The World Bank's Approach to Global Programs: An Independent Evaluation

Phase 1 Report

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Operations Evaluation Department
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Abbreviations and Acronyms

AAA	Analytical and advisory activities
AIDS	Acquired immune deficiency syndrome
APL	Adaptable Program Loan
BB	World Bank's administrative budget
CAS	Country Assistance Strategy (World Bank)
CGIAR	Consultative Group on International Agricultural Research
CGAP	Consultative Group to Assist the Poorest (a microfinance program)
CODE	Committee on Development Effectiveness (World Bank)
CTF	Consultant Trust Fund
DALY	Disability-adjusted life year
DEC	Development Economics Vice-Presidency (World Bank)
DGF	Development Grant Facility (World Bank)
ESMAP	Energy Sector Management Assistance Program
ESSD	Environmentally & Socially Sustainable Development Network (World Bank)
FIAS	Foreign Investment Advisory Service
FRM	Resource Mobilization Department (World Bank)
FSAP	Financial Sector Assessment Program
FSE	Financial Sector Network (World Bank)
FY	Fiscal year
GAVI	Global Alliance for Vaccines and Immunization
GCGF	Global Corporative Governance Forum
GDLN	Global Development Learning Network
GDN	Global Development Network
GEF	Global Environment Facility
GFHR	Global Forum for Health Research
GKP	Global Knowledge Partnership
GMI	Global Micronutrient Initiative
GPG Fund	Global Public Goods Fund
GPPPs	Global public policies and programs
GWP	Global Water Partnership
HDN	Human Development Network (World Bank)
HIPC	Highly indebted poor country
HIV	Human immunodeficiency virus
HRP	Special Programme of Research, Development and Research Training in Human Reproduction
IAD	Internal Audit Department
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
InfoDev	Information for Development Program
IPR	Intellectual property right
ISG	Information Solutions Group
LIL	Learning and Innovation Loan
MD	Managing director
MDGs	Millennium Development Goals
MMV	Medicines for Malaria Venture
NGO	Nongovernmental organization

ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department (World Bank)
OP	Operational Policy
OPCS	Operational Policy and Country Services
PACT	Partnerships for Capacity in Africa
PAD	Project Appraisal Document
PATS	Partnership Approval and Tracking System
PCD	Project Concept Document
PPIAF	Public-Private Infrastructure Advisory Facility
PREM	Poverty Reduction & Economic Management Network (World Bank)
PRH	Population and Reproductive Health Capacity Building Program
PRSP	Poverty Reduction Strategy Paper
PSI	Private Sector Development & Infrastructure Network (World Bank)
QALY	Quality-adjusted life year
SDG	Solar Development Group
SPAAR	Special Program for African Agricultural Research
SRM	Strategy and Resource Management Vice-Presidency
SSP	Sector Strategy Paper (World Bank)
TB	Tuberculosis
TDR	Special Programme for Research and Training in Tropical Diseases
TF	Trust funds administered by the World Bank
TFO	Trust Funds Operations Department
TRIPS	Trade-Related Intellectual Property Rights (WTO)
UNAIDS	Joint United Nations Programme on HIV/AIDS
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNICEF	United Nations Children's Fund
VP	Vice-presidency
WBI	World Bank Institute
WCD	World Commission on Dams
WDR	World Development Report (World Bank)
WHO	World Health Organization
WorLD	World Links For Development Program
WTO	World Trade Organization
WWF	World-Wide Fund for Nature/World Wildlife Fund

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Foreword

The World Bank is involved, as founding member, financier, administrator, or participant, in 70 global programs. In fiscal 2001, the Bank spent about $30 million of its administrative budget on them, provided $120 million in grants from the Development Grant Facility (DGF), and disbursed another $500 million from Bank-administered trust funds. Global programs absorb 10 percent of the Bank's gross administrative budget and 40 percent of trust fund disbursements.

Managing this complex portfolio has been a difficult challenge. Network vice-presidencies currently oversee all 70 programs, 30 of which are managed inside the Bank. Concerns have grown about inadequate selectivity, increased reputational risks, and lack of routine reporting on the development impact of global programs, as well as a potential diversion of resources away from country-level activities. Hence, the Executive Board of the Bank commissioned this independent evaluation and Bank management suggested that it be conducted in two phases timed to inform the annual budget processes for fiscal years 2003 and 2004.

The majority of the global programs the Bank currently supports are less than five years old (though 12 out of 70 programs are 10 to 30 years old). The Strategic Compact recognized the need for increased involvement in global programs and encouraged innovation and flexibility in the Bank's approach to global partnerships and programs. Initially, in order to encourage bottom-up initiatives, Bank management chose not to impose a rigid, top-down strategic framework for Bank involvement in global programs. As the number of programs grew, a more systematic approach was adopted to identify global priorities, define management responsibilities, and prescribe criteria for grant giving. Greater selectivity combined with tighter budgetary allocations led to a reduction in the number of program starts in FY01 and FY02 compared with the previous three years.

Thus, oversight arrangements, resource allocation practices, and reporting processes have been strengthened. These changes are welcome and necessary, but they are not yet sufficient. The Bank's multidisciplinary and multisectoral knowledge and its networking assets have given it an edge within the development community as a platform for collaborative programs. However, the Phase 1 report illustrates the need to sharpen the criteria for selectivity; clarify organizational responsibilities and accountabilities; and improve the articulation, development, and monitoring and evaluation of performance indicators. The challenge is to improve development effectiveness without either inhibiting innovation or increasing the transaction costs of doing business with partners.

For example, the Bank has made a good beginning in establishing a risk assessment and approval process for new private sector partners. But a similar discipline is needed for partnerships with nongovernmental organizations and foundations. Standards for program oversight and their enforcement need to be strengthened. In the design of global programs, the Bank should require the same standards, procedures, and principles for the use of its funds as it requires in its lending operations. Global programs are unlike country-based projects in some respects. But many of the principles underlying the Bank's lending practices—competitive bidding, search for alternative sources of supply, non-exclusivity in establishing partnerships, scrupulous avoidance of perceived conflicts of interest, routine reporting on audited accounts, oversight of trust fund activities, and the like—should be emulated in the Bank's global activities.

A greater concentration of effort would also pay dividends: currently, the resources devoted to oversight are spread thinly over a large number of small programs. Organizational arrangements do not distinguish clearly enough between sponsors and assessors of global initiatives, thus creating genuine or perceived conflicts of interest. In addition, the Bank has not always ensured relevance and selectivity in the long-term initiatives it has supported, or examined the opportunities for timely and orderly exit from those that may no longer be relevant or efficient.

Few global programs focus on global public policy formation. This is surprising given the numerous policy dysfunctions of the new global order from the perspective of the developing world. A variety of factors have created a strategic opportunity for the Bank to amplify the voice of the poor in global policy debates and to improve the global policy architecture to promote poverty reduction. They include its strong linkages to developing country governments, civil society, and the private sector; its substantial convening power and concentration of analytical skills; improved relations with the United Nations system; and the opportunities for stronger partnerships with other development agencies offered by the Millennium Development Goals.

In sum, improved management of global programs requires: (1) emulating the standards used for country operations; (2) instituting effective internal programming, quality assurance, and oversight processes; (3) diversifying the array of instruments to achieve quality at entry and quality of implementation, and specifying the mandates of organizational units to ensure accountabilities as well as to avoid conflicts of interest; and (4) tightening the linkages between global and country programs through improved selectivity and greater involvement of borrowers.

Such an evolution would help bring greater coherence and clarity to the Bank's diverse global roles, reduce transactions costs, and improve the strategic, organizational, budgeting, and management aspects of global programs. Thus, the Bank would provide much-needed leadership in filling gaps in global public goods delivery systems and in enhancing low-and middle-income-country participation in the global policy decisions that affect their development prospects.

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Preface

This report completes the first phase of an independent evaluation by the Operations Evaluation Department (OED) of the World Bank's involvement in global programs. The approach paper for the evaluation was presented to the Committee on Development Effectiveness (CODE) of the World Bank's Board of Executive Directors in January 2001. The draft Evaluation Strategy Paper was discussed at a workshop in Washington on June 19, 2001. The participants included about 50 people: representatives of Bank management, and policymakers from developing countries, U.N. organizations, international and regional financial institutions, nongovernmental organizations, and the private sector. The proceedings of the workshop and the final Evaluation Strategy Paper were distributed to participants in July 2001, and the paper was distributed and posted on the Internet (http://www.worldbank.org/oed/gppp/evaluation_strategy.html).

The Evaluation Strategy Workshop resulted in two major changes in the evaluation design. First, at management request, OED committed to conducting the evaluation in two phases timed to inform the Bank's budgeting processes. Second, at the strong demand of the workshop participants, OED included a meta-evaluation of the CGIAR (Consultative Group on International Agricultural Research) among the 28 cases being examined in Phase 2 of the study.

The review has benefited from an external advisory committee consisting of Rolf Lüders, Professor and Editor, *Cuadernos De Economía*, Pontifical Catholic University of Chile; Wolfgang Reinicke, Managing Director, Galaxar S.A., Geneva, and Director, Global Public Policy Project; Nafis Sadik, former Executive Director, United Nations Population Fund; and Adele Simmons, Vice Chairman and Senior Executive, Chicago Metropolis 2020, and former President of the McArthur Foundation. (Biographical summaries are available on the Internet: http://www.worldbank.org/oed/gppp/). Summaries of four meetings of the Advisory Committee, including those on the Evaluation Strategy Paper and on this report, are available on request.

The evaluation has also been informed by a joint UNDP/World Bank workshop in Washington in July 2000 involving some of the foremost analysts of global public policies and goods, and designers and implementers of global programs. Proceedings of the workshop were published by the Bank (Gerrard, Ferroni, and Mody 2001). The Swiss Agency for Development and Cooperation has provided funding and contributed to the design of the OED review.

The evaluation is based on a desk review of the 70 global programs, covering annual reports, evaluation reports, Development Grant Facility (DGF) material, trust fund documents, sector strategies, literature reviews, and surveys of Bank task managers, as well as field work with partners (see Annexes R, S, and T). Annex P provides details on the study methodology and Annex Q lists the people consulted.

Interviews were conducted with World Bank and International Monetary Fund board members, senior managers, DGF Council members, and staff involved in Strategic Resource Management, Resource Mobilization, the Partnership Council, the DGF secretariat, Trust Fund Operations, Bank operations, the World Bank Institute, the International Finance Corporation, the World Health Organization, International Labor Organization, UNAIDS, U.N. High Commission for Refugees, Department for International Development (U.K.), Swiss Agency for Development and Cooperation (SDC), and the Swedish Ministry of Foreign Affairs. Field visits were made to China, Ethiopia, Ghana, and India.

A draft of this report was reviewed at two meetings in February 2002, with written and/or oral comments from Martha Ainsworth, David Ellerman, Osvaldo Feinstein, Sushma Ganguly, Catherine Gwin, Paul Hubbard, Ian Johnson, Jane Kirby-Zaki, Geoffrey Lamb, Andres Liebenthal, Marlaine

Lockheed, Kathleen Mikitin, Gobind Nankani Luigi Passamonti, Gene Tidrick, John Todd, Hasan Tuluy, Nigel Twose, John Underwood, and Monica Massalska for the Swiss Agency for Development Cooperation. The summary findings and recommendations were presented to Bank senior managers on March 1, 2002. A follow-up meeting was held with the Standing Committee of Operational Vice-Presidents (Amar Bhattacharya, Prem Garg, Jeffrey A. Katz, Motoo Kusakabe, Mieko Nishimizu, Jozef M. Ritzen, Nemat Talaat Shafik, and Shengman Zhang provided comments) to discuss the findings of the report. Management comments at these subsequent meetings have also been taken into account in this version of the report. The OED team is grateful for stimulating discussions and thoughtful comments from all these sources.

This report was prepared by Uma Lele, Christopher Gerrard, and Naveen Sarna, with inputs from Caroline Bahnson, Ramesh Govindaraj, Karin Perkins, Saeed Rana, Kirsten Spainhower, and Kristina Kavaliunas. It was edited by William Hurlbut and Caroline Mc Euen. The Sector and Thematic Evaluation group of OED provided staff and administrative support. The study team especially acknowledges the administrative assistance of Maisha Hyman and Marcia Bailey.

Summary

1. Changes in the global environment have fundamentally altered the dynamics and roles of international organizations, the private sector, and the civil society. As the number and severity of critical global issues have grown, formal and informal networks have multiplied and partnerships have proliferated. More than 40,000 treaties and international agreements are currently registered with the U.N. Secretariat, and more than 500 multilateral instruments—covering matters such as human rights, disarmament, commodities, refugees, environment, and the Law of the Sea—have been deposited with the U.N. Secretary General. As a founding member, financier, administrator, or participant, the World Bank is now involved in 70 global programs overseen by Network vice-presidencies, 30 of which are managed inside the Bank and 40 elsewhere. (This does not include regional programs and institutional partnerships.) In fiscal 2001, the Bank spent about $30 million of its administrative budget on these 70 programs, $120 million in grants from the Development Grant Facility (DGF), and another $500 million from Bank-administered trust funds. In fiscal 2001 these amounts constituted 10 percent of the Bank's gross administrative budget and 40 percent of trust fund disbursements. Among international organizations, the Bank has become the largest manager of trust funds for global programs.

2. **The Bank has responded to these global challenges with a broad and diverse set of innovative global programs.** These are increasingly perceived as critical complements to the Bank's traditional country assistance activities. Dynamic presidential leadership as well as a shift in donor interest toward the delivery of global public goods (reflected in Development Committee deliberations and the ongoing IDA replenishment negotiations) have contributed to the growing interest in global activities within the Bank. At the same time, concerns have grown about inadequate selectivity, increased reputational risks, and lack of routine reporting on the development impact of global programs. Given stagnating levels of official development assistance, parallel concerns have surfaced among developing countries with regard to a potential diversion of resources away from country-level activities. Hence, the Bank's Executive Board commissioned this independent evaluation and Bank management suggested that the evaluation be conducted in two phases so that results could be made available in time to inform the annual budget process for fiscal years 2003 and 2004.

3. Although global issues necessarily influence the Bank's activities, historically its organization, programming, and accountability processes have been driven by country-level concerns. Hence, no authoritative view exists about the appropriate criteria for achieving a balance between global programs and country operations. This evaluation posits that because of the opportunities provided by the rapidly declining cost of information technology, the growing role of the private sector, and the advent of a global civil society, global policy and program initiatives will become increasingly important to the achievement of development effectiveness at the country level. Initially, a decentralized, proactive, and flexible approach was appropriate. But the time has come to develop improved criteria and standards for the identification, appraisal, and funding of global (and regional) activities. A global portfolio that is proactively managed and linked to the needs of the Bank's borrowers would enhance the Bank's development impact.

4. **Creative and innovative partnerships characterize Bank global activities.** The Bank has played a useful role by providing a platform for learning, advocacy, and collaborative action to address key global challenges. It has helped to develop consensus and promote resource mobilization for important global programs. A few programs—CGIAR, Special Programme for Research and Training in Tropical Diseases (TDR), and Global Environment Facility—have provided genuine global public goods, such as new knowledge, products, technologies, and methods. About 20

programs provide global and country-level investments. Another 46 programs are providing technical assistance at the local, national, or regional levels. Many of their sponsors assert that these provide substantial benefits at all levels, and facilitate empowerment and social inclusion. Virtually all global programs involve networks designed to exchange knowledge on best practices that, if successful, could be regarded as global public goods. Most have not built the capacity of developing countries to access new knowledge and achieve empowerment.

5. **The majority of the 70 global programs the Bank currently supports are less than 5 years old** (although 12 programs are 10 to 30 years old). During the period of the Strategic Compact, Bank management recognized the need for increased involvement in global programs and rightly encouraged partnership, innovation, and flexibility in its approach to global programs. Initially, in order to encourage bottom-up initiatives, Bank management chose not to impose a top-down strategy for the Bank's involvement in global programs. Over the past three years, Bank management has proactively developed a strategic framework to identify global priorities, define management responsibilities, and prescribe criteria for grant giving. The resulting selectivity, together with smaller budgetary allocations, reduced the number of global program starts in fiscal years 2001 and 2002 compared with the previous three years.

6. **Thus, oversight arrangements, resource allocation practices, and reporting processes have been strengthened.** Recent improvements include the articulation of management responsibilities at the level of Networks, the advent of the Partnership Council, and the recent introduction of the Partnership Approval and Tracking System (PATS). These changes are welcome and necessary, but they are not yet sufficient. The Bank's new strategic framework distinguishes between global programs and institutional partnerships. It recognizes that collective financing is needed to provide global public goods. But the definitions of global programs and institutional partnerships are ambiguous at the *operational* level, as is the extent to which global programs are expected to focus on global public goods, as distinct from merit goods of high social value. It will be necessary to sharpen the criteria for selectivity; clarify organizational responsibilities and accountabilities; and improve the articulation, development, and monitoring and evaluation of performance indicators. This is needed to enhance quality, coherence, and selectivity in program design and implementation. The challenge will be to improve development effectiveness without either inhibiting innovation or increasing the transaction costs of doing business with partners.

7. **Global programs are as diverse as the world they serve.** The 70 global programs managed by 5 Networks differ widely in size, authorizing environment, number of partners, financing arrangements, and life-cycle stage. In all but a few cases, global programs involve numerous partners, with varying opportunities for value added, and equally varied costs and degrees of risk, so that sensitive and efficient management of relationships is a critical feature of their development effectiveness. The management structure for global programs has been shaped by a multiplicity of funding sources. Based on extensive consultations, OED concludes that the management arrangements in place are not yet adequate to provide the required connectivity between developed and developing country governments, civil society, and the private sector.

8. **Managing the Bank's diverse and sometimes incompatible roles is a challenge.** The Bank's multi-disciplinary and multisectoral knowledge and its networking assets have given it an edge within the development community as a platform for collaborative programs. These varied competencies help explain the substantial demand for a combination of Bank functions within the global arena (fiduciary, resource mobilization, program management, evaluation, and advocacy). Unfortunately, these varied functions are not always compatible if handled by the same unit. Conflicts among different roles undermine the legitimacy of Bank interventions and reduce their effectiveness. The Bank has made a good beginning in establishing a risk assessment and approval process for new

private sector partners. A similar discipline is needed with respect to partnerships with non-governmental organizations and foundations.

9. **Standards for program oversight and their enforcement need to be strengthened.** In the design of global programs, the Bank should require the same standards, procedures, and principles for the use of its funds as it requires in its lending operations. While global programs are not identical to country-based projects, the principles underlying the Bank's business practices—competitive bidding, search for alternative sources of supply, non-exclusivity in establishing partnerships, scrupulous avoidance of perceived conflicts of interest, routine reporting on audited accounts, oversight of trust fund activities, and the like—should be emulated in the Bank's global activities. A greater concentration of effort would also pay dividends: currently, the resources devoted to oversight are spread thinly over a large number of small programs. Current organizational arrangements do not distinguish clearly enough between sponsors and assessors of global initiatives, thus creating genuine or perceived conflicts of interest. Equally, the Bank has not always ensured relevance and selectivity in the long-term initiatives it has supported or examined the opportunities for timely and orderly exit from those that may no longer be relevant or efficient.

10. **The policy content of global programs can be enhanced.** Few global programs focus on public policy formation. This is surprising given the numerous policy dysfunctions of the new global order from the perspective of the developing world. The Bank has many of the assets needed to improve the global policy architecture to promote poverty reduction. It is a global development institution. It enjoys strong linkages to developing country governments, civil society, and the private sector. It commands substantial convening power. It houses the greatest concentration of analytical skills and country-level data within the development community. It has the programming and financing instruments needed to connect global policies at the country and local levels to achieve results. Recently, improved relations with the United Nations system spearheaded by the President—and the opportunities for stronger partnerships with other development actors offered by the Millennium Development Goals—have created a strategic opportunity for the Bank to amplify the voice of the poor in global policy debates.

11. **The management of global programs has spurred innovation, but developing countries need a voice.** Even where the programs are relevant to the mission of poverty reduction and sustainable development, complementary activities to help developing countries benefit from (and influence) global initiatives have not received the attention they deserve. Evidence assembled to date by OED suggests that developing countries have had little voice in the design, governance, and management of most global programs.

12. **Independent, high-quality reviews of global programs would help improve quality.** Reviews of new entries by networks and managing directors do not constitute independent appraisals of the clarity of program objectives or the extent to which they match resources and activities with expected outputs, outcomes, and impacts—in short, their results orientation. Independent reviews of new proposals would help ensure quality at entry. While the DGF has made progress in this area, more needs to be done to shift Bank resources from open-ended partnerships to collaborative programs that focus on results. The DGF's grant-approving council does not benefit from independent reviews of new proposals for their quality at entry or for continued DGF support, and there is insufficient clarity in responsibilities for quality assurance. This is largely seen as a Network function, but management has also stated that central vice-presidencies would help with quality assurance. For programs under implementation, to ensure results and cost-effectiveness, both line and independent oversight (as used by the Quality Assurance Group) need to be clarified and strengthened. Independent evaluations currently do not use uniform standards and procedures, and the responsibilities for carrying them out are not clearly articulated. Nor are evaluations always timely, of

high quality, or conducted by independent and knowledgeable evaluators. Procedures are not in place for systematic reporting of evaluations to the Board, nor for reporting on the progress in the implementation of evaluation recommendations. The recent DGF requirements are a welcome change, but Bank management has expressed concern that the changes have increased transaction costs without ensuring improved proposal quality or program impact. This suggests that the DGF needs to further enhance quality through, for example, clearer allocation of responsibilities between Networks and the DGF for quality assurance, refinement in quality criteria and standards, and replacement of the current collective quality assurance system by independent appraisals.

13. **Responsibilities of partners for in-house programs need to be more clearly defined.** When the Bank is funding a program and managing an in-house secretariat, perceived conflicts of interest arise. Donors of programs managed in-house rely on the Bank for overall program leadership as well as for the quality and efficacy of the secretariat services the Bank provides. Responsibility among donors for ensuring efficiency of secretariat services is unclear, however. Although the programs are partnerships, responsibilities are not sufficiently spelled out, nor are they understood equally by all partners. Depending on the organizational culture, the extent of shared responsibility, accountability, and risks can change over the life of a program. Changing governance and management arrangements for programs are not always well documented, nor is the Bank's oversight of such arrangements sufficient. In some cases, the Bank bears an undue share of responsibility and risk without the necessary quality or independence of oversight to be able to ensure effective leadership.

14. **To achieve greater development effectiveness through global program activities, the Bank needs to take a variety of actions.** These include (1) aligning the standards for its involvement in global programs with those established for its country operations; (2) instituting effective internal programming, quality assurance, and oversight processes; (3) diversifying the array of instruments to achieve quality at entry and quality of implementation and specifying organizational units' mandates to ensure accountabilities as well as to avoid conflicts of interest; and (4) improving linkages between global and country programs through improved selectivity and greater involvement of borrowers drawing on the Bank's operational experience in the design, governance, and management of global programs.

15. These actions would help bring about greater coherence and clarity among the Bank's diverse global roles, reduce transactions costs, and communicate roles and responsibilities to partners, especially the United Nations organizations. By improving the strategic, organizational, budgeting, and management aspects of its global programs, the Bank could provide much-needed leadership in filling the gaps in global public policy and participation. It could thus emulate and complement its traditional country assistance role through country assistance strategies, analytical and advisory services, and capacity building.

A SUGGESTED REFORM AGENDA

Organization: Management should strengthen strategic planning and oversight of global programs and partnerships. Rigorous priority setting, improved quality management, and stronger corporate leadership on global issues is of strategic importance, but *how* to achieve this is a challenge and has been the subject of considerable debate within the Bank since the findings of this study began to surface. Here, OED puts forward three options:

1. Fine tune the existing management framework and processes to address the identified weaknesses.

2. Set up a secretariat to assist a single Managing Director (MD) in the oversight of all Bank global activities.
3. Allocate Bankwide responsibilities for improving quality assurance and overseeing partner relations at the global level to a single existing Vice-Presidential Unit (VPU).

