to be somewhat less effective, and its role in unlocking procedural and policy difficulties at headquarters was reported to be less
effective (Figure 8.6). CCSD seems to be aware that its initial focus on country assistance strategies and corporate partnerships needs to expand to operational support. One positive development during FY13 is the formal establishment by CCSD of an implementation support team to provide rapid operational help to task teams working in FCS. If task teams reach out to this support team, and they are able to demonstrate their problem-solving ability, this perception could change. At the same time, feedback from staff suggests that there is room for greater outreach to some of the staff who have voluntarily joined this community of practice and for greater attention to some barriers they still face.

Figure 8.6. Views of Bank Staff about the Role of the Center on Conflict, Security and Development

![Graph showing views of bank staff about the role of the Center on Conflict, Security and Development.]

Source: IEG FCS staff survey, 2013.

World Bank’s Administrative Budgets in FCS

As part of the evaluation the World Bank’s administrative budget, expenditures from FY01–12 were analyzed for all IDA-only countries, including the Always and Partial FCS, and the comparator non-FCS country groups. The budget analysis focused on expenditures for overall client services and the operational expenses on project preparation (lending), supervision and implementation support (supervision), and analytical and advisory activities (AAA), which was further subdivided into economic and sector work (ESW) and technical assistance (TA). Budget data were divided into two time periods, FY01–06 and FY07–12, to understand the effects of the 2007 management commitments to enhance support in FCS. The operational expenditures on project preparation and supervision were adjusted further to account for the increase in the number of lending operations over
time (for a more complete description of the analysis and findings see appendix M). Financial data was adjusted for inflation by converting nominal U.S. dollars into constant 2011 U.S. dollars, and contributions from the Bank’s budget and trust funds were analyzed separately. The country groupings are the same as for the FCS evaluation.

The main insight from the analysis is that the Bank has redeployed administrative budgets for country and operational expenditures in favor of FCS IDA countries compared with non-FCS countries; in real terms preparation and supervision expenditures per project have increased since FY07 in the Always FCS countries. More specific findings from the budget analysis (appendix M) for the period are summarized below:

- Operational expenditures in IDA countries have shifted with substantial increases for supervision and economic and sector work, particularly in FCS IDA countries; technical assistance registered even larger increases in all three country groups.
- Supervision expenditures for the Always FCS countries as a group increased by 151 percent from FY01–12, and by FY12 they had grown to almost half of the operational budget in that country group (Figure 8.7). The corresponding increase in Partial FCS was 125 percent, and in the Never FCS IDA countries it was 59 percent.
- Technical assistance, financed predominantly by trust funds, registered an exponential increase since FY01 by 504 percent in the Always FCS, 352 percent in Partial FCS, and 171 percent in Never FCS IDA countries. Among the Always FCS IDA countries, the largest increase occurred during FY06–07, while in Partial and Never FCS the largest increase occurred in FY09–10.
- The unit cost for project preparation (lending coefficient) increased by 7 percent in Always FCS IDA countries compared to the base values in FY07, but decreased by 23 percent and 13 percent respectively in the Partial FCS and Never FCS IDA countries; however the increase in Always FCS follows a decline of 31 percent in the lending coefficient from FY01–06 (see appendix H).
The unit cost for project preparation in Always FCS in FY12 was 9 percent higher than in Never FCS IDA countries.

The unit cost per project for supervision (supervision coefficient) increased by 20 percent in Always FCS IDA countries compared to the base values in FY07, while it decreased slightly in Partial FCS and Never FCS.

The unit cost per project for supervision in Always FCS in FY12 was 18 percent higher than in Never FCS IDA countries.

The average size of operations in FCS IDA fell by one-third, from $30 million to about $20 million, while in non-FCS IDA countries it increased marginally to $44 million. Adjusting for the size of operations, in FY12, the lending cost in the Always FCS was $13,200 per $1 million in new lending.

Budgetary resources for lending per million dollars in commitment volume increased marginally in FCS during the FY07–12 period but decreased by 36 percent in Partial FCS and 26 percent in Never FCS (where average project size increased). Budgetary resources for supervision per million dollars in commitment volume increased by 55 percent in Always FCS during the FY07–12 period but had a more modest increase of 8 percent in the Never FCS group.

In conclusion, there is ample evidence that the World Bank has enhanced its capacity to engage in FCS through significant increases in administrative budgets and in-country staff resources. Portfolio performance in FCS has improved since 2001 compared to other IDA countries. As discussed in previous chapters, the outcome ratings for operations exiting the Bank’s portfolio during FY01–12 provide evidence that the FCS now perform better than non-FCS. Improvements in the portfolio performance in FCS both for investment lending and policy-based lending indicate the potential for scaling up Bank support to FCS.