The strengths and weaknesses of each option were weighed in the context of the global policy cycle—that is, development of strategy and policy, refinement and application of criteria for engaging in partnerships and for selectivity, and follow-through in the program cycle from initiation to accountability for impact.

- OED concludes that refining the existing framework, while it would continue to promote innovation and flexibility, would not significantly enhance quality or accountability. Strengthening the sector boards and giving Quality Assurance Group (QAG) and OED roles in ensuring quality at entry and evaluation, while useful and necessary under any scenario, would not resolve conflict of interest dilemmas. Nor would it provide the strong leadership needed to achieve coherence and enhance accountability so as to tap the full potential for Bank leadership and impact in global poverty alleviation.
- With an appropriately staffed and mandated MD secretariat, in contrast (possibly absorbing the current DGF establishment), the possibility of real reform would be higher, especially regarding operational deliverables and results. Working through the Networks, which would continue to have the primary responsibility for task management and partner relations, the MD secretariat would set standards, oversee programming and budgeting, perform quality assurance functions, and report annually to senior management and the Board on activity implementation. It would also be able to ensure that risk management policies are defined by the appropriate unit and would oversee Network implementation of risk management processes, including, as appropriate, reporting to the Board.
- With an appropriate mandate, an existing VPU, reporting to its Managing Director, could perform all the same functions as the MD secretariat, in addition to providing intellectual leadership and fulfilling the need to address the global policy environment. It could assist in the development of policy and strategy as well as help improve operational effectiveness through two interacting units: a think tank to routinely monitor and anticipate changes and emerging opportunities in the global environment, draw partnership implications for the Bank, and provide intellectual leadership, and a separate operational unit concerned with the internal management of global programs.

Strategy: Management should further articulate a strategy for Bank involvement in global programs and policies that establishes overarching objectives, oversight responsibilities, and the Bank's comparative advantage. The strategy would articulate how global programs are distinguished from institutional partnerships and contribute to achieving the Bank's mission of sustainable development and poverty alleviation, and the extent to which the programs should focus on the provision of global public goods and involve specific forms of partnership.

- A central unit (secretariat or VPU) would develop and monitor performance indicators to ensure that Networks and Regions are appropriately linking specific global programs, country assistance strategies, and sector strategies, and prepare annual reports for the Board based on information provided by the Networks.
- It would develop clear and transparent criteria and guidelines for resource allocation; budgeting, accounting, and auditing practices; and information systems for global programs.
- It would be involved in the allocation of the Global Public Goods (GPG) Fund to link global programs to country needs, with a results-based focus, by providing the Networks with non-fungible, dedicated budgetary resources.

Selectivity: The MD secretariat or designated VPU should establish and monitor the standards Networks must follow for their global programs, including the extent of verifiable objectives, dedicated Bank resources, appropriate organizational and funding arrangements, and some form of cost-benefit or other ex-ante criteria for Bankwide prioritization and quality assurance.

- For new programs above a threshold size, likely of a global public goods nature, the central unit would help institute a transparent identification, preparation, appraisal, Board approval, supervision, and evaluation processes. OED estimates that in fiscal 2002 this would have involved appraising one new DGF program, but 19 ongoing DGF programs to which commitments were renewed by the DGF for FY02. Similarly, 10 non-DGF programs would be potentially eligible for appraisal.

Program Implementation. Management should clarify the responsibilities and accountabilities of the Board, Regions, Networks, and task managers, and provide each with the resources needed to fulfill the Bank's commitments with its partners.

- For programs under implementation, introduce a more systematic and regular approach for task manager monitoring of program performance and provision of audit reports, introduce independent panels similar to those used by QAG to review quality of the ongoing portfolio, and expand audits introduced by the DGF, in the first instance, to cover all programs receiving medium- to long-term Bank support (Window 1).
- Ensure independence of the three-year evaluation process the DGF has instituted for its programs by extending the practice to all programs (including ongoing programs, regardless of whether funding is from the Bank budget, the DGF, or Bank-managed trust funds) as a prerequisite for continuing support.
- Include global programs in the standard evaluation and reporting processes of OED, ensuring routine reporting to the Board of the findings of independent evaluations and management decisions of continuing support to the programs.
- For new small programs of a merit goods nature that are not presented to the Board, the MD secretariat or designated VPU would help improve approval, monitoring, and auditing in the DGF. Management could introduce independent review processes that are external to the program, similar to the processes used by the World Bank Research Committee, for the allocation of small DGF grants or as part of the Bank budget.
- For programs under implementation, including the existing portfolio, it would introduce quality assurance and enhancement standards and clear Network accountabilities.
- It could help adapt the standards and procedures applied to the use of Bank funds in innovative lending operations such as Learning and Innovation Loans and Adjustable Program Loans to global programs.

1. Introduction

1.1 Rapid changes in its external and internal environment have made it imperative that the World Bank become proactive at the global level. Bank management has provided leadership in initiating new global programs and encouraging staff and managers to address emerging challenges. Consequently, the number and range of global programs in which the Bank is involved have increased rapidly over the past five years. The Bank's Board of Executive Directors has recognized the need for the Bank to be active at the global level. Bank management has put in place a framework for managing that involvement. Yet, the growing number of activities has prompted concern among Board members that the procedures for Bank involvement in global programs, and their objectives, are not yet fully clear. Board members' concerns about partnership proliferation and related reputational risks have led them to call for a process for setting global strategy that would lead to increased selectivity, more clarity on responsibilities and accountabilities, more rigorous monitoring of the use of Bank resources, and improved and more regular reporting to the Board on the nature and substance of the development impact of global programs. To help guide this process, the Board asked the Operations Evaluation Department (OED) to conduct this first-ever evaluation of the Bank's global activities, and Bank management requested that it be completed in two phases, timed to provide input into the annual budget processes for fiscal years 2003 and 2004.

1.2 The objectives of the OED review are:

- Clarify concepts related to the Bank's involvement in global programs and policies with regard to internal decisionmaking, management processes, internal and external responsibilities and accountabilities, and its role in global policy formulation.
- Assess the progress in the implementation of the recommendations of OED's 1998 review status of the World Bank Grants Programs (OED 2002).
- Derive strategic, programmatic, and operational lessons and implications for the Bank's future involvement in global programs and policies (taking into account the Bank's mission, and its comparative advantage relative to other partners) as an input into decisions on the use of Bank resources (Bank budget, Development Grant Facility, and Bank-mobilized donor trust funds) for country assistance and global activities.
- Evaluate selected global programs using a comparative evaluative framework to illustrate the application and use of criteria such as selectivity, development effectiveness, sound partnerships, good governance, consistency with the Bank's mission, and sound financial, fiduciary, and risk management.

1.3 The first phase of the evaluation, the subject of this report, addresses the strategic and programmatic management of the 70 global programs supported by the Bank in fiscal 2002, including their financing, management, oversight during implementation, and arrangements for reporting to the Board. It also examines the Bank's management framework and procedures for the approval of new programs.

1.4 The second phase of the evaluation, currently under way, involves case studies of 28 of the 70 global programs, including a meta-evaluation of the CGIAR (Consultative Group on International Agricultural Research) using a comparative evaluative framework, which was outlined in the Evaluation Strategy Paper (OED 2001a). [1] Together the 28 programs constitute 90 percent of the total expenditures in Bank-supported global programs in fiscal 2001. The evaluation looks at the relevance, efficacy, efficiency, institutional development impact, and sustainability of these programs. It extracts lessons of experience and analyzes their implications for partnerships with external stakeholders.

1. Annex D lists the 70 programs. Annex E lists the case study programs.

Finally, it assesses the governance, management, and financing of programs, including the roles of global programs relative to the Bank's country lending activities.

GLOBAL PROGRAMS, INSTITUTIONAL PARTNERSHIPS, AND GLOBAL PUBLIC GOODS

1.5 In developing its strategic framework for global programs, Bank management has defined programs, partnerships, and global public goods in various documents since April 2000. The following definitions are offered:

- **Global or thematic programs** are linked to sector strategies or *to an agreed global public goods objective.*
- **Institutional partnerships** involve other development institutions in the public and private sectors, and are of *an operational nature* or based on dialogue and advocacy.
- **Global public goods** are "commodities, resources, services—and also systems of rules or policy regimes with substantial cross-border externalities that are important for development and poverty reduction, and that can be produced in sufficient supply *only through cooperation and collective action by developed and developing countries*."[2]

1.6 A September 2000 paper further recognizes that there are very few pure public goods but notes, "this approach involves the idea of both *cross-national* ***benefits,*** and *cross-national* ***collective action*** to achieve them, *by the Bank and its national and international partners.* In practical terms, the determination that the development community should work cooperatively to produce a desired global public good also involves consideration of how such action should be implemented and how *collective financing* can be employed to ensure that *the public good* is not undersupplied."[3] For example, some sectors, such as health, might require greater collective action at the global level than other sectors, such as education, where primarily national investments are needed. But complementary country-level investments (in health, for example) might be required to increase the impact of global-level investments. The paper anticipated that "collective action at the global level should scale up development impacts by adding a limited but essential *international public goods dimension* to country-level action." Various Bank documents since then have emphasized that the provision of global public goods *requires* partnerships to increase the legitimacy of traditional international organizations and to engage the perspectives and expertise of other stakeholders, and that *through partnerships* global programs can provide *global public goods*.

1.7 In April 2000, management established six approval criteria for Bank engagement in new *partnerships*. In September 2001, the Development Committee endorsed five institutional priority areas for Bank action.[4] The Bank's focus in its strategic framework has thus been largely on global public goods.

1.8 The assumption that global programs are (or should be) providing largely global public goods is a source of some confusion in the Bank. Only a fifth of the global programs actually produce global public goods, although a large number aim to generate or deliver knowledge, which if successfully generated or delivered could be classified as a global public good. Richard Cooper and Inge Kaul, among others, have argued that, in addition to global public goods, all activities with high marginal social value that are unlikely to be provided in sufficient quantities at the national and regional levels may justify proactive provision through global programs (Cooper 2001).

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2. "Poverty Reduction and Global Public Goods. Issues for the World bank in Supporting Global Collective Action," p. 2. See also Annex B on global public goods.

3. "Poverty Reduction and Global Public Goods," p. 2. Italics added for emphasis.

4. Development Committee Communiqué, September 25, 2000. See also Chapter 4 and Annex A.

1.9 The *operational* distinction between programs and partnerships has not been made clear, although management recognizes a distinction between them and acknowledged at the start of the OED review that it was not possible to ascertain reliably the number of the Bank's institutional partnerships. Accordingly, OED, in consultation with the Bank's Networks, established a working definition of a global program (box 1.1) for the purposes of this review. The definition is intended to place boundaries on the scope of the OED evaluation and to focus it on evaluable programs. Global programs, unlike partnerships, have concrete objectives, a dedicated set of resources to undertake activities in support of the objectives, and specified management arrangements, so that their outputs and outcomes, if not also their impacts, can in principle be assessed.[5]

Box 1.1. What Are Global Programs?

Global programs are partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners:

- Reach explicit agreements on objectives
- Agree to establish a new (formal or informal) organization
- Generate new products or services
- Contribute dedicated resources to the program.

1.10 Of the 200 global and regional partnerships reported by the Partnership Council in fiscal 2001, OED and the Networks together identified 70 that fit the box 1.1 definition of a global program.[6] Thirty of the 70 programs are fully or partially managed in the Bank and 40 programs are managed outside the Bank.[7] A major managerial distinction between *global* and regional programs and partnerships is that all 70 global programs, as well as 80 *global* institutional partnerships, are overseen by Network vice-presidents.[8] Regional programs (25 of them) and regional partnerships (also 25) are managed by regional vice-presidents (figure 1.1). These regional programs and partnerships are not covered in this evaluation for lack of reliable information.[9] Most global programs are funded by grants that come either from the Bank's net income or from trust funds, but some are also supported by the Bank's budget.[10] Many global programs, such as UNAIDS and Roll Back Malaria, have important but varied regional activities that are explored in this evaluation. The evaluation also considers the country linkages and

5. Annex 3 of OED's Evaluation Strategy Paper (OED 2001a) outlined the lack of reliability in the reported numbers of institutional partnerships.

6. To distinguish "global" from international, regional, national, or local programs in terms that are operationally meaningful in the Bank, "global" in this evaluation refers to those programs in which both the Bank's Part I members (financiers) and Part II members (borrowers) have a direct stake, either in terms of costs (e.g., of not acting) or benefits (e.g., in mitigating climate change, or containing communicable diseases). "International" programs are those programs whose intended benefits are targeted largely to Part II countries, "regional" programs to Part II countries in only one region, and national or local programs to one borrowing member country or a part of that country. In reality, spillovers of national programs into the regional, regional into international, and international into global have been well documented in agricultural and health research and containment of communicable diseases. (See Pardey and Beintema 2001.) But perceived differences in costs and benefits can make a large difference to the support for individual global initiatives, and hence for their financing. (See Lele and others 2000.)

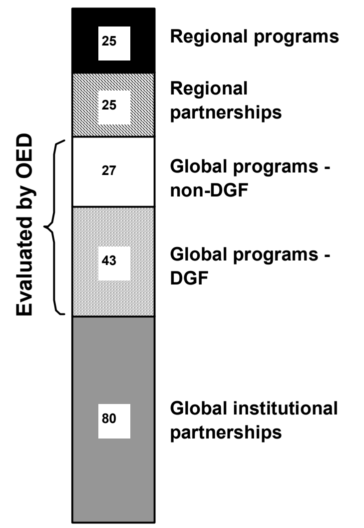
7. See Chapters 3 and 4 for details.

8. In addition, the Bank has a variety of country-based partnerships in the nearly 100 countries in which it is active.

9. The Sub-Saharan Africa Region has a complete record of regional partnerships and programs, and the East Asia and Pacific Region has embarked on a review of its partnerships and programs. But comparable information is not available from all Bank operational regions.

10. Net income comes from a combination of returns on investments and interest on loans to borrowing countries. The Board authorized $295 million of exceptional grants in fiscal 2000—$200 million for the Highly-Indebted Poor Country (HIPC) initiative and $95 million for three country-specific programs (East Timor, Kosovo, and West Bank and Gaza), not covered in this review. In fiscal 2001, the DGF provided $120 million to 37 global programs, $40 million to 13 regional programs, and $18 million to the Institutional Development Fund. But in addition to DGF-funded programs, this review covers non-DGF global programs funded by trust funds, Bank funds, or a combination of the two. (See Chapter 3 for further discussion.)

Figure 1.1. A Third of the Bank's Regional/Global Partnerships Were Reviewed



Source: Partnership Council.

complementary investments that are either needed or undertaken to make grant-supported global programs effective.

A Changing External and Internal Environment

1.11 The Bank's growing global agenda is a consequence of fundamental changes in its operating environment. Externally, increasing awareness of threats to global development include resource degradation (reflected in loss of biodiversity, water scarcity, and climate change), the spread of communicable diseases, financial contagion, and international insecurity. The events of September 11, 2001, have not changed priorities so much as underscored the urgency of collective action on a variety of global issues that no single institution can fully address. Collective action is also needed to better manage financial and trade integration to protect the countries and populations most vulnerable to external shocks. The decline in the cost of information and communications has linked the global and local forces of economic integration, public participation, and organizational decentralization in ways unimaginable just a few years ago. In addition, the international community has developed consensus on a set of Millennium Development Goals to foster a collective response by a previously fragmented international development community to overcome poverty in all its dimensions. (See Annex A.) Meeting these goals will require a move away from isolated efforts and toward coordinated policies and programs across sectors, perhaps using new instruments at the global level.

1.12 As the demands to demonstrate results have grown, so too have the number of tools and actors—potential partners—available to deal with the challenges. The resulting increased opportunities make it more important for the Bank to establish priorities so it can have the greatest impact on reducing poverty in its borrowing countries. Private capital flows to developing countries (while concentrated in about 10 countries and slowed by the recent global economic downturn) still dwarf official development assistance, which has pushed traditional actors such as the World Bank and U.N. agencies, and increasingly the World Trade Organization, to seek new alliances and define new roles. Private foundations have become important players in environmental protection, health promotion, and improved governance. Pharmaceutical companies, seeking new market opportunities, have become donors to global health programs. In the search for international common ground, shifting alliances and the changing roles of new and old actors have led to a variety of formal and informal international agreements—and a proliferation of partnerships. More than 40,000 treaties and international agreements are currently registered with the U.N. Secretariat, and more than 500 multilateral instruments—covering matters such as human rights, disarmament, commodities, refugees, environment, and the Law of the Sea—have been deposited with the U.N. Secretary General. The growing literature on global public goods has provided new intellectual stimulus to international agencies to implement such global agreements by getting involved in partnerships and financing international public goods(Kaul, Grunberg, and Stern 1999).

1.13 But there have also been internal reasons for the Bank's increasing global activity, including management's encouragement of new partnerships, the renewed focus on poverty reduction as the Bank's mission, the diversification of services offered to the development community, and the institutional renewal geared to making the Bank more agile, responsive, innovative, and results-oriented.

LEADS TO CHANGES IN THE ROLE OF THE BANK

1.14 A recent World Bank report estimates that the international community is currently providing about $5 billion a year to the production of international public goods: $1 billion from private charitable foundations, $2 billion from official donors channeling resources through trust funds, and about $2 billion for country-based concessional aid for activities that are focused in one country but whose benefits spill over to others (World Bank 2001a, pp. 110-12). Grant financing for global programs could increase significantly, however. Proposals to use the grant-making capacity of the International Development Association (IDA) for global programs are currently being discussed, and Bank management has made specific proposals for IDA grant financing.[11]

1.15 Although global issues define the Bank, its operations are still largely country-focused and driven by borrower demand, and its performance is judged by its development effectiveness in achieving sustainable poverty reduction. There is currently no consensus among Bank member countries on the extent to which global challenges will change the blend between global programs and the Bank's country-level activity in the next 10 to 15 years, even if the Bank's traditional country assistance role remains predominant. Some argue that increased global activity would be required either to enhance development effectiveness or to position the Bank to meet future challenges in a dynamic external environment.

1.16 Several other factors have also contributed to the recent growth in Bank support for global programs. One is the pragmatic search for solutions in the absence of international taxation. Another is the scale economies associated with knowledge sharing and advanced scientific research. Yet another is the explosion in the number of informal networks dedicated to global cooperation and advocacy following the reduction in costs and the increase in efficiency in communications technologies, and the need to provide collaborative platforms to connect governments, civil society, and the private sector. The resource mobilization capacity of the Bank, its unique concentration of development knowledge, and its vast network of relationships with governments, nongovernmental organizations (NGOs), and private corporations provide it considerable convening power and global networking capacity. Potential synergy between the Bank's global and country-level roles is another major factor underlying the rising demand for a Bank role in global program design and implementation in view of its active presence in more than 100 countries in a variety of sectors.

THE BANK HAS RESPONDED

1.17 The Bank's response to these global challenges has produced a broad and diverse set of innovative global programs (box 1.2), the scope and scale of which are described in more detail in Chapter 3. In fiscal 2001, the Bank spent about $30 million of its administrative budget on the activities of global programs (not including regional programs), provided $120 million in grants from the Development Grant Facility (DGF), and disbursed another $500 million from Bank-administered trust funds.[12] This represents about 10 percent of the Bank's gross administrative budget and about 40 percent of Bank trust fund disbursements. Although the amount of related funds leveraged through these global programs is not reliably known, OED estimates that in fiscal 2001, expenditures on the 70 global

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11. In recent negotiations for the replenishment of International Development Association it has been suggested that the governors approve a share of IDA funds to be given as grants. A recent management paper submitted to the Bank's Board proposes IDA grant financing at the country and global/regional levels in the range of 15 to 20 percent of the notional IDA13 replenishment figure of around $22 to $24 billion. If 10 percent of this were allocated to global programs, this would equal the size of the current DGF grant program.

12. See Annex G. The three figures do not generally include management oversight of global programs (by Bank vice-presidents, directors, and unit managers), while they do generally include both program administration and program activities.

Box 1.2. The Bank's Responses to Global Challenges

Applying advanced science to problems of poverty: Consultative Group on International Agricultural Research (CGIAR), Medicines for Malaria Venture (MMV), Special Program for Research and Training in Tropical Diseases (TDR).

Exploiting new communications technologies: Global Development Learning Network (GDLN), Global Knowledge Partnership (GKP), InfoDev, World Links.

Building new networks for assembling and sharing knowledge: Global Forum for Health Research (GFHR), Global Water Partnership (GWP), Program for Education Statistics, Program for the Assessment of Student Achievement, Provention Consortium, Understanding Children's Work.

Bringing new approaches to private sector development: Consultative Group to Assist the Poorest (CGAP), Public-Private Infrastructure Advisory Facility (PPIAF), Solar Development Group (SDG).

Involving the commercial private sector: Global Alliance for Vaccines and Immunization (GAVI), International AIDS Vaccine Initiative, Roll Back Malaria.

Responding to international financial crises: Financial Sector Assessment Program (FSAP), Financial Sector Strengthening Facility, Global Corporative Governance Forum (GCGF).

Responding to trade and capital market liberalization: Capacity Building for Agricultural Trade Policy, Strategy Development and WTO Negotiations, Integrated Framework for Trade.

Responding to conflict and post-conflict situations: Post-Conflict Fund.

Supporting multisectoral responses: Cities Alliance, Partnership for Child Development, UNAIDS.

programs identified amounted to $1.2 billion. By comparison, other major international organizations—United Nations Development Programme, World Health Organization, UNICEF, Asian Development Bank, and Inter-American Development Bank—each administer less than $100 million (World Bank 2001a, table 5A.1, p. 130).

1.18 Comparisons of global program budgets and expenditures with the Bank's net administrative budget of $1.3 billion and the Bank's lending commitments of $17.3 billion are of interest to management and the Board insofar as it may help adjust the allocations to global and country activities over time to maximize the Bank's development effectiveness. But such comparisons currently are not possible owing to limitations in the way data are maintained.[13] Because global programs are a new line of business for the Bank, internal accounting procedures have not kept up with the challenges of managing this growing portfolio.

1.19 For historical reasons, priority setting, oversight, and management of global programs has been shaped by the sources of funding (whether Bank budget, DGF, trust funds, or some combination of the three), and is fragmented. Since January 2000, Bank management has strengthened the framework for managing global programs. (See Chapter 4 and Annex A.) Growth and innovation have certainly been fostered by the increasing use of trust funds. Internal management processes have improved substantially over the past five years for programs funded by the DGF, as have prioritization of global programs in sector strategies, the approval process for new partnerships, and the establishment of a Management Committee to take a Bankwide view of partnerships. Implications of this growth for the management of quality at entry and oversight of global programs with which the Bank is associated, including coherence and consistency across the global portfolio, are explored in Chapters 4 and 5.

13. Unlike in country operations, global program expenditures (whether from Bank budget, DGF, or trust funds) include both program administration and program activities. Global activities include both technical assistance (akin to the Bank's administrative budget) and investment grants (akin to loans). Program documents do not distinguish expenditures arising from the previous year's commitments from present-year commitments.

BUT ISSUES REMAIN

1.20 The questions raised by the Board do not relate so much to whether the Bank should be responding to global issues, but to which ones, how, how much, and with what types of partnership arrangements. In ensuring selectivity, the Board concern has been: Should the Bank emphasize the demonstration of expected benefits in relation to the Bank's core mission? Should alternative sources of supply to deliver comparable benefits be a criterion? Should the use of grants be following a stricter adherence to the principles of subsidiarity (from the Bank's operational policy on grants), arm's length relationship (discussed in Chapter 5), and planned exit expected of them? Is the justification for grant-making limited to cases where substantial cross-border spillovers are involved and, hence, to cases where countries are understandably unwilling to borrow given the limited local and national benefits derived from the activities? Or is grant-making also acceptable where necessary activities involve substantial national or local benefits but are not a priority for country decisionmakers?[14] The advocacy of merit goods such as girls' education seems to be prompted by such considerations. In short, is the need for collective action predicated on the need to *produce* global public goods per se or on *their importance to* the Bank mission and country needs?

1.21 The Board has also questioned whether there is an appropriate mechanism for the identification of high-priority issues for Bank involvement in much the same way that country assistance strategies (CASs) set priorities among a potential array of policy reforms, institutional development activities, and investments in which the Bank engages at the country level. Do management processes help to establish strategic priorities among possible global activities so that the portfolio only includes activities in which the Bank (1) demonstrates a strong comparative advantage; (2) ensures verifiable performance objectives and expected development effectiveness; and (3) institutes a systematic appraisal and Board approval process for new entries (similar to the process now in place for Bank lending)? The Board role in the approval of global programs relative to that of management remains unresolved.

1.22 These questions mirror concerns within the international development community given the stagnation in overall official development assistance (ODA) at the level of $55 billion for the past several years, concurrent with the increasing share of ODA being allocated by donors to global programs, a significant share of this through the Bank.[15] First, from a global welfare perspective, is the marginal product of a dollar spent on global programs sufficiently larger than that of a dollar spent on country assistance to compensate for reduced levels of country-level assistance? Second, are global programs helping to mobilize additional resources for global public goods—whether (1) public non-ODA resources from donor countries, for example, through non-aid ministries or institutions in advanced countries concerned with health or the environment; (2) private largesse, such as obtained through private foundations; (3) foreign direct investment, for example, by the pharmaceutical companies in health programs, or by multinationals with interests in natural resources. Third, is there enough synergy among the global programs—and between global programs and country assistance strategies—to make each more effective?

14. For detailed explanation of what constitutes core and complementary activities see Chapter 2 and Annex B.

15. This is meticulously documented in studies conducted by the Overseas Development Institute and Swedish Development Assistance (Hewitt, Morrissey, and te Velde 2001) and in Bezanson and Sagasti 2001.

2. Context for Assessing Bank-Supported Global Programs

2.1 Applying traditional assessment methods of lending operations to global programs is a challenge because of both Bank processes and inherent aspects of global programs. The Bank's lending operations follow a well-established conceptual framework that is linked to the lending process and lending cycle. The Bank's operational activities are guided by country assistance and sector strategies developed jointly with borrower stakeholders, a process that is transparent and broadly understood. A rigorous project cycle for identification, preparation, appraisal, supervision, monitoring, and evaluation is accompanied by methodologies for ex ante and ex post assessment of economic and social rates of return and qualitative measures of development impact. Evaluation of the Bank's operational activity at the country, sector, and project levels has been refined over 50 years.

2.2 Even so, ranking public investment projects is not easy at the national level. Traditional appraisal methods of social rates of return have been difficult to apply as project objectives have broadened to address social and environmental objectives. Applying those methods to global public programs is far more difficult because of externalities, spillovers, scale economies, and joint products (see Annex B), not to mention the diversity of global program objectives and issues of measurability (see Chapters 3 and 4). The challenge is to achieve quality in the design and implementation of global programs to maximize their impact without raising the cost of doing business with partners or thwarting innovation.[16] From this perspective, the strategic framework for the Bank's global activity is still evolving. Annex A presents criteria and priority areas, provided by the Development Committee, to guide the Bank's involvement in global programs.

WHEN IS GLOBAL TRULY GLOBAL?

2.3 An important challenge for the Bank is to assess when it is appropriate to use grant funds to provide goods and services, through a global program, rather than at the regional or national levels, and when the benefits of partnerships exceed their costs, in comparison with the option of unilateral action. Public goods and merit goods (which some global programs provide) entail complex societal choices, and depend on specific time periods and stages of development (for example, the extent to which markets and technological and institutional infrastructure have evolved). Hence, views on the need for their production, consumption, or provision, and the need for partnership, vary greatly.[17] Technological and institutional change not only lowers costs but may also transform private goods into public goods and vice versa.

2.4 The ideal combination of public, private, and common pool resources needed to achieve development varies over time and space and is situation- and context-specific. Moreover, financing can take place at one level, and organization and management at another. As a multilateral development bank with member countries ranging from the least to the most developed, the World

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16. The challenge is to establish a set of responsibilities and accountabilities for the management of global programs within a systematic framework and in a transparent manner. The system used for the Bank's country lending operations might be used as an analogue. There, the Project Concept Document and Project Appraisal Document provide logical frameworks (log frames) for the identification, preparation, and appraisal of projects. Economic and social rates of return provide selection criteria for investments, sector assistance strategies provide a basis for project identification, and Country Assistance Strategies and Poverty Reduction Strategy Papers provide sector and project priorities. Since the Board discusses Country Assistance Strategies, sector strategies, and projects, the process is relatively transparent and it has clear responsibilities and accountabilities vested in country directors and sector and task managers. The Comprehensive Development Framework increasingly is used to help determine the Bank's comparative advantage relative to other actors.

17. Intellectual property rights issues, for instance, are receiving far greater weight in the United States than they are in Europe.

Bank is in a good position to stimulate operational assessments of the production and delivery of public goods as a guide to decisionmaking. It calls for internal capacity to examine the complex challenges of governance, organization, management, finance, monitoring and evaluation of impact, and the distribution of spillovers involved in publicly funded programs at different levels. These arcane details have profound operational implications for the level at which programs are organized and financed.

2.5 The Bank report on global development finance distinguishes between *core* and *complementary* activities. It defines core activities that *produce* public goods as global and regional programs (for example, vaccine research) undertaken with transnational interest in mind, as well as activities that are focused in one country but whose benefits spill over to others. Next, it defines *complementary* activities as activities to prepare countries to *consume* the public goods that core activities make available (for example, vaccination programs), while at the same time creating valuable national public goods (World Bank 2001a, p. 110).

2.6 The case studies under way for the second phase of this study suggest that such a neat division of labor between the production and consumption of global public goods is not always possible. In some cases, developing countries "produce" the global public good (such as conservation of biodiversity or the containment of communicable diseases), which both they and the global community enjoy. Hence, investment is needed in developing countries for their production (as GEF is doing in a catalytic way for biodiversity conservation), and assessment criteria for the appropriate core and complementary activities need to take account of such spillovers.

2.7 Furthermore, while complementary national efforts in developing countries are often key to either achieving objectives of the global programs (biodiversity conservation or control of communicable diseases) or ensuring developing countries' access to their benefits (agricultural and health technologies, or to make use of "best practice"), they do not always occur. This is why the Bank's role in global partnerships acquires importance: not just for its contribution to the financing of global activities at the level of their secretariats, but also to provide country assistance for complementary national efforts so that developing countries have the capacity to either produce or access the goods and services to be generated, and intended for global benefit.

2.8 The literature on global public goods has highlighted the frequent lack of complementary funding for and by developing countries to support either the generation of global public goods or access to them. Lack of complementary finance also raises the more fundamental issue of whose preferences should matter in the generation of global benefits. The priority developing countries attach to achieving global goals relative to their own internal objectives varies. Borrowers increasingly shape the Bank's country lending programs; hence, the commitment of the Bank's regional managers and Bank borrowers to provide the complementary activities needs to be assessed (see Lele and others 2000). This is why the emerging global support for the Millennium Development Goals is so critically relevant to the Bank's global activity, as Chapter 4 will demonstrate.

2.9 The Bank's upstream analytical and advocacy work is important in developing global consensus on such controversial issues as climate change and the international "development" trade round in much the same way as advocacy work has paved the way for investment in HIV/AIDS programs and the Highly-Indebted Poor Country Initiative (HIPC). A complicating factor in Bank support for global programs is that impetus for the programs comes from a variety of international forums, including the U.N., private foundations, individuals, and NGOs who champion various causes. How to make choices among them is a challenge that has yet to be fully mastered.[18]

STRATEGIC SELECTIVITY CALLS FOR EVALUATION METHODS AND CAPACITY

2.10 In principle, clear appraisals and evaluations of strategic priorities should be the basis for choosing which alternative global programs (and program designs) to finance. In broad terms, each global program should be able to demonstrate its expected impact on sustainable poverty reduction, and its benefits should cover at least the opportunity cost of capital to developing countries, irrespective of whether programs are funded on a loan or grant basis, the principle followed for IDA credits.

2.11 Improved Bank criteria, processes and standards for appraisal at entry, monitoring during implementation, and ex-post independent evaluations are needed to enhance the development effectiveness of public sector programs; to make choices about the appropriate level for a program (global, regional, or national); and to assess whether the costs of a partnership are outweighed by its benefits. Since methods and practices to assess impacts are underdeveloped, particularly in environmental, human, and institutional development areas, indicators of performance would be enhanced with the Bank taking the lead in such efforts. In particular, evaluations of ongoing programs such as the CGIAR, ESMAP, GEF, and others can help to generate reliable quality assurance methodologies.

CONCLUSION

2.12 Choices among rules and among programs are a critical strategic issue for prioritization and selectivity. Which global, regional, and national public goods issues are likely to achieve the greatest global good in a complementary way, and what are the likely measurement issues in the collective action problems associated with them? What is the probability of success? A clear strategic framework combined with systematic Bank procedures for ex ante and ex post analysis of programs would go a long way in enhancing the quality of the Bank's global portfolio and in facilitating concentration of efforts in areas where the Bank is justified in focusing its limited budget and human resources, and its ability to mobilize outside resources and team up with partners.

18. Like investment projects, global programs have a cycle: identification, preparation, design, negotiation, implementation, and monitoring and evaluation. These issues are discussed in Annex C.

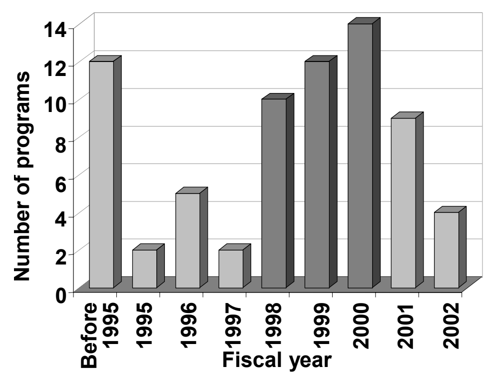
3. Overview of the Bank's Portfolio of Global Programs

THE NUMBER OF PROGRAMS HAS GROWN, BUT GROWTH HAS SLOWED

3.1 The majority of the 70 global programs the Bank currently supports are less than five years old (though 12 programs are 10 to 30 years old).[19] During the period of the Strategic Compact, Bank management recognized the need for increased involvement in global programs and rightly encouraged partnership, innovation, and flexibility in its approach to such programs. The result was a notable increase in the number of new program starts in fiscal 1998 through 2000 (figure 3.1).

3.2 With an additional $250 million over a three-year period provided under the Strategic Compact in 1997, Bank management undertook to deliver a fundamentally transformed institution—quicker, less bureaucratic, more able to respond to changing global development opportunities, and more effective and efficient in its main mission of reducing poverty. This created an entrepreneurial environment that encouraged staff to work with partners, including NGOs and the private sector. At the same time, new initiatives were launched to "dismantle bureaucratic inertia and hierarchy" and to add a distinct "Knowledge Bank" dimension to the traditional "Money Bank." Initially, in order to encourage creativity and innovation, new initiatives and partnerships, Bank management consciously refrained from imposing a rigid top-down strategic framework for the Bank's involvement in global programs.

Figure 3.1. Programs Increased During the Strategic Compact



New global program starts

Source: OED data.

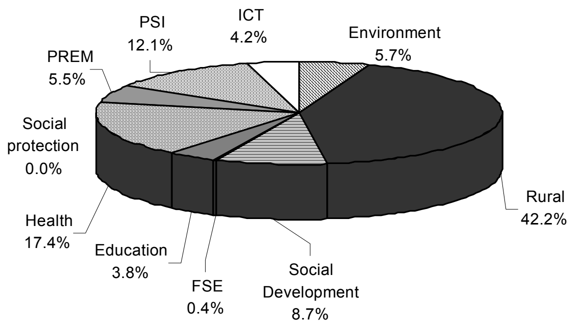
3.3 With the tightening of budget resources that accompanied the completion of the Strategic Compact, a more systematic approach has been put in place to help direct innovation more strategically. In fiscal 2001, management unveiled a new framework for overseeing global and regional programs and partnerships. The greater selectivity resulting from the framework, together with the budget constraint, has reduced the number of new global program starts in fiscal years 2001 and 2002 (figure 3.1). Thus, a transition toward a more rigorous oversight and management regime for global programs is under way. This evaluation concludes that it should be accelerated.

ESSD AND HDN DOMINATE IN NUMBERS, BUT GEF AND CGIAR IN SIZE

3.4 The Environmentally and Socially Sustainable Development Network (ESSD) and the Human Development Network (HDN) have the largest number of programs—23 and 22 programs, respectively—followed by the Private Sector and Infrastructure Network (PSI), with 13 programs. The rural sector (CGIAR) and health dominate in DGF allocations (figure 3.2). Environment, rural, and health are the top three in total expenditures (figure 3.3).

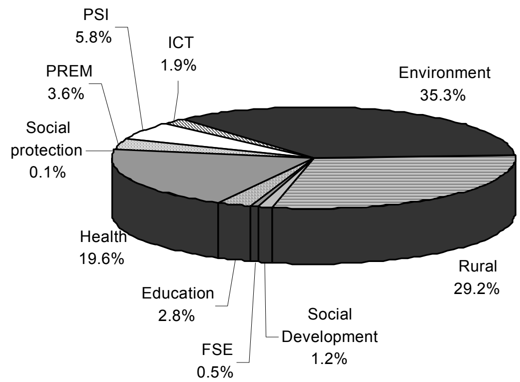
19. The 12 programs that started before 1995 are the CGIAR (1972), TDR (1975), the Water and Sanitation Program (1978), ESMAP (1982), the Small Grants Program (1983), the Foreign Investment Advisory Service (1986), HRP (1988), the UN ACC Subcommittee on Nutrition (1990), the GEF (1991), the Montreal Protocol (1991), the Global Micronutrient Initiative (1992), and the Partnership for Child Development (1992). See Annex D for more details.

Figure 3.2. Rural and Health Sectors Are Prominent in DGF Allocations to Programs (FY02 figures)



Source: DGF Secretariat.

Figure 3.3. Environment, Rural, and Health Sectors Are Prominent in Overall Expenditures (FY01 figures)



Source: OED data.

3.5 The overall funding for global programs is dominated by two large and mature programs—the CGIAR (Consultative Group on International Agricultural Research) and the Global Environment Facility (GEF)—both in the ESSD Network. The first and largest global program funded by the Bank, the CGIAR was founded in 1971, had expenditures of $330 million in fiscal 2001, and received $50 million from the DGF (42 percent of all DGF allocations to global programs), $84 million from Bank-administered trust funds, and the remainder from other donor co-financing. The GEF, founded in 1991, is an independent agency housed in (but not managed by) the Bank, has its own governing council and is responsible for implementing international conventions on the environment. It had expenditures of $354 million in fiscal 2001, all from trust funds. The Bank is both trustee of the GEF trust funds and the largest of three implementing agencies (UNDP and the UNEP are the other two). Both programs are internationally well known and have a distinguished history of documenting their activities and some of their impacts.

3.6 Even when these two programs are excluded, the ESSD Network (comprising the environment, rural development, and social development departments) is still the largest Network in terms of DGF allocations and Bank-administered trust funds, but the PSI Network ranks a close second, and the HDN Network third. Without the CGIAR, the rural development sector becomes one of the smallest sectors. (See Annex G.)

DIVERSITY IN WHO MANAGES COMPLICATES STRATEGIC MANAGEMENT

3.7 Of the 70 global programs, 40 are managed outside the Bank and 30 are managed either completely or partially inside the Bank (table 3.1). There are striking differences among the Bank's Networks in the extent of external and internal management. This reflects in part the variable presence of other international organizations active in the various sectors. In the Human Development Network, 6 out of 7 education programs and 11 out of 13 health programs are managed outside the Bank, 5 of these in the World Health Organization. Eleven of 13

Table 3.1. Management of the Bank's Global Programs

	DGF-supported programs	*Non-DGF programs*	*Total*
Externally managed	26	14	40
Internally managed without secretariat	10	8	18
Internally managed with secretariat	7	5	12
Total	**43**	**27**	**70**

Source: OED data.

programs in the PSI Network and 9 of 23 programs in the ESSD Network are managed inside the Bank.

3.8 Of the 40 programs managed outside the Bank, 20 are housed in other multilateral organizations (principally U.N. organizations and the OECD), 7 in independent organizations incorporated as legal entities, 4 in northern NGOs, 1 in a southern NGO, 5 in northern universities, 1 in a southern research organization, and 2 in developing countries.[20] These 40 programs represent about 60 percent of the total expenditures of global programs in fiscal 2001.[21]

3.9 Of the 30 programs managed completely or partially inside the Bank, 18 are managed as part of a Bank unit without a distinct secretariat and 12 have their own dedicated secretariat headed by a program manager (a unit manager or department director). Of these 30 programs, one is jointly managed with the World Wildlife Fund, one with the International Monetary Fund (IMF), one with the UNDP, and two with independent legal entities.[22]

3.10 A potential conflict of interest arises when the Bank provides grant resources while handling the secretariat. The direct responsibilities associated with the 30 programs managed in-house are larger than for those programs managed externally or spun off. Yet, reputational risks are substantial even when the Bank is only a "joiner" and provides resources at arm's length or has spun off programs. It has been a "joiner" in health, for example, and is an important lender to the health sectors of developing countries, and the public perceives its involvement as providing a "Good Housekeeping seal." It has been an initiator of several information and communications technology (ICT) programs, one of which has been spun off. Similarly, Bank support may be viewed as an implicit guarantee that the Bank will mainstream in its lending operations the principles adopted by the partnership (e.g., CGAP principles for microfinance operations) and will expand lending in that sector. In practice, the speed and extent of such mainstreaming has been mixed.

DIVERSITY OF FUNDING SOURCES COMPLICATES TRACKING OF EXPENDITURES

3.11 The funding for Bank-supported global programs comes from four major sources: the Bank's administrative budget, the DGF, Bank-administered trust funds, and other donor co-financing (not flowing through Bank trust funds).[23]

3.12 Because global programs have grown rapidly only recently, the Bank's programming, budgeting, and accounting systems for global programs have not yet lived up to the standards of the Bank's country assistance activities. They do not include budget lines or flags to identify global activities and do not call for centralized tracking of financial data, except for DGF and, to an increasing extent, trust funds.[24] Hence, while the data on DGF allocations are complete, and those on trust funds are good, it has proved impossible for OED to determine accurately how much of the Bank's administrative budget has been spent on global programs. Donor co-financing that does not

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20. See Annex D.

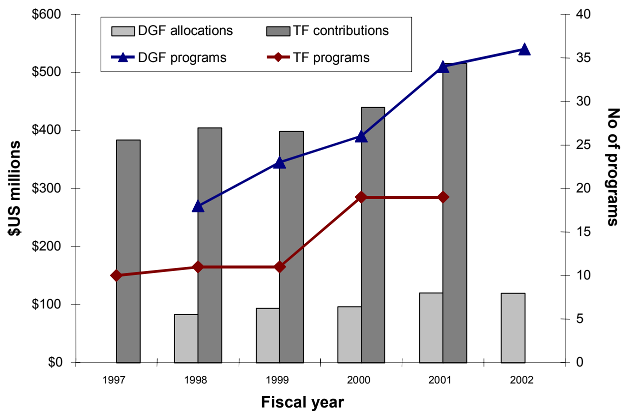
21. The GEF is externally managed, and therefore included in the 40 programs.

22. World Links and the Development Gateway. These demonstrate that "in-house" refers to management and not governance, and that the incorporation of a global program as an independent legal entity does not necessarily imply that the program is being managed externally from the Bank.

23. Other, smaller sources of funding include in-kind contributions (such as office space, staff exchanges, and secondments) and contributions of clients, beneficiaries, and participants. See Annex G.

24. Trust Fund Operations manages a database on trust fund contributions since fiscal 1997 and on disbursements since fiscal 2000. While broadly accurate, these do not always reconcile with task manager reports and with SAP.

Figure 3.4. Trust Funds Have Become Important Contributors to Global Programs



Source: DGF and TFO data.

flow through Bank-administered trust funds, and therefore also the Bank's share of total donor expenditures on global programs, is unknown. (See Annex G.)

3.13 DGF allocations to global programs increased from $83 million to $120 million between fiscal 1998 and fiscal 2002, and trust fund contributions increased from $383 million to $515 million between fiscal 1997 and fiscal 2001 (figure 3.4).

3.14 All but 4 of the 70 programs are partnerships. Those that do not involve institutionalized partnerships with shared governance arrangements include the Small Grants Program, the Post-Conflict Fund, the Foreign Investment Advisory Service (FIAS), and Global Development Learning Network (GDLN). OED retained these in the 70 programs because the Networks view them as global programs, because they are supported by the DGF (Small Grants and Post-Conflict Fund), or because they are potentially providing regional or global public goods (Post-Conflict Fund, FIAS, and GDLN).[25]

WHAT ARE THE PROGRAMS DOING?

3.15 Many global programs have multiple objectives, and lack clarity and focus. Others appear to be ambitious in relation to the available resources. There are also examples of good practice in the definition of objectives, such as the Millennium Ecosystem Assessment, and in matching objectives with the availability of funds, such as the Prototype Carbon Fund. (See Annex H and box 3.1.) Their benefits (and spillovers) accrue at numerous levels, and the programs can be classified in many ways.

Box 3.1. Grant Applications: Activities Not Always Clear, or Always Connected to Objectives

Ideally, the objectives of global programs should be clear, focused, and realistic, and the activities should follow from their objectives and result in monitorable outputs. In some program applications submitted to the DGF, however, it is difficult to discern the distinction between objectives, activities, and outputs. Some indicate activities in broad terms without focusing on how these would be achieved. In others the outputs are either not measurable or seem unrelated to the program objectives. Several of the programs include reports, studies, and conferences as measurable outputs without indicating who the audience is and how these will achieve the program objectives. Performance indicators and monitorable targets are often poorly defined, and it is difficult to tell what progress is expected to be achieved.

Overall, the information provided, even in some successful program applications, is too limited and pro forma to assess the merit of the programs. Applications appear to reflect an expectation that there would not be a serious review of program objectives, design, or implementation or even an application of selection criteria. This is not surprising since the DGF reviews programs largely for their adherence to the grant-making criteria and not for their quality, which is the responsibility of the Networks. The Networks too have indicated that they do not look to the DGF for quality assurance or enhancement.

25. The Small Grants Program may not meet the criteria for a grant program (OED 2002), as discussed further in Chapter 5. The Operations Evaluation Group of the IFC and OED jointly completed a highly complementary independent evaluation of

OED has attempted to classify objectives based on their principal thrust. The biggest challenge is to determine the range of their spillover effects—that is, whether their benefits are likely to be largely global, regional, national, or local—an issue that is crucial for financing, but often ambiguous.

3.16 **Not all global programs' objectives involve provision of global public goods.** Bank-supported global programs reflect a concern for the undersupply of a variety of goods of high marginal social value, whether public or private, rather than simply global public goods. (See Annex B.) For example, a single program may include research and technology generation, training and information, institutional development, and policy reforms. Even when objectives are global, the activities carried out may be national or even local. Hence, classification of programs by declared objectives is ambiguous, and the results are not always consistent with those reached when programs are classified by their activities. With these caveats, Bank-supported global programs appear to be involved with one or more of the following:

- **Global public goods** such as agriculture and health research, mitigation of climate change, conservation of biodiversity of global value, containment of certain communicable diseases,[26] assurance of international financial stability, and implementation of international trade rules.
- **National public goods with potential regional spillovers** such as water resources management, biodiversity of national and regional value, containment of local communicable diseases,[27] reduction of high human fertility, post-conflict reconstruction, and financial sector reform.
- **National public goods without significant spillovers** such as improving the climate for private sector investment,[28] improving public sector governance in specific countries, enhancement of rural energy supplies, water supply and sanitation, and microfinance.
- **Merit goods,** generally private goods, the production or consumption of which is subsidized due to their high social value—increasing access of girls to primary education, focus on early child development, school health programs.