**Business Model, Product Mix, and Incentives at IFC and MIGA**

IFC deploys its standard instruments with little adaptation or product innovation in FCS contexts; its conventional products may not be conducive to work with the largely informal economies of FCS. IFC and MIGA have shown little adaptation and innovation in their product mix and processes in FCS to respond to the different capacity and needs of the private sector and higher country and sponsor risks. Support to venture capital funds is small in scale and nascent, and does not meet the needs for high-risk early investments in small and micro enterprises. Harnessing the large potential for growth and employment generation in FCS would require more hands-on and sustained support to local entrepreneurs, providing advice, training, and coaching in addition to financial support. IFC may have a limited role in this nonconventional sphere, given its cost structure, business model, and product mix as a development financier. An IEG survey also highlighted the limited adaptation
of IFC and MIGA projects to the conditions and constraints in FCS; Advisory Services were viewed as better adapted. The weak capacity environment and sponsor issues underline the need for systematically combining investments (and guarantees) with tailored technical assistance to strengthen the capacity of sponsors and clients to not only adhere to IFC’s and MIGA’s policy mandates, but also to upgrade lacking business skills. The higher country and sponsor risk in FCS would imply a review of IFC’s and MIGA’s risk tolerances.

IFC and MIGA have begun to implement some adaptations to their products to FCS contexts. IFC’s five-year Conflict Affected States in Africa Program, a trust fund to finance advisory services, was perceived by stakeholders as relevant and additional. It contributed to generating more advisory projects and diversifying the portfolio in its target countries, FCS in Africa, but fell short in fostering product innovation to adapt advisory services offerings to FCS specific needs (Dahlberg 2012). MIGA has recently launched the Conflict-Affected and Fragile Economies Facility with the objective of catalyzing private capital flows to FCS and has used the Small Investment Program to support smaller investments in FCS.

**Staffing**

IFC has increased its staffing in FCS as part of internal reforms intended to align its organizational structure, processes, and incentives with its strategic priorities. In particular, IFC’s reorganization, Vision 2010, launched in FY07, aimed to bring it closer to its clients through decentralization (IEG 2012). Accordingly, staff numbers in FCS have increased since 2006, albeit from a very low base, considering IFC was a more centralized institution prior to Vision 2010. Staffing in FCS doubled from 64 in FY06 (of which 6 in Always FCS) to 124 (of which 45 in Always FCS) by FY13. However, the increase in FCS (94 percent) was greater for IDA countries that are not FCS (131 percent). IFC has also expanded the number of country offices in FCS from 8 in 2006 to 20 in 2013, most of the increase being in Always FCS. Offices in Always FCS are small (average of 2 staff) compared to offices in Partial FCS or those in IDA non-FCS.

Most of the staff in FCS are from IFC Advisory Services. The staff increase in FCS has mostly been locally hired staff for Advisory Services. Advisory Services staff account for 63 percent of the FCS staffing compared with 53 percent in all IDA countries in FY13. Hiring in FCS is driven by direct hires rather than reassignment of existing IFC staff.

While field presence has increased, IFC has not yet fully aligned its human resources policies and incentives in FCS with those of the World Bank. While IFC follows the same compensation guidelines as the World Bank for staff posted in FCS, it has not
implemented policies intended to foster career progression of FCS staff. IEG interviews indicated the difficulty of attracting quality staff to work in FCS offices. Staff also noted that local pay scales have not been commensurate with attracting local talent to IFC positions. A large proportion of the IFC and MIGA staff responding to the IEG survey also reported that they did not experience an improvement in human resource incentives.

INCENTIVES

IFC performance incentives are not aligned with supporting its strategy of increasing engagement in FCS. IFC manages its strategic objectives through several instruments, including its corporate scorecard. Although IFC has added indicators such as the number of projects supported in IDA countries to its scorecard, business volume remains a key performance metric in corporate and departmental scorecards (IEG 2013). This creates a disincentive for departments to support investments and advisory services operations in FCS, as these tend to be smaller in size and involve more complex appraisal and design due to opaque market and sponsor information and the presence of weaker sponsors. IFC notes the lower relative profitability of its portfolio in FCS, driven by higher expenses and risks. Development outcome ratings for investments and advisory services are also part of the scorecards; performance of investments in FCS is relatively weak. In short, doing business in FCS works against staff’s volume and productivity indicators. MIGA has experienced similar challenges due to the often smaller size and high complexity of underwriting projects in FCS. IFC has also linked staff performance awards, such as the Long Term Performance Award, to developmental results and financial results for investment projects. However, because projects in FCS on average are smaller and riskier and more uncertain in terms of their developmental and financial performance, this creates a disincentive for staff to take on projects in FCS. Developing performance metrics adjusted to risks and conditions in FCS could help encourage a more risk-tolerant institutional culture.

References


GE+ staff refers to all the technical and managerial staff in the World Bank. The paper analyzes changes in GE+ staff deployment only since IEG’s 2006 evaluation of LICUS countries and the OPCS paper emphasized the need for experienced and highly qualified staff in FCS contexts.

The utilization of Face-time data (number of days of staff commitment by project) for this evaluation was abandoned given the lack of time series data. Data on Face-time are currently only available for two years, which does not allow meaningful comparison of trends in FCS.