Annex I provides OED classification of the 70 programs, based on information regarding the extent of spillovers and the level and type of program activities.

3.17 As shown in table 3.2, the largest number of programs falls in the category of national public goods with potential spillovers. Programs providing national public goods without spillovers tend to be distinguished from programs providing merit goods by the potential focus of the former on national-level policies and reforms.

3.18 Almost all programs (65 out of 70) are engaged in global networking activities and 46 programs are providing country-level technical assistance (figure 3.5). Global networking includes one or more of the following activities: advocacy, donor coordination, facilitating communication among stakeholders, creating and sharing knowledge on best practices, and brokering development

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FIAS in September 1998. Whether these programs would benefit from a more institutionalized partnership with shared governance arrangements is not clear at this stage.

26. For example, the Consultative Group on International Agricultural Research (CGIAR), Special Programme for Research and Training in Tropical Diseases (TDR), the Special Programme of Research, Development and Research Training in Human Reproduction (HRP), Prototype Carbon Fund, GEF, Montreal Protocol, and UNAIDS.

27. For example, several forestry and water programs, Global Alliance for Vaccines and Immunization (GAVI), Roll Back Malaria, and Stop TB.

28. For example, the Foreign Investment Advisory Service (FIAS) and Public-Private Infrastructure Advisory Facility (PPIAF).

Table 3.2. What Are the Programs Doing?

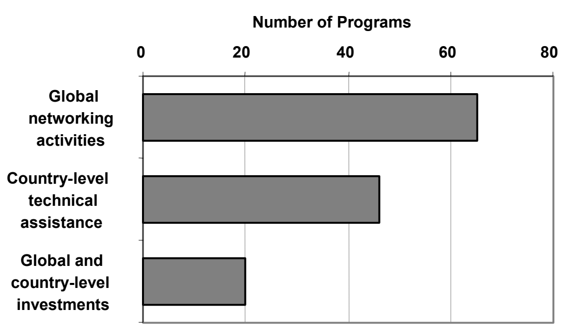
Network/sector	Global public goods	National public goods with potential spillovers	National public goods without spillovers	Merit goods
Environment	7	4		
Rural development	1	4	2	1
Social development		1	1	2
Financial sector	1	3		
Education		4		2
Health, nutrition & population	4	5	4	
Social protection			1	1
PREM Network		3	2	
PSI Network		1	9	1
ICT programs[a]		5	1	
Total	13	30	20	7

a. The ICT programs include six programs overseen by four networks: Development Gateway, Digital Opportunity Task Force, Global Knowledge Partnership, Global Development Learning Network, InfoDev, and World Links.

Source: OED data.

activities or projects. Country-level technical assistance includes upstream diagnostic and advisory services, assisting national-level policy and institutional reforms, and capacity building. All but four programs providing country-level technical assistance are also engaged in global networking activities.

Figure 3.5. Program Activities



Source: OED data.

3.19 Only 20 programs are providing global and country-level investments. These include new products and technologies at the global level (CGIAR and the health research programs), environmental investments at the county level (the GEF, the Montreal Protocol, the Critical Ecosystems Partnership Fund, and the Global Mechanism to Combat Desertification), social investments at the country level (the Post-Conflict Fund), and investment finance (the Prototype Carbon Fund and the Solar Development Group).

3.20 **Many programs are involved in knowledge management** and are potentially providing a global public good. A survey of Bank operational staff working on areas in which global programs are operating cite knowledge creation and global consensus on best practice as potentially the most useful contribution the global programs could make, followed by the development of new products and technologies.[29] But without clear performance indicators for knowledge management, it is not easy to assess the development effectiveness of these activities. In the absence of indicators, the frequent labeling of programs as knowledge generation and dissemination networks raises questions about the extent to which they are actually providing low-cost connectivity systems to generate or disseminate high-quality and relevant knowledge.

29. See Annex S.

3.21 The case studies in the second phase of this study will explore whether the programs are constructing resilient networks among developing countries to meet their perceived needs. Are developing countries learning from each other? Are they working with north-south networks involving donors and individual developing countries? Are networks associated with global programs a useful way to achieve spillover of relevant knowledge across programs, and, if so, is it occurring? Is the information relevant, high quality, and accessible? Does the value added by global and regional programs exceed that achieved by a similar national program? Is cross-country experience usefully transferred? Is public sector financing needed to achieve this? Are networks of developing country nationals effectively developed? Do these networks need to be sustainable, and will they be sustained?

3.22 The Bank's *World Development Report, 1998/99: Knowledge for Development*,[30] distinguished between codified knowledge—such as data sets, which are easy to transmit and use—and tacit knowledge—which is costly to codify but important for development.[31] It acknowledged that the transfer of tacit knowledge can be problematic owing to the difficulty of (1) transferring the "how to" information, (2) applying knowledge to local circumstances, (3) identifying critical factors to the adaptability of transferred knowledge, and (4) ensuring that transferred knowledge is appropriately applied to assess development impact. Subsidiarity, mainstreaming, and amplifying the voices of nationals become relevant considerations for the design, organization, and financing of global programs. Programs labeled as favoring empowerment, security, and social inclusion pose similar issues.

3.23 The concepts of aggregation technologies for global public goods articulated in the literature are useful tools in the design of governance, organization, management, and finance as they relate to the objectives of specific programs. These aggregation technologies (described briefly in box 3.2) include pooling resources for a "best shot," shoring up the "weakest link," and achieving results by the equal contribution of all or by the weighted sum of contributions.

3.24 **What the global programs are not doing is equally important.** While the Global Environment Facility and the Montreal Protocol are implementing international conventions, and several programs claim to either help establish informal standards (for example, in forest management and dams) or to implement them, only a few Bank-supported programs are involved in helping to establish new rules and standards responsive to developing countries, particularly programs to help developing countries participate effectively in the negotiation of new rules and standards to help level the playing field are largely absent. The Integrated Framework for Trade scheme is a laudable exception. Developing country policymakers have suggested to OED that the Bank needs to be more proactive in these areas.[32] As the experience of Bank country assistance has shown, and at the global level too, a poor policy environment reduces the returns to global investments. The forthcoming meta-evaluation of the CGIAR argues that returns to international investments in germplasm research are very high. They would be even higher, and incentives for investment in agricultural research by developing countries greater, but for the impact of OECD agricultural subsidies. Hence, the Bank's

30. See also McDermott (1999), Standing (2000), and Samoff and Stromquist (2001).

31. Even in codified knowledge there are huge problems of comparability across units unless the data are collected using similar concepts and definitions. The FAO and nationally published data on the national forest cover and changes in it provide a good example. (See Lele and others 2000). The same is true for cropped areas and production, for which international data sets have been available for a long time.

32. Recently the Bank's Rural Development Department has started a program to improve the capacity of developing countries to analyze and eventually to participate more effectively in the negotiations of international trade rules for agriculture. With OECD subsidies that amount to $1 billion a day, trade restrictions on processed agricultural commodities from developing to OECD countries and phyto-sanitary standards that resemble non-tariff barriers, this is an important trade agenda for developing countries.

Box 3.2. Aggregation Technologies Can Help Determine Whose Voice Should Count in the Organization and Management of Global Public Goods Programs

Best-shot technologies are those in which partners pool their efforts to achieve the best possible collective outcome from the best individual effort. In the development of a vaccine or technologies requiring high science, therefore, scientists should have a major role in determining the probabilities of success and implications for allocation of resources. In reality, however, the voices of donors seem to outweigh those of scientists in some cases and this situation can change over a program's history, an issue the Phase 2 case studies are looking into further.[a]

Weighted sum technologies are those, such as mitigating climate change, in which the marginal impact of each contributor to the collective outcome varies and equals the weighted sum of the individual efforts. Hence, the voice and the roles of the big contributors (OECD countries) in emission control matter to global outcomes.

Summation technologies are those in which the marginal impact of each contributor is equal.

Weakest-link technologies are those, such as controlling communicable diseases, in which the global collective outcome cannot be achieved until it is achieved in countries least able to deliver the outcome. In these cases, the participation; role; and voice of poor, borrowing countries are very important.

a. The recent evaluation of GEF, Overall Performance Study 2 (January 25, 2002, pp. 105-107, para. 401-410), finds that the role of the scientific and technical advisory panel is weak, and the forthcoming meta-evaluation of the CGIAR points out reasons for the declining role of the technical advisory committee in CGIAR allocation decisions over time.

planned initiatives to increase the capacity of developing countries to analyze and negotiate agricultural trade are welcome.

WHO BENEFITS?

3.25 In almost all cases, task managers of global programs say that the **direct beneficiaries** of global programs are intermediaries.[33] At the national level in developing countries these beneficiaries include local and national officials in various sectors, researchers and data managers, private entrepreneurs, and NGOs. At the international level, they include the staff of the World Bank, IMF, UN agencies, bilateral and multilateral agencies, international and national NGOs, and private enterprises. Their benefits include gaining new knowledge for the design of their own assistance strategies; improved analysis of their own experience; capacity building; increased access for donors, international institutions, and NGOs to World Bank decisionmaking processes and increased access to developing countries' institutions and policymakers; increased knowledge of the development processes; increased opportunities for financing; improved tools; and databases.

3.26 Regardless of the nature of individual programs, task managers say that the **indirect beneficiaries** are the poor in developing countries. Stated benefits include enhanced capacities; increased accountability; improved leadership; increased political commitment to development; improved policy and management environment; improved involvement in international networks; improved dialogue among stakeholders; access to financial resources and energy; improved connectivity, knowledge, and tools; organizing frameworks for financial, human, and natural resource management; increased access of populations to finances, information, educational, health, and technological information and facilities; and improved data, research, and safety. The connection between indirect and direct beneficiaries of the programs is not easy to establish but is nevertheless critical to determining how such programs can help enhance achievement of the Bank's poverty alleviation mission. OED's review of available evaluations of the programs suggests that this interface

33. This summarizes the responses to an open-ended question on OED's survey of the Bank's task managers of global programs. See Annex J.

has not been sufficiently explored. Hence, the Phase 2 case studies are exploring the linkages between the stated program objectives, activities, outputs, outcomes, and expected impacts.

IT IS HARD TO DISTINGUISH PARTNERS FROM PARTICIPANTS

3.27 Partnership involves formation of collaborative relationships between agents working toward mutually agreed objectives involving shared responsibility for outcomes, distinct accountabilities, and reciprocal obligations. Strategic and programmatic oversight of partnerships is administratively demanding given the wide-ranging nature of partnerships. Even though partnerships have grown, systematic assessments of partnership performance is lacking, even in industrial countries (Rosenau 2000).

3.28 The organizational structure of global programs varies greatly. For instance, the CGIAR has grown from 18 members when it was founded (none of them developing countries), to 58 members in 2002, including 22 from developing countries, a sign of its success and the increased sense of ownership among developing countries. The entire membership participates in decisionmaking based on consensus. But membership does not necessarily translate into an effective voice for developing countries. It is often hard to determine who is a partner and who is a participant in a global program owing to the range of terms—member, stakeholder, contributor, shareholder, investor, implementer—used to describe program affiliation. Membership and partnership requirements vary greatly. In the CGIAR, NGOs and private sector members are on the executive council but do not contribute membership fees, though member countries, international and regional organizations, private foundations, and bilateral donors do pay.[34] The Bank has played varied roles—initiator, convener, joiner, financier, manager, trustee—in forming these partnerships. It is on the governing board of about 50 of the 70 programs.

3.29 Programs range widely in their authorizing environment, degree of formality, and compromises made in reaching governance and management arrangements. The GEF is the financing mechanism to facilitate implementation of several formal international environmental conventions. The Bank's role as a trustee of global programs is likely to increase, as in the case of the Global Fund for AIDS, Tuberculosis, and Malaria (ATM). Whether the Bank should also be a governor, manager, or implementer of the fund is still to be determined. Other programs have charters (for example, Cities Alliance and the Public-Private Infrastructure Advisory Facility) or memoranda of understanding (Prototype Carbon Fund, Global Integrated Pest Management). Most have no legal persona. Only 10 programs are legal entities congruent with the program (among them, World Links, Development Gateway Foundation, and Global Development Network). Annex D shows the institutions with which the Bank is partnering. Governance and management of the programs varies considerably, not simply in the degree of formality, and clarity of structures and functions, but also in such intangible and informal characteristics as organizational culture and history. Some programs scarcely distinguish governance from management. There can be ambiguity regarding to whom the programs are accountable for their performance and impacts.

3.30 A survey of the task managers of global programs regarding the roles of developing countries suggests that the donors drive the agenda, design, and governance of the programs they fund. Developing countries have far less voice in governance and management. The task managers indicate in

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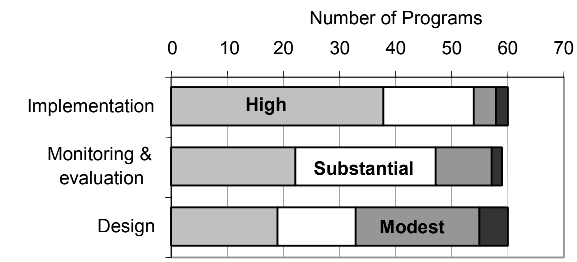
34. Even a major systemwide review of the CGIAR system, popularly known as the Strong Review, which made a variety of recommendations on governance and management of the system, did not make a clear distinction between the roles members should be expected to play as distinct from "stakeholders" in the management of a major program such as the CGIAR.

Figure 3.6. Task Managers of Global Programs Indicate Developing Countries Have Less Voice in Design, and Are Largely Program Implementers



Source: OED data.

their survey responses that, for the most part, developing countries are "participants," that is, intermediaries who help to implement the program, generally at the country level (figure 3.6).[35]

3.31 While donors drive global programs, they also seek World Bank involvement as a proxy for developing country involvement.[36] This has sometimes led to a more dominant role for the Bank than might be appropriate and may even have resulted in different priorities or program design than if the countries had been consulted directly. Ways must be explored to increase the participation of developing countries in the identification, selection, design, management, and appraisal of global programs. This may involve creating a differential membership fee structure, greater representation in the governance and boards of global programs, a "mentorship" model (a developed country taking responsibility for financing active participation of a developing country since lack of resources for participation tends to be a problem), and partnering with the U.N. system, where developing countries have greater representation. Phase 2 case studies are exploring whether programs that have followed one or more of these approaches have ensured more effective voice for developing countries.

3.32 As predicted by collective action theory, an inverse relationship exists between the size of the group and the focus and accountability for results. Partnerships involving limited numbers and with private foundations in control often have clear, focused, and results-oriented objectives.[37] Partnerships with large memberships and public sector and civil society involvement reflecting a variety of social, political, and environmental objectives, however, are often associated with "mission creep."[38] Reaching consensus on goals and priorities in such groups becomes difficult and often results in overlaps and delayed decisions. Presumably the time taken to reach consensus increases relevance and effectiveness and, hence, the benefits of participation can outweigh the costs. But this is not invariably the case and "capture" by a small but motivated group of stakeholders can affect not only individual programs but also the time and resources expended to develop entire sector strategies, as occurred with the Bank's forestry and water strategies.[39] The result can be delays or even withdrawal from an entire subset of Bank activities and an adverse effect on the Bank's ability to achieve its poverty reduction mission.

3.33 Whether this participatory approach is increasing the Bank's ability to make urgently needed investments, manage resources effectively, and alleviate poverty is as yet unclear. The Phase 2 study is examining the issue. A majority of stakeholders, including the Bank's borrowing countries, believe that

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35. See Annex R for OED's survey of the Bank's task managers of global programs.

36. Some Bank staff have pointed out that donors sometimes consider the World Bank to be representing developing countries, but developing countries do not necessarily consider this to be equivalent to their participation.

37. This was the case with the early centers of the CGIAR, which were funded by the Ford and Rockefeller Foundations, and it seems to be the case with the programs now funded by the Gates Foundation.

38. The recent evaluation of the GEF, Overall Performance Study (OPS) 2 (January 2002), finds that GEF mandates have increased over time and that "GEF has become a multi-convention financing mechanism, with growing responsibility under each of them." The evaluation suggests, "some caution is advised in taking on any new round of activities from the same convention before the potential effectiveness of the current enabling activities have been fully assessed."

39. See Lele and others 2000 and OED 2001b.

the Bank should be more proactive. The CGIAR is wrestling with many of these challenges in its recent Change Management effort.[40]

3.34 While they promote innovation through increased access to donor trust funds, partnerships also generate conflicts of interest and ethical issues. Bank management has recently endorsed a process developed by the PSI Network for assessing the risks associated with private sector partnerships. (See Chapter 4.) But the Bank lacks similar guidelines for partnerships with NGOs and private foundations, and for the involvement of current and past Bank staff in global programs. The Bank also has not applied the same standards for avoiding real or apparent conflicts of interest with partners in the design of its global programs as it does in its lending operations. The sharing of responsibility, accountability, and risks varies greatly among partnership programs, and is not sufficiently spelled out and understood by all partners in a transparent manner. According to managers and staff interviewed by OED, the Bank may be taking an undue share of responsibility and risks in some programs. OED has noted that the oversight of programs, the use of disclosure policies, routine reporting requirements, and regular independent evaluations for feedback to management and the Board are of variable quality and standards.

3.35 Some important issues that Phase 2 is exploring include: are partnership costs justified by the benefits? What value do different partners add? For what programs are the benefits of partnerships greater than the costs? Is there adequate voice of developing countries in the selection, design and implementation, and monitoring and evaluation of global programs? To what extent should the Bank use partnership as an effective instrument for poverty alleviation and social development, and under what conditions should the Bank become a partner or a participant? The case studies on global programs will address these issues in greater detail.

SUMMARY FINDINGS

3.36 Five conclusions follow from this analysis. First, in terms of numbers of programs, many programs' stated objectives address country-level issues, such as best practices, national policies and regulations, improved provision of goods and services, and the capacity to utilize new products. Second, many programs say they are providing country-level technical assistance, and by providing knowledge on best practice are supporting the provision of national and local public goods. Third, in terms of funding, a large share of the financial resources is going into the development of new technologies (CGIAR) and management of global commons (GEF). Fourth, program activities are often not well related to program objectives and there is lack of clarity on expected impacts. Fifth, clarity in the concepts of partners and participants is crucial for assessing issues relating to governance and management of programs, and risk management.

40. This will be covered in the forthcoming meta-evaluation of the CGIAR.

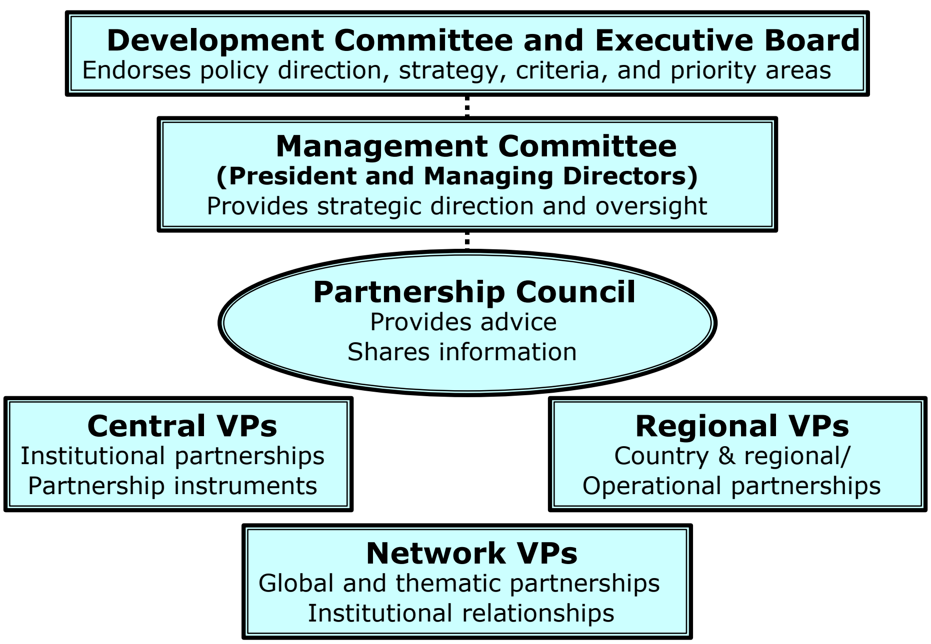
4. Assessment of the Bank's Strategic and Programmatic Management of Global Programs

THE BANK HAS A NEW POLICY AND INSTITUTIONAL FRAMEWORK FOR GLOBAL PROGRAMS

4.1 The Bank has made substantial progress over the past four years in establishing an institutional framework for managing its involvement in global programs. The key events during the past four years are presented in Annex A.

4.2 The management framework is shown in schematic form in figure 4.1. Managing directors are responsible for providing strategic direction and oversight, and vice-presidents and managers are responsible for operations at the Network level. While the idea for a new global program may come from anywhere outside or inside the Bank and may be promoted within the Bank by anyone (whether a Board member, the president, a senior manager, or a staff member), once a new global program moves beyond the concept stage, the sponsorship of the program must find an institutional home somewhere in the Bank. For global programs, this is generally one of the Network Vice Presidential Units (VPUs), and for regional programs, one of the regional VPUs.[41]

Figure 4.1. Bank's Institutional Framework for Global and Regional Partnerships



41. Central units may also have responsibility for global programs—DEC has three programs (Global Development Network, Partnership in Statistics for the 21st Century, and Integrated Framework for Trade) and WBI has three (Global Development Learning Network, Global Knowledge Partnership, and World Links). Management responsibility for implementing World Links is actually shared between World Links (an NGO) and WBI. The Information Solutions Group (ISG) has responsibility for the management of the Development Gateway. While the Development Gateway has "exited" the Bank, the Development Gateway Foundation has a management contract with the Bank that has been assigned to ISG.

4.3 Since the Board presentation on April 28, 2000, but effectively since November 6, 2000,[42] vice-presidents have been required to refer all **major new** partnerships for approval to their respective managing directors at the concept stage—before the programs are fully developed and the Bank makes a firm commitment to partners.[43] Vice-presidents retain the discretion not to refer new partnerships to managing directors for approval where there is minimal involvement of the Bank's resources or reputation, but they are required to do so for all DGF applications for new programs, for all new global and regional trust funds, and for all new private sector partnerships. After managing director approval, the VPU is authorized to secure and sign agreements with other partners and to mobilize resources (Bank budget, DGF, trust funds, in-kind contributions).

4.4 The Partnership Council, composed of vice-presidents who are especially active in partnerships and chaired by a managing director, has two major functions. It is a clearinghouse for information on the Bank's global and regional partnerships and it provides advice to individual managing directors and the Management Committee on issues relating to partnerships. The group's Partnership Approval and Tracking System (PATS), launched in December 2001, aims to integrate several partnership-related processes into one business process—(1) the initiating concept note for seeking managing director approval, (2) the DGF application process, (3) the initiating brief for trust funds, and (4) the risk assessment and approval process for private sector partnerships—and to provide a central depository of accurate and up-to-date information on the Bank's global and regional partnerships.

4.5 The Network VPUs are responsible for preparing new programs, overseeing ongoing programs, and managing programs that are housed in the Bank. This includes integrating all partnership activities in the annual business planning process, sponsoring applications for DGF grants; initiating, approving, and managing trust fund agreements; allocating Bank budget resources; and applying for resources from the Global Public Goods Fund (see para. 4.32). Network VPUs are also responsible for an annual review of all the partnership programs managed within their purview based on a clearly defined partnership strategy and including decisions about whether to maintain or to exit from individual programs. Such reviews involve considerations that extend beyond the Bank's internal management or financial contribution to a program. Since many programs involve complex relationships with other international agencies, bilateral donors, and other actors, signals by the Bank about the reasons for its exit can have profound effects on a program. The nature of the exit—whether financial or from its governance and management—the continuing relationship with the program, if any, and the linkage with other Bank activities all need to be considered in the context of a policy cycle and of the Bank's comparative advantage and roles at different stages of the cycle.[44]

4.6 The responsibility of VPUs for global programs is distinct from the responsibility of Sector Boards and Network Councils for prioritizing proposals for DGF funding. (See Chapter 5 and Annex L.) Thus, the Education Sector Board and the Human Development Network Council sponsored the World Links program and the PREM (Poverty Reduction and Economic Management) Council sponsored the three DEC programs in fiscal 2001. The Development Gateway and the Partnership for Capacity in Africa (PACT) were exceptions in fiscal 2001 that were not reviewed by Sector Boards and Network Councils under the regular DGF rules.

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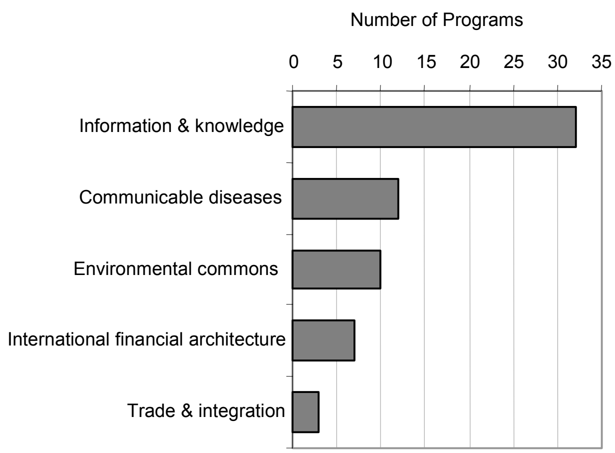
42. Internal memorandum from Sven Sandstrom to all vice-presidents.

43. DEC and OED are exceptions. The DEC vice-president is a managing director and OED reports directly to the Board.

44. See Annex B for a discussion of the policy cycle.

4.7 Some confusion remains about the role of the central vice-presidencies relative to the Networks for quality assurance and enhancement. Management noted that Bankwide Corporate processes play a strong role in the oversight of partnerships, including for funding and where needed for legal agreements, Memoranda of Understanding. Relevant central units in Resource Mobilization and Cofinancing, Legal, Strategy and Resource Management, Operations Policy and Strategy and Controllers exert ***quality control*** in these structural aspects of partnership, guided by the Bank's operational policies. Central units also contribute to relationship management and knowledge sharing. *Management further noted that quality control of these institutional aspects is a key part of Management responsibility for guiding the Bank's agenda and protecting its reputation and convening power.* OED's extensive interviews with staff and managers of Network and central vice-presidencies suggest, first, that there is a lack of clarity about the extent of central vice-presidential responsibility for **quality control**, except in the relatively limited technical issues of entering into legal and financial agreements with donors. Second, given the number of Bank units listed in the management paper, central coordination in a single unit should replace the currently diffused accountabilities in order to ensure the substance, quality, and development effectiveness of each of the global programs to which the Bank is lending its considerable convening power and "Good Housekeeping seal of approval." Third, neither the necessary complement of qualified human resources nor the budget to draw on such expertise from outside the units are available to ensure quality at entry or during implementation.

Figure 4.2. Global Task Managers Say Most Programs Align with the Bank's Information and Knowledge *Global Public Good Priority*



Source: OED data.

PROGRAMS ALIGN WITH BANK PRIORITIES, BUT THE PRIORITIES ARE TOO BROAD TO BE A SUFFICIENT SCREENING DEVICE

4.8 Although most global programs started before the Bank's current priorities were established, OED's survey of task managers of global programs indicates that they consider the Bank's global programs well aligned with both the global public goods priorities[45] (shown in figure 4.2) and the corporate advocacy priorities (shown in figure 4.3).[46] But this is largely because "information and knowledge" and "empowerment, security, and social inclusion" are broad categories that can encompass virtually any development activity.[47]

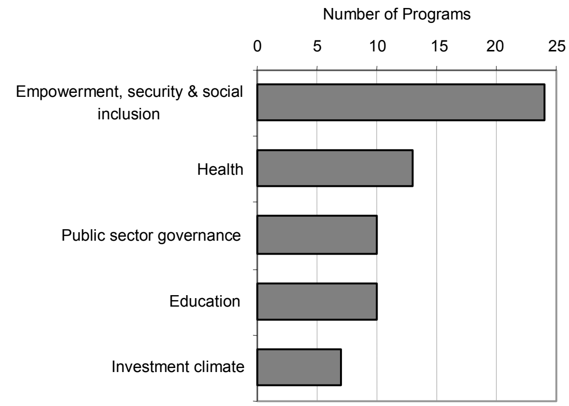
45. Following discussion of a paper on Poverty Reduction and Global Public Goods, the Development Committee in September 2000 endorsed four criteria to guide the Bank's involvement in global and regional programs, and five global public goods priorities for Bank involvement.

46. While the "Strategic Directions" paper (World Bank 2001b) produced in March 2001 views the global public goods priorities as relating primarily to global programs and the corporate advocacy priorities as relating to country operations, OED observed that the majority of global programs are engaged in country-level activities and therefore examined the adherence of programs to the corporate advocacy priorities.

47. These categories correspond to those in the "Strategic Directions" paper, which defined "information and knowledge" as redressing the digital divide and understanding development and poverty reduction, and which defined "empowerment,

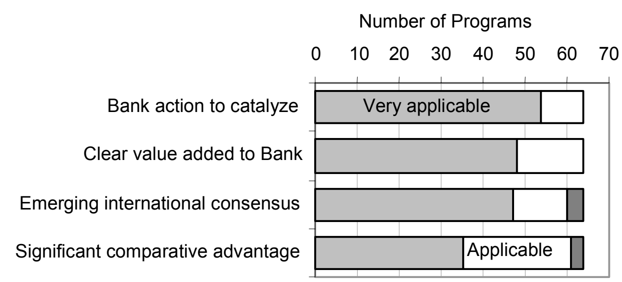
4.9 Task managers also view the four Development Committee criteria as either "very applicable" or "applicable" to their programs (figure 4.4). They see a clear need for the Bank to catalyze other resources and partnerships and clear value added to the Bank's development objectives. In fewer than 3 percent of the cases do task managers regard one of the Development Committee criteria as inapplicable to their programs.

Figure 4.3. Global Task Managers Say Most Programs Align with Bank's Empowerment, Security, and Social Inclusion *Corporate Advocacy Priority*



Source: OED data.

Figure 4.4. Global Task Managers Consider Programs Aligned with *Development Committee Criteria*



Source: OED data.

4.10 The Bank priorities and Development Committee criteria, while understandably broad to allow flexibility for new programs and to foster innovation, are clearly too broad to be used as a screening device for global programs without greater internal management of quality at entry and during implementation.

SECTOR STRATEGIES ARE UNEVEN IN IDENTIFYING GLOBAL PRIORITIES

4.11 In a presentation to the Board on January 30, 2001, it was noted that all partnerships, regardless of size, should have a clear strategic rationale consistent with the relevant Sector Strategy Paper.[48] If such strategies are not available in advance, a clear explanation must be provided during the partnership approval process about the relationship of a proposed partnership to an agreed upon work program.

4.12 A recent review of Sector Strategy Papers (SSPs) by Operations Policy and Country Services (OPCS) concludes that, overall, recent SSPs "did relatively well in setting the Bank's strategy against the backdrop of global development challenges." But OED also confirms Bank management's view that SSPs have not yet been very effective in establishing clear principles for selectivity in Bank

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security, and social inclusion" as including civic engagement and participation. For example, where there is no direct correspondence between one of the global public goods priorities and the sector in which the program is operating—such as Rural Development (RDV), Social Development (SDV), Education (EDU), Poverty Reduction and Economic Management (PREM), Private Sector Development and Infrastructure (PSI), and Information and Communications Technology (ICT)—the task managers of the global programs claim to be providing "information and knowledge." Similarly, where there is no direct correspondence between a corporate advocacy priority and the sector—such PREM, Financial Sector Development (FSD), Education, and Health—most programs claim to be advocating "empowerment, security, and social inclusion."

48. The preparation of sector strategies is the responsibility of the Bank's Networks (ESSD, FSE, HDN, PREM, and PSI) and the sector boards within each Network (e.g., environment, rural development, and social development within ESSD). Since the creation of these Networks in 1997, Sector Strategy Papers have been expected to scan the universe of relevant players in each sector and discuss existing or potential partnerships based on the Bank's comparative advantage relative to these other players.

sector or thematic interventions and partnerships.[49] The sector strategies, while improving, are weak in providing strategic links between global programs and the Bank's County Assistance Strategies. Management has underscored this as an area for improvement and has increased attention to these matters in the context of the Strategic Forum and related management discussions.

4.13 Even if the sector strategies were effective in identifying intra-sectoral priorities and the Network councils were effective in identifying intra-Network priorities, there remains the issue of *inter*-Network priorities. The Bank does not have a process for establishing a global assistance strategy at the institutional level—analogous to Country Assistance Strategies at the country level—to develop a Bank strategy, or for identifying the Bank's comparative advantage relative to other major players. The Partnership Council is not currently doing this, nor do any other units have the mandate and resources to undertake such a function.

4.14 The essential problem is that, while many Bank units are involved in conceptualizing the Bank's global strategy, and even overseeing the development and financing of programs as they emerge, global programs are managed mainly according to the requirements of individual sources of funding (Bank budget, DGF, or trust funds) rather than as part of a coordinated and cohesive Bankwide strategy developed in consultation with partners. Lack of coherence obtains even if the responsibility for management and oversight of diverse individual programs rests with the same Networks. OED recognizes that this is a challenge for all decentralized approaches, and is not unique to the Bank's management framework. Nevertheless, strategic management of priority setting, quality, and risk management needs strengthening.

APPROVAL CRITERIA NEED TO BE SHARPER AND THEIR APPLICATION MORE RIGOROUS

4.15 The Board presentation in April 2000 established six approval criteria for engaging in global and regional partnerships (box 4.1 and Annex A). These criteria are contained in the Initiating Concept Note (ICN) seeking managing director approval of new global and regional partnerships at the early conceptual stage, which is now part of the Partnership Approval and Tracking System (PATS). OED believes that the criteria are a move in the right direction, and their stricter application and some refinement, combined with other measures recommended in this report, will greatly help ensure a high-quality global portfolio as well as the quality of new programs at entry. Some of the procedures used in the Bank's investment lending at the country level are already embedded in the ICN. It is similar to the project concept document (PCD) for an investment operation, but clearly does not purport to appraise a program. Nor does this approval process distinguish a global program from an institutional partnership.[50]

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49. Many of the global programs came about before there were sector strategies that were expected to address global issues. Therefore, the link with sector strategies and prioritization among alternative global programs is weak and still evolving. For example, although the Bank houses a global program to promote microfinance, the Bank does not have a strategy that identifies its role in microfinance. Similarly, to improve forest conservation, a regional buy-in would seem necessary, but neither developing countries nor the Bank's Regions embraced the Bank's 1991 forestry strategy. OED's forest strategy review pointed out that the strategy was largely driven by external concerns. Based on the OED review, and a lengthy consultation process, the Bank has devised a new strategy that would enable it to be more proactive at the country level. Whether it will help the Bank to address the issues countries face in the forest sector remains to be seen.

50. Drawing a precise line between define global programs and institutional partnerships has proved difficult. A handful of the 70 global programs fall in a gray area, for example, the Collaborative Partnership on Forests; Capacity Building for Trade Policy, Strategy Development, and WTO Negotiations; Feeding Minds, Fighting Hunger; Focusing Resources on Effective School Health; Social Protection for the Informal Economy; the DAC Network on Good Governance and Capacity Development (GOVNET); and the Digital Opportunity Task Force. But doing so is important, first, because global programs represent a higher degree of institutional commitment in terms of resources and reputation, and therefore require more oversight. Second, institutional partnerships are often the precursors of global programs. Third, it is important to minimize the

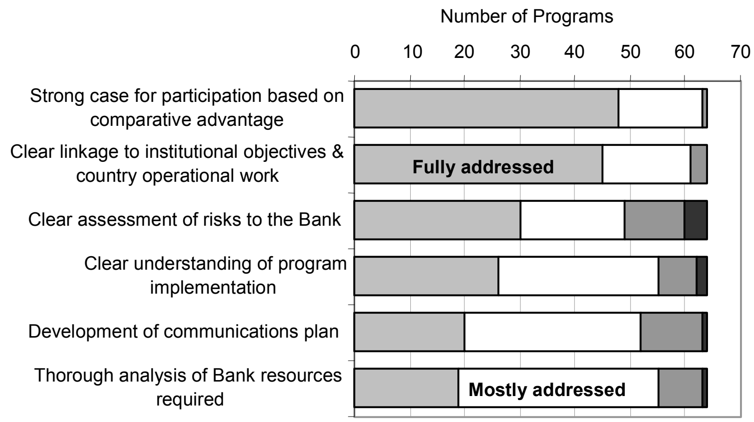
Box 4.1. Bank Criteria for Engaging in Partnerships

Bank management has established six approval criteria for engaging in partnerships:

- Clear linkage to the Bank's core institutional objectives and, above all, to the Bank's country operational work
- A strong case for Bank participation based on comparative advantage
- A clear assessment of the financial and reputational risks to the Bank and how these will be managed
- A thorough analysis of the expected level of Bank resources required, both money and time, as well as the contribution of other partners
- A clear delineation of how the new commitment will be implemented, managed, and assessed

4.16 Although most programs were started before these six approval criteria were established, OED's survey of task managers of global programs indicates their view that the vast majority of programs fully or mostly addressed these criteria before they were started. (Figure 4.5 ranks the criteria according to the extent to which they were addressed.) Notwithstanding, there are issues with respect to each of these criteria; these are discussed in the following sections.

Figure 4.5. Global Task Managers Believe All *Management Criteria for Engaging in Partnerships* Were Fully or Mostly Addressed



Source: OED data.

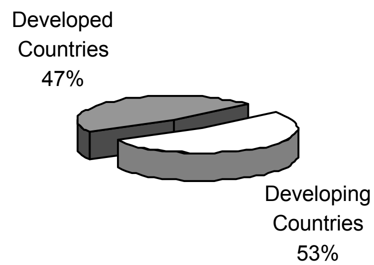
Sustained Investments in Global Programs Can Help Increase Country-level Investments, but Links to Country Operations Are Variable

4.17 The first approval criterion for engaging in partnerships is "a clear linkage to the Bank's core institutional objectives and, above all, to the Bank's country operational work." Mixing these different criteria confuses important issues. First, the objective of poverty alleviation may well be met without a direct link to country operations. For example, the CGIAR is housed in the Bank, but the scientific research that leads to technologies for the benefit of the poor is conducted outside the Bank. Second, there may be insufficient investments in complementary activities in countries even when the secretariats for global programs are housed in the Bank. For example, returns to investment at the global level in agricultural research (germplasm improvement) and health research have been very high.[51] Where developing countries have made complementary investments to undertake investments

"adverse selection" problem. When a partnership is small and informal, involving few resources and negligible risks to the Bank, VPs may choose not to refer it to their respective MD for approval (since this not required for programs that do not apply for a DGF grant, initiate a trust fund, or involve a private sector partner) in order to avoid the additional oversight and reporting requirements associated with global programs. But, when the partnership becomes more formal and becomes a global program, seeking managing director approval (or even Board approval) should become a requirement at some point. Otherwise, the Bank will not be able to maintain an accurate inventory of its global programs and of its commitments to global programs.

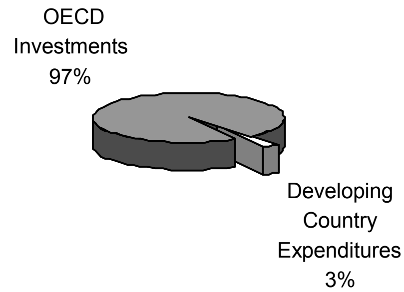
51. Eicher, Carl, Mandivamba, and Rukuni. "The CGIAR and Africa: Past, Present and Future," OED, World Bank, Washington, D.C. 2002. Photocopy

Figure 4.6. Global Public Agriculture Research Expenditures, 1995: $21.7 Billion



Source: Pardey and Beintema 2001.

Figure 4.7. Global Public Health Expenditures, 1998: $73.5 Billion

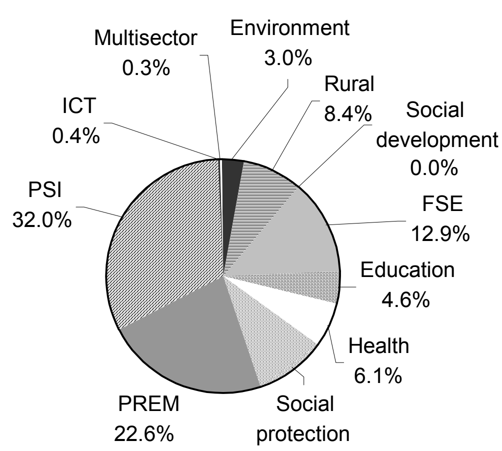


Source: "Monitoring Financial Flows for Health Research," in *Global Forum for Health Research and Development*, 2001.

to access or adapt technologies developed at the global level, the impacts on growth in productivity, income, employment, and health indicators have also been high. Yet, all but China, India, and Brazil have slowed down their investments in agricultural research, reducing their capacity to make use of CGIAR's improved germplasm (Pardey and Beintema 2001). While the Bank's recent investment in HIV/AIDS in Africa is a positive example of complementary investments, links between global health programs and country investments are an even more significant issue than in agriculture. Developing countries' share of global public health expenditures is minuscule when compared with global agricultural research expenditures (figures 4.6 and 4.7).

4.18 There is substantial scope for increasing impact on poverty reduction and the realization of the Millennium Development Goals through increased complementary investments at the country level. Yet the low level of Bank lending to environment, agriculture, and health contrasts with expenditures at the global level, which highlights the problem posed by the different priorities of the global community and developing countries. (Compare figure 4.8 with figures 3.2 and 3.3.) While externalities, spillovers, and scale economies may justify investments in global programs, those investments cannot yield their full benefits without the in-country capacity needed to access technology generated at the global level. The Phase 2 case studies are developing more evidence on the nature of complementarity and competition of global and country or regional-level investments.[52] But it is already clear that all sector strategies face tough challenges in reconciling country priorities with global concerns and opportunities.

Figure 4.8. FY01 Lending Commitments by Network/Sector Differ Markedly from Global Allocations by Sector



Source: World Bank Business Warehouse.

52. The forthcoming meta-evaluation of CGIAR makes an especially apt comparison between Africa and Asia. Africans have identified the shortage of funding as being a bigger constraint than the shortage of scientific personnel.

4.19 Forty-six out of 70 global programs are providing country-level technical assistance of some kind—including upstream diagnostic and advisory services, national-level policy and institutional reform, project preparation, capacity-building, or training. Task managers of global programs say that these activities are closely linked to the Bank's country operational work.[53]

Table 4.1. Familiarity of Operational Task Managers with Global Programs

Number of programs	*Percent of TMs very or somewhat familiar with the global program in their sectors (%)*
12	100
7	80 – 99
6	60 – 79
12	40 – 59
8	20 – 39
11	0 – 19

Note: The number of programs does not add up to 70 because programs in sectors without lending operations, such as the Post-Conflict Fund, were excluded from the survey.

Source: OED data.

4.20 Yet OED's survey of a sample of task managers of the Bank's lending operations indicates varying degrees of familiarity with the global programs (table 4.1).[54] For only 12 global programs did 100 percent of task managers indicate that they were (very or somewhat) familiar with the global programs in their sector, while for 19 global programs less than 40 percent of the task managers were very or somewhat familiar with the programs in their sector.[55] Only 34 percent of the operational task managers who responded said that they had used the products or the services of the global programs in their sector, and 40 percent said that their country-level counterparts had shown interest in the products or services of those programs. Of the 57 percent who said that they were very familiar or somewhat familiar with at least one program in their sector, 89 percent said that the objectives and activities of those programs were relevant to their countries' current development priorities.

4.21 Global and Bank regional management and country priorities are important issues in this context:

- Individual countries may demand different things than the global community is willing to supply. Where complementary investments are needed to provide access to global public goods, this may limit the impact of global programs.
- Internal priorities within the Bank for resource allocation may differ between Regions and Networks, and Regions may not use their resources to improve alignment. In the Financial Sector Assessment Program (FSAP), the Financial Sector Network (FSE) is using its own resources to generate demand from the Regions—a good practice—and in the Integrated Framework for Trade, donor funds are being used to achieve the same objective.

4.22 The first consideration provides a rationale for grants. Thirteen programs are providing country-level investment grants. The second represents an imbalance in the Bank's management structure. Regions do not always see the importance of global programs because they do not see adequate evidence of spillovers to their Regions from global programs and the need to manage

53. For programs housed in the Bank, for instance, regional operational staff are often assigned to supervise country-level technical assistance and capacity-building grants.

54. OED sampled all the task managers in a sample of the 10 countries (at least one country per Region) with the largest number of active projects in each of the 14 sectors that have global programs: environment, forestry, agriculture, water resources, financial sector, education, health, public sector management, private sector development, microfinance, energy, water and sanitation, urban, and information and communications technology. Out of 278 task managers 85 responded, for a response rate of just over 30 percent.

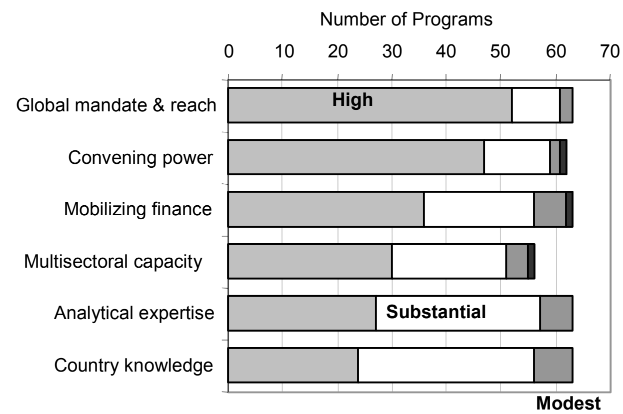
55. Global Environment Facility (GEF), Financial Sector Assessment Program (FSAP), WB/WWF Forest Alliance, Energy Sector Management Assistance Program (ESMAP), Consultative Group to Assist the Poorest (CGAP), InfoDev, Global Alliance for Vaccines and Immunization (GAVI), UNAIDS, Roll Back Malaria, Forest Trends, Prototype Carbon Fund, and the GEF/IUCN/WB/WWF Water Resources Partnership.

country priorities relative to global priorities and global opportunities. The Bank needs to do a great deal more work in this area. By the same token, global programs are not always relevant from the country's perspective—one reason for the establishment of the Global Public Goods (GPG) Fund, discussed below.

The Bank's Comparative Advantage is Not Exploited

4.23 The second approval criterion for engaging in partnerships is "A strong case for Bank participation based on comparative advantage." Management's Strategic Directions Paper for fiscal 2002-04 (World Bank 2001b) offers six comparative advantages for the Bank (shown in figure 4.9).[56] The task managers surveyed by OED regard the Bank's global mandate and reach, convening power, and resource mobilization as the more important comparative advantages the Bank brings to the programs. They regard the three that play to the Bank's traditional strengths in country assistance—multisectoral capacity, analytical expertise, and in-depth country-level knowledge—as less important in the context of global programs.

Figure 4.9. Global Task Managers Consider Convening Power a More Important Comparative Advantage than Country Knowledge



Source: OED data.

4.24 The results of this survey highlight two findings:

- In global programs, the Bank's comparative advantage seems to derive more from its being able to mobilize resources on a global scale than from its knowledge pertinent to poverty reduction in virtually all borrowing countries.
- It may be too easy to justify the Bank's involvement in global programs based on this broad definition of comparative advantage. Are task managers failing to distinguish comparative advantage from absolute advantage? If so, this makes the appraisal of new global programs an even greater challenge.

Risk Exposure and Risk Management Remain a Concern

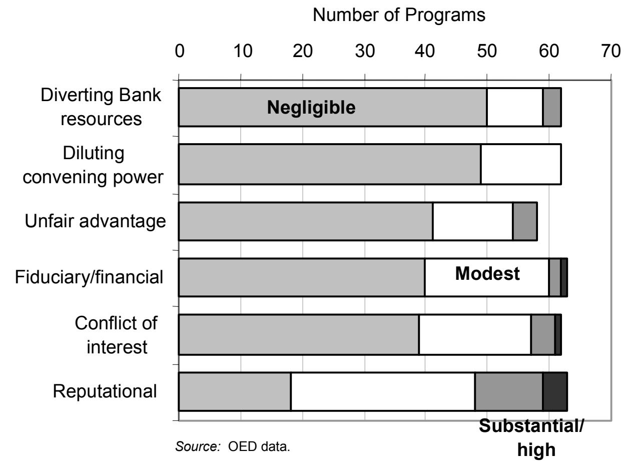
4.25 The third approval criterion for engaging in partnerships is "A clear assessment of the financial and reputational risks to the Bank and how these will be managed." The task managers of global programs regard the risks associated with their programs as mostly negligible (figure 4.10). Fifteen out of 63 task managers considered reputational risk substantial or high. This contrasts markedly with concerns expressed by the Executive Board and the Legal Department in interviews with OED.

4.26 The initiative of the Business Partnership Group in the Private Sector Development and Infrastructure (PSI) Network to institute a risk assessment and approval process for private sector

56. Although these are stated in various parts of the paper, they are not presented as a single list.

partnerships, which has now been endorsed by management, is a commendable effort. (See Annex I.) However, as the Business Partnership Group is well aware, a number of issues remain:

Figure 4.10. Global Task Managers Consider Most Risks Negligible, Reputational Risks the Greatest in Their Programs



Source: OED data.

- It is not clear when a participant in a global program becomes a partner. Nor does the process apply broadly to all participants, but perhaps only more narrowly to those who are involved in the governance of the program.
- Global programs that are non-profit legal entities and governed by a self-perpetuating board of private individuals pose a challenge.[57] To what extent should their institutional affiliations be regarded as partners with the Bank?
- What constitutes the private sector is unclear. The assessment and approval process appears to apply only to corporate entities that are for profit. Should it also apply to umbrella organizations, trade associations, and other membership associations of for-profit organizations, which are typically organized on a non-profit basis?
- Some issues that have been insufficiently addressed are partnering with other non-public partners, such as NGOs and private foundations; programs that acquire private sector partnerships after they have been approved; and the management of private sector partnerships after a program has been approved.

4.27 Many other interviewees expressed concern about other types of partners as well, such as NGOs and private foundations. The risk assessment and approval process for new private sector partnerships does not now apply to a variety of non-public partnerships, and risk assessment is not part of each Network's annual review of global partnerships.

Tracking of Financial Expenditures in Global Programs is Incomplete

4.28 The fourth criterion for engaging in partnerships is "A thorough analysis of the expected level of Bank resources required, both money and time, as well as the contribution of other partners." Yet, neither annual reports (for the programs that produce them), nor DGF applications, nor other program documents generally provide consistent and transparent financial information. Similarly, annual accounts do not provide sources and uses of funds, distinguish all the principal sources (Bank budget, DGF, trust funds, and other co-financing), or administrative expenses from various program activities, whether grants, activities funded, or services provided. An annual balance sheet indicating trust funds received but not yet used and commitments made but not yet disbursed is not available. The latest annual report (fiscal 2001) of the Foreign Investment Advisory Service represents good practice.

57. Such as the Development Gateway Foundation, the Global Development Network, the Solar Development Group, World Links, and CGIAR's 16 regional centers.

4.29 Operational Policy (OP) 8.45 on grant-making specifies that any single DGF grant "should generally not exceed 15 percent of expected funding over the life of Bank funding to a given program, or over the rolling 3-year plan period, whichever is shorter."[58] Accordingly, DGF applications require programs to project the DGF share of total program expenditures for the next three years. This eligibility criterion is not consistently applied—some programs (such as CGIAR) include donor co-financing that does not flow through Bank-administered trust funds, while other programs (such as CGAP) do not. Some preliminary comparisons of previous projections with actual outcomes also show that past projections of other donor contributions have often been rosy and therefore tend to understate the actual DGF share. The DGF secretariat is aware of the impossibility of enforcing the 15 percent criterion given the present state of knowledge about funding commitments and expenditures. This is an important aspect of the grant-making policy, which clearly cannot be applied without developing more complete information and knowledge on what even the ongoing programs are doing and how they are funded.

The Growing Role of Trust Funds Raises Strategic and Operational Issues

4.30 Trust funds[59] are an important instrument in the funding of global programs, and their use has grown steadily in recent years. This growth has been attributed to (1) international conventions that stipulate Bank involvement in the related global programs, (2) donor confidence in the Bank's financial management of their funds, and (3) the Bank's efforts to mobilize donor funds for global programs. While the Bank has established different types of single and multidonor, country, sector, and thematic trust funds in the past, it has found increasing merit in single-donor umbrella programs like the Bank-Netherlands Partnership Program (BNPP) and the Policy and Human Resources Development Fund (PHRD), that provide simple, well-defined, and transparent frameworks that could become a suitable model for the future. Management has recently completed a review of the Bank's trust fund management, which is leading to (1) strengthening the management and control structure for trust funds and (2) simplifying and standardizing the structure and business processes for trust funds, starting with consultant and single-purpose trust funds, which largely relate to country operations and not to global and regional programs.

4.31 Donors and recipients have generally appreciated trust fund management by the Bank, particularly financial management. However, some strategic issues remain for global and regional trust funds. These include:

- The *ad hoc* establishment of some trust funds
- The focus of the Bank on its fiduciary management role
- The approval of programs at the early concept stage and authorization to proceed with trust fund mobilization before the programs are fully developed and appraised for quality
- The lack of strategic intersectoral priorities in the trust funds for global programs
- The lack of common standards—for example, in relation to administrative fees, among different trust funds
- The lack of clarity with respect to termination: While trust fund agreements for global programs have "completion dates," these are easily and regularly extended.

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58. See Annex L.

59. A trust fund is a financial and administrative arrangement between the Bank and an external donor under which the donor entrusts funds to the Bank to finance a specific development-related activity. The Bank's operational policies and procedures for trust funds, spelled out in OP/BP 14.40, are reviewed periodically, and are currently under review to ensure their continued effectiveness. Annex M discusses the trust fund framework and recent developments in relation to trust funds.

4.32 The Bank's recent review of trust fund management focused mostly on the fulfillment of fiduciary responsibilities with little strategic evaluation. This explains, perhaps, the current emphasis of the Bank on Consultant Trust Fund management, although these account for only 4 percent of the total trust portfolio. The ongoing trust fund reform process arising from the review includes simplifying and standardizing the structure and business processes of trust funds in order to improve manageability, cost-effectiveness, and strategic alignment. The implementation of these reforms has been given high priority.

The GPG Fund Could Help Link Global Programs to Country Needs

4.33 In April 2000, the Management Committee approved the establishment of a Global Public Goods (GPG) Fund of $7.5 million for fiscal 2002 to pilot additional incentives for work at the regional and country levels on the five global public goods priority areas defined in the Strategic Directions paper (World Bank 2001b). In fiscal 2002, the committee approved 9 out of 15 proposals for funding. All but one is providing additional funds to regional operations, channeled through Network vice-presidents for global public goods priorities—environmental commons, communicable diseases, information and communication technologies, and international trade. (See Annex L.) This effort to integrate global concerns into regional operations is a good initiative.

4.34 OED has conducted a second survey of operational task managers of Bank lending operations to discern their awareness of the GPG Fund and solicit their opinions about it. The results of this survey will be reported in Phase 2.[60]

4.35 For now, until more information is available on the outcomes of this pilot initiative, the GPG Fund may be used to link ongoing global programs more effectively to country needs. This could be better accomplished than at present by providing the Networks, for use by Regions, with budgetary resources over several years. Those resources may be targeted specifically to improving, on the regional level, access to technologies and information available from global programs, including, as appropriate, developing Bank lending in areas that produce global public goods with demonstrated high returns. The allocation of funds beyond the first year should be contingent upon an annual demonstration of results achieved in linking global and country operations. The expected results should be in areas where the global programs are important to improve development effectiveness, and where the Bank has a strong comparative advantage and core competencies, or the ability to mobilize them. OED reserves judgment on issues of organizational and financial subsidiarity related to national public goods and merit goods until the evaluation of case studies is completed.

Oversight and Management Are Key to Managing External Relations and Need to be Strengthened

4.36 The fifth approval criterion for engaging in partnerships is "A clear delineation of how the new commitment will be implemented, managed, and assessed." The Bank's oversight of the 70 global programs varies tremendously, depending on the sources of funds, importance of the program, and where it is managed—outside or inside the Bank. For the two largest programs (GEF and CGIAR), there has been considerable oversight, including regular evaluations, although these have not always been fully independent. The CGIAR has had an especially strong culture of evaluation. The oversight of programs that have been spun-off from the Bank present some especially difficult challenges (box 4.2).

60. See Annex T.

Box 4.2. Spin-offs Pose Complex Oversight Challenges

Three global programs started by the Bank have recently been spun-off as independent legal entities—the Development Gateway, the Global Development Network, and World Links. Each is now a non-profit organization registered in the District of Columbia. Bank staff serve on the governing boards of two of them, the programs receive grants from the DGF, the Development Gateway Foundation has a contract with the Bank to manage the program, and a portion of the World Links program is managed by the World Bank Institute. Appropriate oversight is required since the Bank is providing financial resources and there are potential reputational risks.

4.37 For programs managed outside the Bank, outside partners report two sets of problems. First, high-level Bank management discussions and agreements are not always followed through expeditiously at the working levels, leading to some problems of credibility. Second, a strong commitment to certain programs at the lower levels—that is, by task managers—is not necessarily seen by outside partners as sufficient institutional commitment by the Bank. A Bank task manager is usually responsible for oversight and liaison with the program, as distinct from (and analogous with Bank lending projects) the external manager of the program, but this distinction is not always clearly observed. For the 17 DGF-supported programs that are managed inside the Bank, the DGF secretariat maintains this same distinction between the task manager and the program manager in order for the program to be regarded as at arm's length from the Bank.[61] But the terminology in OP 8.45—referring to the task manager as the "Bank program manager"—is confusing. For the 8 DGF programs that have in-house secretariats, the respective vice-president or director has become, in effect, the task manager for the program—something not usually observed in Bank lending projects—but has insufficient time to carry out these responsibilities adequately. Where the vice-president or director is also the chairperson of the governing board with responsibility for the annual performance review of the program manager, this has led to perceived, if not actual, conflicts of interest. For the 13 non-DGF programs that are managed inside the Bank, the same person seems to be performing both the functions of a task manager and a program manager.

4.38 OED regards the distinction between the Bank's task manager and the program manager of the global program (whether inside or outside the Bank) as an important one, deriving from the distinction between governance and management. The task manager has an oversight function (similar to the task manager for a Bank lending operation), while the program manager has a management function (similar to the country-level project manager for a lending operation). Among other things, the task manager is responsible for submitting the annual DGF application, for oversight of implementation, for obtaining and reviewing all relevant global program reports, and for ensuring that an appropriate level of independent evaluation is provided. If the task manager represents the Bank on the governing body of the global program, then that person also performs a governance function. Confusion has arisen, in part, because some global programs, both DGF-supported and non-DGF, are not genuine partnerships with shared governance arrangements.[62] Confusion has also arisen from the varying degree of Bank institutional commitment to the different global programs, arising in part from the different sizes of the programs, and the difficulty in some cases of ascertaining who actually is the task manager for a program. From external interviews, it is clear that outside agencies often view the Bank as having little institutional commitment beyond that of the task manager, which puts the Bank's involvement in the program at risk if the person in that position is reassigned or leaves the Bank. OED recommends that the Bank demonstrate a firm institutional commitment to

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61. Whether it is even possible for a DGF-supported program to be managed in-house as well as at arm's length from the Bank is an issue that is addressed further in Chapter 5.

62. For example, the Post-Conflict Fund and the Small Grants Program among the DGF-supported programs, and FIAS and GDLN among the non-DGF programs.

each global program, among other things, by assigning a task manager for each global program and by establishing more specific responsibilities and accountabilities throughout the chain of command.[63]

Effective Communication with Key Stakeholders and Executive Directors Requires Independent Evaluations

4.39 The sixth approval criterion for engaging in partnerships is "a clear plan for communicating with and involving key stakeholders, and for informing and consulting the executive directors." It makes evaluation central to the effectiveness of the reporting system. The regularity and quality of the evaluations across the Bank's portfolio of global programs needs to be improved. Of the 70 programs, only 15 have had independent evaluations, of which 9 programs were supported by the DGF. External evaluations are planned for another 15 programs in fiscal 2002. Broadly speaking, except for the GEF, ESMAP, FIAS, and Water and Sanitation Program (which are non-DGF programs), the DGF-supported programs seem to have better information, monitoring, and evaluation systems than the non-DGF programs.[64] (See Annex O.) The evaluations not only face the challenge of finding non-biased independent evaluators, but few programs have systematically and quantitatively attempted to assess their own impact, and reporting to the Board on the outcomes of evaluations remains ad hoc and spotty.

4.40 There do not seem to be any commonly accepted standards of what constitutes a truly independent and quality evaluation (box 4.3). The challenge is to find evaluators who can bring to bear a combination of evaluation methodologies and an eclectic multidisciplinary knowledge of development and the subject at hand in an objective, independent manner. Independence of the evaluators from the formulation, implementation, and management of the program is critical as is objectivity, reliability, and being informed about key challenges facing the design, management, and evaluation of the program—there are some reservations about the extent to which evaluators completely unfamiliar with the program or the

Box 4.3. Evaluations Vary in Degree of Independence

The evaluation of the Population and Reproductive Health program (PRH) was commissioned by the HNP Anchor, carried out by a former senior health adviser to the Bank, and funded by DGF and the Anchor. The GEF evaluation unit has managed the evaluations, with external evaluators carrying out the evaluations and using steering/advisory committees.

The evaluation of TDR was commissioned by the program's Joint Coordination Board (JCB), undertaken by a committee of eminent scientists—nominated by the JCB but institutionally and financially independent of TDR—and funded through extra-budgetary resources. The evaluation of GMI was commissioned by the program's board and undertaken by a private consulting firm chosen through a competitive process. UNAIDS has also selected a private consulting firm through a competitive process.

It is often difficult to determine from the evaluation reports who commissioned the evaluations—whether the Board, the management, or a third party—and whether the size and composition of the evaluation team was appropriate for the size, content, and complexity of the program.

63. Many Bank task managers of externally managed programs have indicated that there is no budget line or internal order in their department or unit budget to allow them to assign their time to governance, oversight, or liaison activities.

64. The DGF has tightened progress reporting as a first step toward a more robust monitoring and evaluation system. For example, each ongoing DGF program now furnishes a brief self-evaluations progress report as part of the annual grant application. Beginning in fiscal 2000, the DGF required that each application seeking funding of $300,000 or more incorporate a plan for an independent evaluation. The DGF also allows a part of its grant be applied to the cost of independent evaluation. It is important to note, however, that even the second evaluation of GEF (OPS2, November 2001) was unable to assess impacts or sustainability of individual projects due to the lack of baseline data. "A clear operational definition of global environmental benefits is still not well developed in the GEF." See OPS2, chapter 3.

subject can evaluate the program in a constructive, forward-looking way. If innovation is to be promoted at entry, as many senior managers have stressed, without increasing transaction costs, then the importance of oversight, quality assurance, and high-quality, regular, independent evaluations as inputs into decisionmaking cannot be overemphasized.

4.41 Measurability and impact criteria are problems, and research methods for evaluations also need to be improved, which may require increased outlays by the donors who may want such evaluations. Most programs seem to use structure, process, and output measures to gauge success, relying more on qualitative than on quantitative assessments. For example, methodologies such as calculating internal rates of return, cost-benefit or cost-effectiveness measures (for example, using DALYs or QALYs in health), or sophisticated measurements of institutional development, human capital development, or knowledge generated seem to be absent in most of the evaluations.[65] Many evaluations report on the implementation of activities but do not sufficiently address questions of development impact, sustainability, the ability of the program to bring about systemic change and assessments of alternative ways of achieving programs objectives, and at times fail to incorporate multiple stakeholder perspectives, especially the perspectives of beneficiaries. Few global programs, other than the CGIAR and TDR, have systematically and quantitatively attempted to assess their own impacts. The impact analysis CGIAR has done for research on improved germplasm has been strong, even stronger than in most industrial countries undertaking similar research, but it has been weak on natural resource management investments, policies, and institutional and human capital development.[66] The evaluation of the Small Grants Program suggests that the program has had an extremely positive and significant impact on improving civil society dialogue, information dissemination, and partnerships, but it was unable to assess or measure the specific impacts on grantee organizations or their beneficiaries in terms of changed attitudes, norms, or practices.

4.42 OED expects the Phase 2 case studies to address many of these issues and make recommendations on the merits of different models of evaluation after conducting an in-depth study of the programs and their evaluations.

SUMMARY FINDINGS AND RECOMMENDATIONS

Instituting a Systematic Appraisal for Global Programs

4.43 At present, there is no uniform requirement or procedure for appraisal of global programs before implementation. Although Bank management has an institutional framework in place, the range of Networks and vice-presidencies involved, and the size of the program portfolio, make responsibilities and accountabilities diffused and unclear. Managing director approval of new partnerships at the early conceptual stage does not constitute appraisal, nor do central vice-presidencies seem to provide the quality control that the management framework paper assigned them. The procedure simply authorizes the respective VPU to start mobilizing resources for the program. Considerations regarding appraisal are complex given the three major types of funding.

4.44 For **DGF-supported programs**, the procedures for allocating the available budget among different global and regional partnerships are equivalent to an annual appraisal process for these programs. OED finds it lacking in certain respects, and recommends that it be strengthened in certain

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65. The forthcoming OED meta-evaluation for the CGIAR presents the estimated rates of return to germplasm and natural resource management research across Consultative Group Centers, and system-wide programs. See Barrett 2001 and Gardner 2002.

66. Covered in the forthcoming OED meta-evaluation for the CGIAR.

ways for grants below a certain size. For grant money, the DGF Council and Secretariat tend to focus on compliance with the principle of subsidiarity, while leaving issues of quality assurance of global programs to Networks. OED does not regard the Networks' vetting and selectivity process equivalent to a program appraisal.

4.45 For **trust fund-supported programs**, the situation is variable. Where the authorizing environment is an international convention (that is, the GEF, the Montreal Protocol, and the Prototype Carbon Fund), the donors who sign the convention are expressing their intent to support the program. The financing mechanism provides the governance structure around an agreed set of objectives. Project appraisals are done at the country level by implementing agencies such as the World Bank. Where the donors have agreed upon a charter for the program at the outset (such as PPIAF, the Cities Alliance, and the Global Corporate Governance Forum), this could be said to substitute for appraisal. In other cases (such as CGAP, ESMAP, and the Water and Sanitation Program), the donors have agreed upon aspects of a charter after the program has started. When there is only an Initiating Brief for the Trust Fund (IBTF), this process does not appear to constitute appraisal.

4.46 For **programs supported exclusively by the Bank's administrative budget**, the vice-president, department director, or unit manager is responsible for appraisal. The quality of the appraisal varies according to the quality of Network management.

4.47 These findings highlight the need for the Bank—in consultation with its key partners—to put in place a systematic appraisal process for global programs above a threshold size, and to be clear about what constitutes the authorizing environment for each program. Since the Board of Executive Directors is responsible for approving allocation of all grant funds, and the Board of Governors for approving funding for partnerships from net income, an appraisal will greatly help improve the use of the Bank's net income. OED recommends that the Bank institute a transparent appraisal and Board approval process for new global programs above a threshold size, which at the same time recognizes their different authorizing environments and financing arrangements, in order to enhance quality at entry and ensure clear accountability during implementation. An appraisal process involving staff from the Bank's regional operations would also have the potential of greater buy-in to the programs by regional operations.[67]

4.48 OED's suggested template for program appraisal is introduced in Attachment 1 to this volume. The template is based in part on the definition of global programs used in this study and elaborates criteria for each program aspect (summarized in box 4.4). Systematic application of the template would help ensure quality at entry for new global programs. Appropriately refined and adapted, it could also be useful for oversight and could help enhance the quality of the existing portfolio (much as Bank supervision reports do for projects) by providing criteria that can be used to either improve or drop ongoing programs. This might be done every three years. The template also enhances the existing DGF grant-making criteria (which, if accepted, might require changes in the OP for grant making).

67. For example, to foster such regional buy-in, the PSI Network has recently instituted a rule for this year's DGF process that only the regional representatives on the Network Council will have a vote on programs being sponsored by the Network Anchor.

Box 4.4. Summary of Appraisal Template

The proposed appraisal template establishes criteria for nine program aspects. It incorporates all existing Bank criteria, offering refinements of some, and elaborates several additional criteria based on the definition of global programs used in this study. Following is a summary of the major criteria.

Global	Does it cover more than one Bank Region? Is global action fully justified? Does the program fit with the Bank's mission and priorities?
Partnership	Is the use of a partnership justified? Does it meet all Development Committee criteria for engaging in partnerships? Are comparative advantages of all partners identified and tasks assigned accordingly?
Objectives	Are they clear and results-oriented?
Activities	Are the activities clearly connected to the objectives and will they help to achieve those objectives?
Governance/management	Were alternatives considered? Were stakeholders consulted? Are responsibilities and accountabilities clear?
Financing	Do the arrangements comply with Bank policies? If Bank budget is used, is it appropriate and realistically assessed? Is there an exit strategy?
Risks/risk management	Have the risks been assessed at the outset? How will they be managed? Are they greater than the benefits?
Monitoring/evaluation	Is there an M&E system for implementation? Are the oversight arrangements adequate?
External review	Has the program been endorsed by independent external reviewers?

Allocating Resources between Global Programs and Regional Operations

4.49 The Phase 2 case studies should help to derive criteria for allocating the Bank's resources between global programs and regional operations. However, some considerations that have emerged in Phase 1 can be summarized:

- Where the production activities of a global program should take place depends on the nature of the global public good being produced. New technologies requiring high science may best be produced in centers of excellence. New knowledge about development needs to be produced in developing countries.
- The need for complementary investments to enhance the capacity of developing countries to access and benefit from investments at the global level (which must be kept in mind while investing in global programs) depends on the nature of the spillovers, externalities, and scale economies. Complementary investments are particularly relevant in the social sector, which accounts for six of the eight Millennium Development Goals.
- In principle, the Bank's strategy should be to equalize the marginal value of dollars everywhere—across sectors, between global and regional, and between core and complementary activities. At a minimum, the returns to global programs should exceed the social opportunity cost of capital, even if funds are provided as grants. Although such information is not yet available, the Phase 1 evaluation suggests that there is currently under-spending on both the core and complementary activities of global programs.
- Developing countries need more voice in the governance of global programs, as well as greater connectivity among themselves to enable them to learn from each other.

5. Assessment of the Implementation of OED's 1998 Recommendations

5.1 In 1998, OED reviewed the Bank's grant programs and made a number of recommendations to improve the grant-making process. The current study updates that review by examining the progress made on those recommendations by the Development Grant Facility.[68] This is timely given the recent management paper proposing IDA grant financing for in-country allocations and grants for regional and global purposes in the range of 15 to 20 percent of the notional IDA13 replenishment figure of around $22 to $24 billion.[69] At present, it seems likely that the DGF model might be adapted to administer this expanded grant program.[70] Of the US$176.9 million DGF budget for fiscal 2002, about the same level as in fiscal 2001, US$96.5 million (54 percent) was allocated to programs supporting the Bank's global public goods priorities and US$79 million (45 percent) for programs supporting the Bank's corporate advocacy priorities. In fiscal 2002, US$150 million is allocated to programs where the Bank intends medium- to long-term support and US$4.1 million was freed up for new programs. The DGF anticipates that the programs it funds will catalyze more than US$913 million in additional financial resources from a wide range of partners. It is vital, therefore, to assess the operation of this model.

5.2 Since 1998, the DGF has made substantial improvements in its operations. The creation of an operational policy for grants (OP 8.45/BP 8.45), as recommended by OED, has made the criteria for grant-making more transparent. Progress reporting on all DGF-supported programs has improved, and an annual report to the Board on compliance with grant criteria has been instituted. Criteria for grant making have been refined and improved year by year: a process for program selection has been put in place that is broadly understood, and the DGF has encouraged Networks to view programs in the context of their sector strategies and to consolidate their small, fragmented programs under broader umbrella approaches.[71] The DGF has improved information, monitoring, and evaluation systems, and has made the process of grant awards more transparent. The recent DGF requirements are a welcome

68. "DGF" refers not just to the DGF Council or DGF Secretariat but also to a process for vetting and prioritization that embraces Networks, Sector Boards, sponsoring units, and task managers.

69. Recent bank documents lay out the principles and criteria that guide an expansion of IDA's existing grant authority to strengthen key poverty reduction interventions, building on current lending experience and projected activities. It also suggests priority areas where increased IDA grant support could be used—to arrest or reverse severe deterioration (for example, to fight HIV/AIDS and key communicable diseases), to support long-term investments for human development goals, especially education, and for post-conflict purposes.

70. Three approaches could be considered for the Bank's grant making. In the traditional **foundation model,** grant making is seen to be catalytic and primarily designed to trigger support or expand promising economic and social innovations. A key feature of this model is that the grant maker maintains a strong arm's length relationship with the grantee. In the **UNDP model,** grants are designed for long periods to closely support the development objectives of the institution. Implicit in this model is a close relationship between the grants and the grantor's corporate strategy. In the **venture capital model,** close involvement in the "business" being financed brings benefits through a variety of activities, such as mentoring, strategic advice, monitoring, corporate governance, and recruitment of management. A recent study (Hellman and Puri 2000) finds that venture capitalists are more likely to finance innovators than imitators. Moreover, the venture capital approach is associated with a faster time to market. In addition to actively participating in influencing the management of the firm, the venture capital model helps guide the exit decision, such as influencing the company's initial public offering, and thus tends to collect a return for its own initial investment. The Bank has straddled all these roles in different global programs or a combination of two or three at any given time without critically examining which approach is appropriate and under what circumstances.

71. While this certainly has improved packaging, at the level of sectors and Networks it is not clear that it has improved internal cohesion within and among sectors and within and among networks when programs are in need of a multisectoral approach and the Bank potentially has the capacity to offer it—but that is an issue of network management of global programs rather than DGF management.

change, but Bank management has expressed concern that the changes have increased transaction costs without ensuring improved proposal quality or program impact. This suggests that the DGF needs to further enhance quality through, for example, clearer allocation of responsibilities between Networks and the DGF for quality assurance, improvement in the quality criteria and standards, and replacement of the current collective quality assurance system in DGF by independent appraisals.

5.3 Information systems for DGF programs are superior to those for non-DGF programs. These provide a basis for monitoring the performance of DGF programs, a principle that the Bank's global programs generally need to adopt. The DGF review process has become more streamlined and more objective. The main role of the DGF Council has not been to act as the primary judge of quality and relevance at the sector level, but instead to verify compliance of an application with DGF eligibility criteria and to ensure budget allocation is in line with Bankwide priorities. Collectively, the DGF is able to exercise influence over priorities and quality of proposals that would not be possible without a systematic grant-making process. However, the quality, transparency, and accountability of the DGF allocation process can be further improved: despite recent improvements in sector-level prioritization, attention to weighing the potential impact of the program and program alignment with sector and Bank objectives by Sector Boards and sponsoring unit task managers needs improvement. (See box 3.1, "Grant Applications: Activities Not Always Clear, Not Always Connected to Objectives.")

5.4 The remainder of this chapter looks at progress against each of five specific 1998 recommendations from OED: seek the counsel of outside experts; maintain an arm's length relationship; establish a more thoughtful exit strategy; ensure subsidiarity; and improve monitoring, evaluation and reporting procedures. The case studies in Phase 2 of this evaluation will look more closely at each of these issues on the level of individual programs.

OUTSIDE AND INDEPENDENT EXPERTS WOULD HELP IMPROVE QUALITY

5.5 A key OED recommendation was to expand the DGF Council to include outside development experts or to establish an Advisory Board of experts. There are several reasons for the routine use of outside and independent experts, the most obvious of which are objectivity and the need to engage strong globally strategic technical expertise that may not be available, or may not be mobilized, within the Bank. Interviews with Bank staff, however, suggest that there is some reluctance in the Bank to obtain external reviews for DGF-supported grants, even though several Bank units—notably the Quality Assurance Group (QAG) and the Bank's Research Grant Program—have procedures for getting such reviews.

5.6 The majority of DGF Council members (7 of 12) are not from Networks. At the DGF Council, this group wears "institutional hats" and brings expertise available within the Bank to judge the merit of a proposal, alignment with Bank objectives, and its potential development impact. However, the need for objectivity and independent review has persisted: the DGF Council continues to represent Bank units with a direct interest in the outcome of funding decisions. The strong internal advocacy and lobbying for getting involved in specific global programs needs to be confronted with hard questions about the need for public investments, the need for partnerships, alternative sources of supply, the cost effectiveness of Bank management of global programs, and expected outcomes and impacts.

5.7 Regarding the need for technical expertise, although members of the DGF Council spend one to two months reviewing many small proposals in sectors other than their own as a way to ensure objectivity within the council, OED interviews with council members suggest that they do not always bring to bear the combination of substantial technical knowledge and other expertise needed to review a program, some of which exists in the Bank.

5.8 The consequences of the lack of objectivity and technical expertise can lead to poor allocation of resources. Interviews suggest that despite the effort to assign council members to review applications outside their own sector, "pork barrel" behavior is not absent from this internal process. Most of all, the Bank is getting involved in programs where scarce DGF funds may be used for activities that are marginal to making a global impact. The continuing need for high-quality, independent evaluations to draw strategic lessons from portfolio performance, and the implementation of the exit criterion, cannot be overemphasized.

5.9 The Bank has several models that may be used to apply an appropriate level and type of expertise. Procedures currently used by the Bank's Research Grant Program, OED, and QAG for acquiring external advisory inputs should be adopted by the DGF Council.[72] OED sets up advisory panels of highly regarded outside specialists for the topic under evaluation; under the QAG model, Bank staff (unrelated to specific operations and respected for the independence of their views), Bank retirees and external consultants (knowledgeable about the Bank) are deployed to serve on panels for quality assurance and quality enhancement (upstream). This has proved useful for training staff in quality assurance and enhancement for their own operations. In the review process for research grants, internal and external reviewers are increasingly used for reviewing grant applications.

5.10 Some senior managers allege that the application process for DGF grants has become too bureaucratic, without any corresponding improvement in the quality of DGF programs, which has made the DGF less accessible relative to Bank-administered trust funds. This, they claim, is increasing transaction costs and discouraging innovation without increased benefits in quality.

ARM'S LENGTH RELATIONSHIPS REMAIN A CHALLENGE

5.11 During its 1998 review, OED observed a major risk of conflict of interest—real or perceived—when the grantor is too closely related to the grantee. Once the Bank is called upon to handle a combination of fund raising, fiduciary, and administrative responsibilities within a collaborative arrangement, as in the CGIAR, the CGAP, the Special Program for African Agricultural Research (SPAAR), and African Capacity Building, a de facto dependency relationship develops. Although OED recommended that more be done to maintain an arm's length relationship, multi-year programs in which the Bank acts as both sponsor and administrator have proliferated. In the years since the DGF was established, the number of in-house secretariats for global and regional programs has increased—from 10 in fiscal 1998 to 18 in fiscal 2001, with 16 expected in fiscal 2002. This growth seems to be at variance with the OED recommendation.[73]

5.12 Bank Procedure 8.45, which was approved following the OED's 1998 review, requires grant recipients, including in-house secretariats, to exercise the same care in the administration of the grant that they exercise in the administration of their own funds, having due regard to economy, efficiency, and the need to uphold the highest standards of integrity, including the prevention of fraud and

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72. Getting external reviews for quality assurance and enhancement of individual programs may still not address the issue of prioritization and ranking among programs, which must be done based on the Bank's institutional goals and strategic directions. External advisory panels may nevertheless be able to provide a strategic perspective, if past senior managers from international financial institutions, other international organizations, members of academia, and senior policymakers from developing countries are mobilized for such panels. They can be useful interlocutors in the debate about the Bank's strategic direction in the global arena.

73. See Annex D.

corruption, in the administration of public funds.[74] However, the CGIAR Secretariat has only recently—for the first time since its creation in 1971—produced a report for public consumption accounting for how funds are spent and has instituted procedures for fund transfers among centers providing transparency and accountability that did not exist before. It appears that the DGF has not expected accounting of the uses of funds for some in-house secretariats from global programs. The proposed introduction of a more systematic and regular approach, at the insistence of the DGF, for Internal Audit Department review of DGF-supported activities, beginning in fiscal 2002, is a welcome step in this direction.[75] But the DGF also needs to require and monitor annual reports.

5.13 The fiscal 2000 DGF annual review developed some guidelines for in-house secretariats, including: reporting to a separate governing body; no cross-subsidization of staff work from in-house secretariat to Bank and vice versa; Bank to pay not more than 50 percent of secretariat costs; chair position to rotate; programs being justified by cost-benefit analysis; meet senior management approval; and meet all DGF eligibility criteria. Establishing the DGF guidelines on in-house secretariats is a big step forward in clarifying these challenges and specifying clearer conditions for establishing in-house secretariats at arm's length. OED recommended at the last DGF annual review that a clearer distinction be made between a true in-house secretariat (as for the Onchocersiasis Control Program or the CGIAR), where the program is administered from an office within the Bank but science is conducted outside of the Bank, and an in-house program (such as the Public-Private Infrastructure Advisory Facility, the Cities Alliance, or InfoDev), where the program is essentially Bank-centric. The DGF has yet to do this. The bottom line remains that, as long as Bank staff are responsible for managing grantee organizations, the organizations are not at arm's length from the Bank.

5.14 OED interviews with program stakeholders indicate that there are real or perceived conflicts of interest in the management of global programs. Vice-presidents chair boards and therefore are responsible for strategic direction and management, for ensuring fiduciary management of the entire program, and for performance as the chief executive officer. They are responsible for mobilizing funds from the Bank and elsewhere, and for overall performance of the program. Indeed, donors want Bank vice-presidents to serve as chairs so that Bank grant support to programs is assured. Vice-presidents are also responsible for priority setting within their own Networks. Furthermore, the Network managers that report to them sit on the DGF Council that provides the money for the programs they chair. It becomes politically impossible to be objective about the pace and pattern of reforms needed while also pleading for DGF funds. Promoting the necessary reforms internally compromises their objectivity. Despite these pressures, the CGIAR has made a beginning in instituting reforms. The meta-evaluation considers the recent recommendations of the CGIAR Change Design and Management team from the standpoint of previous evaluations.

5.15 In OED interviews, many stakeholders cited advantages of having global programs closely tied to the Bank and not at arm's length, among them: lower start-up costs, benefits related to the Bank's infrastructure (G-4 visas, office space, personnel management and recruitment, procurement, travel, management information, and accounting systems), donors' confidence in Bank's fiduciary management, ability to attract the best people, ease of access to developing countries, and ease of exit

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74. DGF grant programs that provide financing for country-based activities similar to those supported under Bank lending operations are normally required to follow the Bank's procurement guidelines and procedures. In such cases, where institutions are weak, grants may be extended to recipients that are developing, but have not fully achieved, a track record of achievement. DGF grants that are provided to international organizations and similar entities, where the Bank grant finances a small portion of the overall activity and where it is not feasible to supervise activities on a contract-by-contract basis, may be administered in accordance with the recipient's own rules.

75. The CGIAR meta-evaluation that OED has undertaken is addressing some of these issues.

and entry for Bank staff. At the same time, many stakeholders cited weaknesses in in-house secretariats: the cost of doing business, implicit continuance of Bank support, legal and fiduciary responsibility and liability, and insufficient shared ownership by partners. In-house secretariat staff tend to be Bank employees and the distinction between Bank staff and secretariat staff is often unclear. Whether it is possible to be in-house and at arm's length at the same time, then, remains unclear.

5.16 OED will be validating the responses of the interviewees in Phase 2 of this study. It is also investigating the issues surrounding the controversial and still-unresolved problem in its Phase 2 case studies.

EXIT STRATEGY AND THE TWO-WINDOW APPROACH NEED REFINEMENT

5.17 During its 1998 review of grants programs, OED observed a risk of dependency if grants continue over a long period: they may undercut the independence of the grantee and work against the sustainability of program benefits. Furthermore, proactive management of the grant portfolio and making room for new priorities is inhibited when programs are of indeterminate length. OED stressed the importance of requiring and enforcing an exit strategy. While recognizing the need for providing long-term support for some programs, it stressed the importance of high turnover in the grant portfolio as a sign of responsive and prudent management. However, certain programs may require indefinite support if they are providing global public goods that are undersupplied. This raises important issues about competing demands for funding the growing number of long-term investments and whether the Bank's net income is sufficient to fund them. The second phase case studies are expected to provide insights into this issue.

5.18 The DGF responded to the OED concern that the exit option had been largely neglected in the Bank grant program by introducing the "two-window" approach, starting with the fiscal 2002 budget cycle allocation. The approach differentiates, from the start, programs with Bank support for medium to long-term funding through the DGF (Window 1), and programs that will be limited to no more than three years of funding (Window 2). Especially if it is important for the Bank to remain engaged for several years in some programs that are tackling long-term development challenges, unless regular and quality monitoring of progress is ensured, it might be equivalent to creating an official loophole for a basic grant-making principle. Executive directors endorsed the approach and management proceeded to set a limit for the size and number of programs with medium- to long-term funding, which protected the largest programs. The DGF proposes to free up only about $10 million annually for emerging priorities in both regional and global programs, a very small fraction of the present DGF budget envelope of $176.9 million.[76]

5.19 Annually, the DGF Council requests that the Networks submit overall funding requests for Window 1 programs in line with their previous year's DGF budget, and group proposals according to priority. For Window 1, as DGF proposes to reduce its size over the next few years, the decisions about what programs to reduce are made by the DGF Council, guided by the Bank's corporate priorities. For each Window 1 program, the DGF has now identified decision points (year) in which the program would be reviewed for continued Window 1 financing based on its independent evaluation. For Window 2 programs, the Networks are encouraged by the DGF to submit all proposals, grouped according to priority and consistent with the corporate priorities and sector strategies, regardless of the total size of the Network's submission. Further selectivity to bring the DGF portfolio of programs within the overall DGF budget ceiling is undertaken by the DGF Council,

76. The amount freed up for new programs actually came down following initiation of the two-window approach—the amount available for all global and regional new programs in fiscal 2002 is only $4.1 million (2.3 percent of the total), down from $10.0 million (5.7 percent) in fiscal 2001.

based on the corporate priorities. For all Window 2 programs, DGF has identified the last year of DGF support and the date for the next independent evaluation.

5.20 Each of the windows has a different disengagement strategy. **Window 1** comprises two sub-window programs: multi-year endorsed programs (Window 1A), and programs where the DGF Council has requested or endorsed a phased approach to disengagement (Window 1B). (See Annex D.) The DGF now suggests that all Window 1 programs will be regarded as having a "phased approach to disengagement" based on regular independent evaluations and linkage to Bank priorities. While a specific exit date is not required at the outset of DGF support, the Window 1 programs are expected to work toward identifying a means for eventual disengagement. Independent evaluations are required, at least every three years, as a basis for decisions on future DGF support in the three years following the evaluations. In the interim years, the DGF funding is expected to be based on the merit of the three-year work program and annual progress reporting.

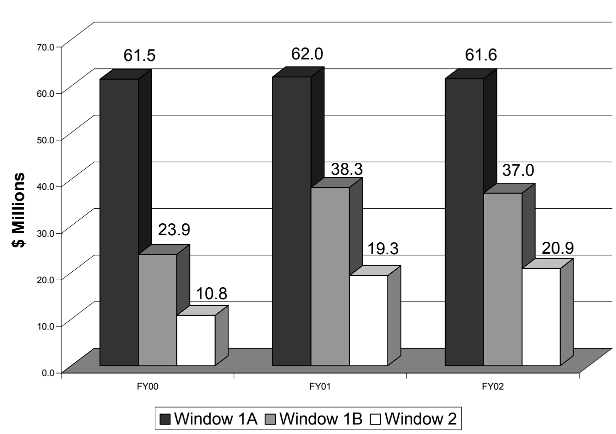
5.21 **Window 2** includes programs with a time horizon for DGF support of no more than a total of three years over the life of the program and/or over the initial start-up phase. It includes:

- Established programs with long-term development objectives and achieving sustainability after no more than three years of DGF support.
- Innovative new programs that anticipate a DGF grant need of three years or less as seed capital for testing new ideas.
- Innovative new programs, with an initial start-up phase of no more than three years, but possible demand for DGF support in later years.

5.22 Figure 5.1 shows the DGF allocations to global programs over the period fiscal 2000-02 by window.

5.23 To the DGF, exiting the Bank—that is, establishing a separate legal entity—is a way of becoming arm's length. In reality, this type of exit can result in continued financial dependence (GDN), continued in-house support (World Links), and a management contract for the Bank (Gateway), so that risk-taking by the Bank remains substantial despite the formal changes in governance arrangements. While the two-window approach provides gains in transparency for the Bank's disengagement strategy, it falls short of addressing the fundamental problems of long-term, Bank-funded grant programs (the Window 1 programs). It is likely to further strengthen the hold of these old programs on grant resources and raises the question of why such programs do not become part of the regular Network budget. The lack of recourse to exit also raises the question of whether the assured nature of Bank financing is providing incentives to avoid reform and to take on new activities when old objectives seem to be passé or leading to "mission creep." Where there is no exit option because of under-provision of a global public good, periodic, high-quality evaluations and success in obtaining alternative sources of funding are especially important to ensure the continued relevance,

Figure 5.1. DGF Allocations for Global Programs (FY00-FY02)



Source: DGF Secretariat

efficiency, and impact of the goods being provided.

5.24 OED's review of exit strategies of global programs from across Networks suggests that the quality of the strategies is variable. Some programs have a well-articulated exit strategy in their application submissions to the DGF, but others only indicate the time of exit, after which no more DGF support is sought. A number of program managers state that they have an exit strategy but do not provide details on planned exits. Often, the strategy is very broad and programs indicate that other donors would automatically take over or the program would apply for the Window 1 support after exit from Window 2. (A complete account of exit strategies in the program applications submitted to the DGF appears in Annex H.)

SUBSIDIARITY OF FINANCING REQUIRES APPLICATION

5.25 The principle of subsidiarity of financing, as recommended in 1998 by OED, requires that Bank grants be limited to situations in which lending is not appropriate and there is no other source of funding.[77] This principle is a defense against having grant money drive out the need for lending, a form of moral hazard. OED pointed out that the Institutional Development Fund (not covered in this review), the Small Grants Program, and CGAP were funding activities that otherwise might be appropriate candidates to use the Bank's project preparation facility or Learning and Innovation Loans. They may also substitute for UNDP and other grants. OED further suggested that they may be better handled as part of the regular Bank budget and should be transferred to regular regional budgets.

5.26 From OED's interviews of some global program stakeholders, it is clear that many programs are conducting the equivalent of analytical and advisory activities (AAA), albeit all argue it is upstream and cross-country work that Regions are unlikely to perform. At this point there is little information on which to make definitive judgments on the quality of the decisions reached. For example, it is unclear whether the work undertaken by grant programs could be done at less cost if the Bank simply had the necessary operational budget. Equally uncertain is whether global programs are bringing the best expertise—especially cross-country experience—to bear on the subject, superior to the Region operating alone. For example, a number of programs are giving grants for country-level technical assistance (see Annex D). Not only is there uncertainty about whether soft money may be driving out hard, it is also unclear whether a global program might drive resources away from the important country priorities to which resources would have been allocated had there been no pressure to have a global program, which also consumes the time of the country task managers. The current donor practices of tying aid makes it difficult to assess these issues, but they will be explored further in Phase 2 of this study. Besides, the subsidiarity issues may be most relevant for those global programs with in-house secretariats providing technical assistance, using Bank knowledge, in addition to performing regular administrative functions for grant making.

5.27 The Phase 2 case studies will add to these observations and address such issues as: To qualify for DGF grants, should programs have to demonstrate links between cross-country knowledge sharing and country assistance and development of south-south networks—whether by the Bank or other donors—and the extent of global and regional spillovers? Phase 2 should also provide insights on global and regional spillovers and implications for global and country-level financing.

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77. Where the DGF criteria focus on subsidiarity of funding, they do not address subsidiarity of organization and management of programs, even though they may be funded at the global level. This issue is also being addressed in the case studies.

REPORTING AND EVALUATION NEED IMPROVEMENT

5.28 The DGF has made progress since OED's 1998 review in both reporting and evaluation. In the reporting area it has introduced a Grant Completion Report and enhanced its financial reporting. The DGF has also improved evaluation processes and rigor.

5.29 *Grant Completion Reports.* According to the BP 8.45, the program manager is responsible, if the DGF's funding for the program is ending, for preparing and filing with the DGF Secretariat a Grant Completion Report within six months after the closing date of the final Grant Letter of Agreement. The report is expected to describe the extent to which program objectives were met and activities completed, assess the program's development impact, identify problems in the program's execution, and provide lessons learned.[78] The DGF Secretariat, in turn, is responsible for reviewing the Grant Completion Reports and reporting on them in the Annual Review it presents to the Board.

5.30 Compliance by the recipient organizations in providing the Grant Completion Reports to the DGF has been irregular. Only 9 of the 18 programs that disengaged from DGF funding since fiscal 1998 have provided the reports.[79] The regularity and quality of report submissions has also been uneven. Some programs took more than a year to file their submission with the DGF.[80] The quality of the reports has also varied. They focus largely on the extent to which the objectives were met and on the completion of various program activities, but they lack any assessment of development impact or even reporting on the realization of intermediate objectives, are weak on identifying problems in program execution, and yield few useful lessons. Finally, the DGF itself did not comply with the requirement to report on Grant Completion Reports in its Annual Review for fiscal 2002.

5.31 *Financial reporting.* The task manager of the Bank sponsoring unit is responsible for making disbursement requests to the DGF Secretariat on behalf of the recipient. DGF grants are normally executed by recipients that have a record of achievement and demonstrated financial probity.[81] The recipient organization is also responsible for implementing the activities of the program and preparing all financial reports. The Bank task manager and the program manager are responsible for supervising implementation and obtaining and reviewing all relevant program reports, including timely financial reporting and appropriate use of DGF funds by grant recipients.

5.32 For external Bank global programs, the DGF requires that the task manager forward an audited financial statement along with a Progress Report on the program for review with the annual application for funding. At this time, the relevant staff of the VPU and sector certify that they have

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78. A model Grant Completion Report is available to the Bank staff. The Grant Completion Report also needs to include the audited financial statements of the program and any independent or recipient-prepared evaluation reports.

79. The DGF is not requiring completion reports from programs that continue to exist in another guise. For example, the MCP program became Roll Back Malaria and was not required to submit a completion report. In other cases, such as the Public Private Alliance for Children Immunization (PPACI), which became GAVI, a completion report was provided. But an encouraging sign is that the DGF has recently started to monitor the submission of the completion reports and proposes to follow up on a regular basis with task managers.

80. For example, "Leadership Forum for African Women," which exited the DGF support in June of 1999, submitted its completion report in February of 2001.

81. As outlined in BP 8.45, in some special cases, the DGF may disburse funds to a program housed within the Bank (i.e., without a Grant Letter of Agreement) if the program (a) has its own secretariat in the Bank funded directly by the DGF, or (b) is responsible for making numerous subgrants and obtaining clearance of Grant Letters of Agreement from the Legal Department (examples include the Institutional Development Fund, Post-Conflict Fund, InfoDev, and Small Grants Program); or (c) the program is covered by a multilateral agreement. In a few exceptional cases approved by the Executive Directors (e.g., Institutional Development Fund, Post-Conflict Fund), grants may be disbursed into trust funds administered by the Bank.

reviewed and found satisfactory the audited report and the financial statements for the most recent period of DGF support. This certification at the application stage has resulted in some improvement in the compliance of these reports, but the progress continues to be uneven. The annual submissions by the programs are not being adequately monitored by the DGF. Also, there is lack of appropriate filing of such reports. Often the period of budgeting and reporting of the recipient organization does not match the DGF funding cycle, so the recipient is unable to submit the audited report to the DGF secretariat. A more systematic and regular approach for timely monitoring of audit reports should be introduced within the DGF to reinforce a stronger control environment for grant funds.

5.33 Recently, the Internal Auditing Department (IAD) has agreed with the DGF to conduct a small number of audits of DGF programs every year. OED considers this a good development. CGAP has been identified as one of the programs that would be audited this year. The audit would aim to determine whether the Bank is adequately fulfilling its fiduciary obligations to ensure that expenditures have been made for intended purposes and that there has been compliance with Bank policies, procedures, and controls. IAD cost expenses related to these audits are being covered by the DGF's approved budget for fiscal 2002. Audits should be expanded to cover all Window 1 programs because they involve large, ongoing DGF allocations, as well as to a random sample of Window 2 programs, and resources should be made available to carry these out.[82]

5.34 *Evaluation.* Because most DGF programs are less than 5 years old, in many instances the DGF-required evaluations are the first evaluations these programs are undertaking. The DGF now requires Networks to report on self-evaluations through progress reports as a part of DGF application. Independent evaluations are now required by the DGF for all programs receiving over US$300,000 annually, and a number of DGF programs are already carrying out evaluations. (See Annex O.) In the past year, the DGF Secretariat has been helping programs design their evaluation terms of reference and review the selection of consultants.

5.35 This report has shown why a more rigorous approach to evaluation should be encouraged. It is crucial to ensure not only that such reviews are carried out, but that they are of high quality and conducted by truly independent evaluators. OED expects the Phase 2 case studies to throw further light on the quality, timeliness, and the independence of evaluations. Key policy questions include: How can standardized evaluation criteria, clear performance indicators, and timely independent evaluations of high quality assist continuing learning and the DGF in effective prioritization and resource allocation across programs and Networks? And how can evaluations focus on development effectiveness (poverty alleviation and sustainable development) and mechanisms for mainstreaming global programs? If necessary, the Board should make additional resources available for independent evaluations.

SUMMARY FINDINGS AND RECOMMENDATIONS

5.36 The DGF has made substantial improvements in its processes, but their contribution to the development effectiveness of programs may not have been commensurate. DGF Council members do not always bring to bear the combination of substantial technical, policy, and other knowledge and expertise needed to review a program. Some of this expertise exists in the Bank and needs to be more effectively mobilized. Despite the effort to assign council members to review applications outside

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82. Currently, the program manager sends to the grant recipient organization a grant Letter of Agreement based on a sample letter provided by the DGF. The use of standard legal agreement letters consistently across global programs would ensure that the Bank is able to audit its grant recipients. Although the sample Grant Letter of Agreement specifies that "the recipient shall permit the Bank's representatives to examine the records and accounts with respect to the grant," in case of the U.N. and other multilateral development banks, since there does not currently exist a reciprocal agreement for examination of records, grants given to programs housed in these organizations, an exception may have to be made.

their own sector, "pork barrel" behavior is not altogether absent. Scarce DGF funds may be used for activities marginal to making a global impact.

5.37 **Introduce independent external review process.** An independent external review process should be introduced for allocation of DGF grants to small programs that do not go to the Board. The Bank has several models that may be used to apply an appropriate level and type of expertise, including expertise available within the Bank. Procedures currently used by the Bank's Research Grant Program, QAG, and OED for getting advisory inputs—external to the program—should be adopted by the DGF Council.

5.38 **Reporting and evaluation need improvement.** Compliance by the recipient organization in providing the Grant Completion Reports to the DGF has been irregular. The regularity and quality of report submissions has also been uneven. Although there has been some improvement in the compliance of financial and audit reporting, the progress is uneven.

5.39 **A more systematic and regular approach for timely monitoring** of financial and audit reports and Grant Completion Reports should be introduced within the DGF to reinforce a stronger control environment for grant funds. Audits should be expanded to cover all Window 1 programs, and resources should be made available to carry these out. **A more rigorous approach to evaluations** should be instituted. Evaluations should be carried out routinely, of high quality, and conducted by truly independent evaluators that are knowledgeable about the programs.

5.40 **Maintain an arm's length relationship.** Multiyear programs in which the Bank acts as both sponsor and administrator have proliferated. Since the DGF was established, the number of in-house secretariats for global and regional programs has increased, from 10 in fiscal 1998 to 18 in fiscal 2001—and is expected to be 16 in fiscal 2002. OED will validate the responses of the interviewees' pros and cons for in-house secretariats in Phase 2 of this study.

5.41 **Exit strategy and two-window approach need refinement.** The two-window approach provides gains in transparency for the Bank's disengagement strategy, but falls short of addressing the fundamental problems of long-term, Bank-funded grant programs (the Window 1 programs). It is likely to further strengthen the hold of these old programs on grant resources and raises the question of why such programs do not become part of the regular Network budget. Exit strategies of global programs from across Networks suggest that the quality of the strategies is variable. OED will examine the issue of exit strategy in Phase 2 of this study.

5.42 **Subsidiarity of financing requires application.** Many programs are conducting the equivalent of analytical and advisory services, albeit all argue it is upstream and cross-country work that Regions are unlikely to perform. The case studies will explore this issue in Phase 2.

6. Major Findings and Recommendations

6.1 Tremendous changes in the external environment have fundamentally altered the roles of international organizations, including the World Bank, and made it imperative that the Bank remain as proactive at the global level as it has for the past five years. Management commitment to opening the Bank to partnerships and helping to exploit global challenges and opportunities for the benefit of borrowing countries has aptly stimulated substantial innovation and growth in the Bank's global partnerships. Large and well-known programs such as the CGIAR, TDR, GEF, and ESMAP—programs that were innovative for their times—have been joined by new innovative programs such as UNAIDS, GAVI, the Prototype Carbon Fund, and the Cities Alliance.

6.2 The Bank's global program portfolio is already an important complement to its traditional country assistance and it holds substantial promise for considerably enhancing the Bank's effectiveness at reducing poverty. Moreover, among international organizations, the Bank has become the largest manager of trust funds for global programs. Although the growth of these programs has now slowed, global activities could increase rapidly if current negotiations for IDA replenishment result in an increase in IDA grants to global programs—such growth, if properly managed and focused, will enhance the Bank's development effectiveness.

6.3 The internal challenge for the Bank is to refine the strategy and criteria for its involvement, and to ensure these measures are rigorously applied. Insufficient clarity in the relationships among partnerships, programs, and global public goods in the Bank's global strategic framework is a source of confusion. The number of global activities that focus on global public policy issues that are hindering the ability of the Bank or its client countries to achieve their poverty reduction mission are few. The strategy lacks clarity regarding the extent to which Bank involvement in global programs should entail provision of global public goods or other goods of seemingly high marginal social value currently being provided through grant funding—and on whether collective action through partnerships is always necessary to provide global public goods. The current portfolio does not fully align with the strategic framework because many programs were created before the framework was in place.

6.4 The Bank's considerable comparative advantage in areas central to achieving its poverty alleviation mission—its multi-sectoral capacity, analytical expertise, and in-depth country knowledge—is under-exploited. The Bank's ability to mobilize resources, in contrast, has been very important to the development of new programs. More rigorous processes to ensure appraisal, fiduciary, and other monitoring and evaluation functions, only some of which are now in place, will help enhance quality.

6.5 Developing countries are largely implementers whose voice is not heard throughout the process. Getting them more involved will facilitate their ownership and help ensure that global programs are relevant and effective in achieving the Bank's poverty alleviation mission and in meeting the Millennium Development Goals.

6.6 Adjusting the current management structure will require considerable thought about the substantial intellectual, managerial, and external relationship challenges presented by the diverse portfolio: 70 programs, spanning 5 Networks, that differ widely in size, age, authorizing environment, number of partners, financing arrangements, life cycle stage, and for which management responsibilities are dispersed throughout various units in the Bank. Moreover, 40 of the 70 programs are managed outside the Bank. The current management structure has evolved in response to various external and internal events and has been designed to promote innovation. The challenge is to ensure that innovation is combined with a systematic assessment of the need for institutional responses to global challenges. Bank management is aware of the challenges posed by the need to balance the expansion of partnerships and entrepreneurial spirit with "corporate discipline and priority setting; and ensuring that there is due diligence with respect to effectiveness, implementation, resource efficiency and reputational integrity." It has already begun to provide increased attention to these issues in the Strategic Forum and other management discussions.

6.7 The direct responsibilities and risks (including reputational risks) associated with the 30 programs the Bank manages in-house and with those it has spun-off seem considerably larger than for programs managed externally—and many issues remain in the internally managed programs. Yet the Bank's indirect responsibilities are equally large whether it is essentially a *joiner*, as in the health sector, where the Bank is the most important lender to developing countries, or an *initiator*, as in the information and communications technology sector. Moreover, in the context of the Millennium Development Goals and the emerging, more integrated Global Development Framework, the Bank's roles and responsibilities are changing and will continue to evolve rapidly. Not only does one size not fit all, as this report demonstrates, but even in externally managed programs the dynamic situation requires that the Bank position itself organizationally and managerially to respond continuously to the new challenges.

6.8 In most cases, global programs involve a large number of partners, so clear processes and accountabilities for the management of relationships are an important part of the challenge. Both through procedures and their application, the Bank can help set standards for quality and quality enhancement and be a leader in the way it manages the current global portfolio and gets involved in new partnerships, much as it has done for country assistance through the Country Assistance Strategies and a variety of lending instruments.

6.9 There is no consensus among the Bank's member countries about the importance of global programs and partnerships in enhancing development effectiveness and positioning the Bank for the future. OED concludes that because of the tremendous opportunities provided by the rapidly declining cost of information technology, growth of civil society participation, and rapid technical change in such areas, investments at the global level will become increasingly important in enhancing the Bank's development effectiveness at the country level. Management stimulus to be proactive at the global level has been the right response. Evaluations such as this one can help develop criteria and standards for the allocation of resources between the global (and regional) and national activities. A global portfolio that is proactively managed and linked to the needs of the Bank's borrowers can substantially increase the Bank's impact and position it to become a more effective player in international development assistance.

6.10 At management request, this Phase 1 report has focused on the strategic and programmatic management of the Bank's global portfolio as an input into the budget process for fiscal 2003. Based on the analysis of 28 programs, the Phase 2 report will address issues of governance, management, and impacts of individual programs and extract further lessons for strategy and programs. The remainder of this section outlines the implications for the Bank of the results of Phase 1. These are in four areas: organization, strategy, selectivity, and program implementation.

Organization: Management should strengthen strategic planning and oversight of global programs and partnerships. Rigorous priority setting, improved quality management, and stronger corporate leadership on global issues is of strategic importance, but *how* to achieve this is a challenge and became the subject of considerable debate within the Bank as the findings of this study began to surface.[83] Here, OED puts forward three options:

83. In the context of a review by the Bank's operational vice-presidents, concerns were expressed about OED's suggestion that a single VPU needed to be assigned responsibility for global programs. OED addresses the specific arguments in Attachment 2 of this report. The debate about the single-VPU suggestion has led to a refinement of OED's recommendation

1. Fine tuning of the existing management framework and processes to address the identified weaknesses
2. Setting up a secretariat to assist a single Managing Director (MD) in the oversight of all Bank global activities
3. Allocating Bankwide responsibilities for improving quality assurance and overseeing partner relations at the global level to a single existing vice-presidential unit (VPU).

The strengths and weaknesses of each option were weighed in the context of the global policy cycle—that is, development of strategy and policy, refinement and application of criteria for engaging in partnerships and for selectivity, and follow-through in the program cycle from initiation to accountability for impact. (The likely effect of each option on the issues identified in this report is shown in Annex U.)

- OED concludes that refining the existing framework, while it would continue to promote innovation and flexibility, would not significantly enhance quality or accountability. Strengthening the sector boards and giving QAG and OED roles in ensuring quality at entry and evaluation, while useful and necessary under any scenario, would not resolve conflict of interest dilemmas. Nor would it provide the strong leadership needed to achieve coherence and enhance accountability so as to tap the full potential for Bank leadership and impact on global poverty alleviation.
- With an appropriately staffed and mandated MD secretariat, in contrast (possibly absorbing the current DGF establishment), the possibility of real reform would be greater, especially regarding operational deliverables and results. Working through the Networks, which would continue to have the primary responsibility for task management and partner relations, the MD secretariat would set standards, oversee programming and budgeting, perform quality assurance functions, and report annually to senior management and the Board on activity implementation. It would also be able to ensure that risk management policies are defined by the appropriate unit and would oversee Network implementation of risk management processes, including, as appropriate, reporting to the Board.
- With an appropriate mandate, an existing VPU, reporting to its Managing Director, could perform all the same functions as the MD secretariat, in addition to providing intellectual leadership and fulfilling the need to address the global policy environment. It could assist in the development of policy and strategy as well as help improve operational effectiveness through two interacting units: a think tank to routinely monitor and anticipate changes and emerging opportunities in the global environment, draw partnership implications for the Bank, and provide intellectual leadership, and a separate operational unit concerned with the internal management of global programs.

Strategy: Management should further articulate a strategy for Bank involvement in global programs and policies that establishes overarching objectives, oversight responsibilities, and the Bank's comparative advantage. The strategy would articulate how global programs are distinguished from institutional partnerships and contribute to achieving the Bank's mission of sustainable development and poverty alleviation, and the extent to which the programs should focus on the provision of global public goods and involve specific forms of partnership.

- A central unit (secretariat or VPU) would develop and monitor performance indicators to ensure that Networks and Regions are appropriately linking specific global programs, country

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that considers three possible alternatives. These may not be the only alternatives, and ultimately Bank management needs to base its decision on a wide range of considerations, some of which fall outside the scope of this study.

assistance strategies, and sector strategies, and prepare annual reports for the Board based on information provided by the Networks.
- It would develop clear and transparent criteria and guidelines for resource allocation; budgeting, accounting, and auditing practices; and information systems for global programs.
- It would be involved in the allocation of the Global Public Goods (GPG) Fund to link global programs to country needs, with a results-based focus, by providing the Networks with non-fungible, dedicated budgetary resources.

Selectivity: The MD secretariat or designated VPU should establish and monitor the standards Networks must follow for their global programs, including the extent of verifiable objectives, dedicated Bank resources, appropriate organizational and funding arrangements, and some form of cost-benefit or other ex-ante criteria for Bankwide prioritization and quality assurance.

- For new programs above a threshold size, likely of a global public goods nature, the central unit would help institute a transparent identification, preparation, appraisal, Board approval, supervision, and evaluation processes. OED estimates that in fiscal 2002 this would have involved appraising one new DGF program, but 19 ongoing DGF programs to which commitments were renewed by the DGF for FY02. Similarly, 10 non-DGF programs would be potentially eligible for appraisal (box 6.1).

Box 6.1 How Many Programs Would Have to Be Appraised?

In fiscal 2002 the DGF had 47 programs in its portfolio; 32 of them were ongoing programs to which commitments continued. The DGF approved 15 new programs for a total of $4.08 and it increased the allocation of funds to 8 of the ongoing programs for a total of $4.31 million. The Development Gateway was the only program that received more than $1 million. Thus, if a threshold of $1 million was set for appraisal, only the Gateway would have been appraised.

Many of the 26 ongoing *global* DGF programs, such as the CGIAR and CGAP, should also be appraised, however. Using the same threshold, 19 such programs would be eligible for appraisal. Furthermore, 10 of the 23 non-DGF global programs would potentially be eligible for appraisal. But the breakdown of costs for these non-DGF programs is not centrally available.

DGF expects to exit from 5 programs in fiscal 2002, releasing $2.68 million, 7 programs in fiscal 2003, releasing $3.13 million, and 20 programs in fiscal 2004, releasing $19.63 million. The exits for future years and amounts are of course tentative at this stage. Exits from the non-DGF programs are not known. All these call for improved assessment of quality at entry, quality assurance, and evaluation, which will require increased internal capacity to address grant-making issues.

Source: DGF data, see Annex V.

Program Implementation. Management should clarify the responsibilities and accountabilities of the Board, Regions, Networks, and task managers, and provide each with the resources needed to fulfill the Bank's commitments with its partners.

- For programs under implementation, introduce a more systematic and regular approach for task manager monitoring of program performance and provision of audit reports, introduce independent panels similar to those used by QAG to review quality of the ongoing portfolio, and expand audits introduced by the DGF, in the first instance, to cover all programs receiving medium- to long-term Bank support (Window 1).
- Ensure independence of the three-year evaluation process the DGF has instituted for its programs by extending the practice to all programs (including ongoing programs, regardless of whether funding is from the Bank budget, the DGF, or Bank-managed trust funds) as a prerequisite for continuing support.

- Include global programs in the standard evaluation and reporting processes of OED, ensuring routine reporting to the Board of the findings of independent evaluations and management decisions of continuing support to the programs.
- For new small programs of a merit goods nature that are not presented to the Board, the MD secretariat or designated VPU would help improve approval, monitoring, and auditing in the DGF. Management could introduce independent review processes that are external to the program, similar to the processes used by the World Bank Research Committee, for the allocation of small DGF grants or as part of the Bank budget.
- For programs under implementation, including the existing portfolio, it would introduce quality assurance and enhancement standards and clear Network accountabilities.
- It could help adapt the standards and procedures applied to the use of Bank funds in innovative lending operations such as Learning and Innovation Loans and Adjustable Program Loans to global programs.

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Appendix 1: Suggested Appraisal Template for Global Programs

Program Aspect	*Appraisal Criteria*
Global The activities of the program cut across more than one of the Bank's operational Regions.	1. Does the program cover more than one of the Bank's operational Regions? 2. Does the program demonstrate strong potential for development effectiveness and poverty alleviation and, hence, relevance to developing countries? 3. Does the proposal demonstrate why the issue the program addresses requires public investments and action at the global level? 4. Does the proposal demonstrate the value added from the Bank's involvement? Does it articulate how the program fits with the Bank's mission of poverty alleviation and sustainable development, its global public goods priorities, and its corporate advocacy priorities? If the program does not meet these criteria, does the proposal explain why the program is still justified in addressing an important global issue? 5. Does the proposal either demonstrate the absence of alternative, more cost-effective sources of supply for addressing the issue or make a convincing case for why increased competition in supply entailing Bank involvement would be desirable? 6. Does the proposal provide a full accounting of the expected benefits of the program—including expected spillovers—to borrowers and donors, as well as to private sector and public sector? Does it explain how the realization of those benefits is being ensured in program design?
Partnership The program involves partners—who participate in the governance of the program—in addition to the World Bank.	1. Does the proposal demonstrate the value added by using a partnership? Could the Bank working alone accomplish the program goals? Does the proposal demonstrate that the benefits of the partnership outweigh the costs? 2. Does the proposal demonstrate how the program meets the Development Committee criteria for engaging in partnerships: • Evidence for an emerging international consensus that global action is required? Or if the program itself is intended to help develop international consensus where none currently exists? • Why Bank action is needed to catalyze other resources or if others can do it just as well? For example, is the Bank's convening power or potential linkage to country assistance critical in ensuring relevance of the global program and its eventual success? • The Bank's comparative advantage relative to other partners in relation to this program?[1] • The value added to the Bank's development objectives? 3. Does the proposal demonstrate why the Bank should address this issue as a global program, or regional program, rather than through an institutional partnership?[2] That is, does it have: • Clearly identified and deliverable new products or services • Shared objectives • Shared responsibility for governance • Shared resources. 4. Does the proposal demonstrate that all potential partners needed to ensure development effectiveness of the program were consulted, the chosen partners are the most appropriate to achieve expeditious and cost-effective results and impact, and that the Bank's role is consistent with its comparative advantage? Are other partners' roles, responsibilities, and accountabilities consistent with their comparative advantages and clearly spelled out?

1. The Strategic Directions Paper (World Bank 2001b), mentions six comparative advantages: (1) global mandate and reach, (2) in-depth country-level knowledge, (3) multi-sectoral capacity, (4) convening power, (5) expertise in country and sector analysis, and (6) mobilizing financial resources. Others might include access to borrowing countries' policymakers and potential for country assistance?

2. "Institutional partnerships" typically involve exchange of information and consultations with a variety of partners in order to improve the Bank's ability to conduct its traditional country and regionally oriented business more effectively. These do not produce a new product or service and do not involve the establishment of a new organization or entity with separate governance and management structures.

<table>
<tr><th>Program Aspect</th><th>Appraisal Criteria</th></tr>
<tr><td><u>Objectives</u>
Either formally or informally, the partners reach explicit agreements on objectives</td><td>1. Does the proposal describe the process used to arrive at an agreement on objectives, including consultation with stakeholders?
2. Are the objectives of the program clearly defined and results-oriented, even if results are intermediate outcomes?
3. Do the objectives:
• Give focus and direction to the program?
• Express a development purpose that is realistic, specific, and quantitatively or qualitatively measurable?
• Provide a basis for evaluating the performance of the program with specific and realistic schedules? Are their clear intermediate performance indicators or is there a clear indication of how the program will develop such indicators?</td></tr>
<tr><td><u>Activities</u>
The program generates new products or services</td><td>1. Are the program activities s clustered into components that can deliver results on the stated objectives? Are the components clearly described and are the objectives and components internally coherent? Examples:
• For global networking activities the proposal should demonstrate either current or proposed steps to ensure that developing countries receive the benefits of the program through ensuring access, building capacity, or other means. Similar steps should be evident for regional activities within the global program.
• For country-level technical assistance activities, the proposal should articulate the steps needed to build capacity or involve borrowing countries in networking. It should also identify whether and how links to subsequent country assistance (including Bank lending) might bring this about.
• For country-level investments, the proposal should argue the case for additionality or complementarity to current Bank lending operations.
• For new products and technologies, such as collaborative research or analysis, the proposal should clearly demonstrate their global public goods nature and the absence of alternative sources of supply. It should justify international public involvement in the provision of these new products and technologies.</td></tr>
<tr><td><u>Governance and management</u>
Either formally or informally, the partners agree to establish a new organization or to vest an existing organization (including one of the Bank's own units or those of other international agencies) with a new and additional function.</td><td>1. What were the main scope and design options considered, and why were competing alternatives, such as regional programs, rejected?
2. Were relevant stakeholders consulted in the program design process?
3. Do relevant stakeholders have access to the program? What steps are being taken to ensure access?
4. Does the proposed authorizing environment for the program provide adequate balance between ensuring legitimacy in governance, relevance to developing countries, and efficiency in achieving results?
5. Do the governance and management structures include clear responsibilities among partners with respect to resources, risks, and decision-making?
6. Are there clear accountabilities for results, and clearly defined plans and target audiences (or stakeholders) for the activities of the program?
7. To what extent are developing countries (including transition countries) actively engaged in the governance of the program and in the design and management of program activities?
8. Does the program design ensure recruitment of high-quality advisory committees and clarify their accountability for ensuring scientific/professional excellence in approaches?
9. Are reporting arrangements of managers and advisors to specific levels clearly spelled out?</td></tr>
</table>

Program Aspect	*Appraisal Criteria*
Financing The partners contribute dedicated resources to the program	1. Where the Bank is providing DGF grants, do they comply with OP 8.45 for grant making and with the DGF criteria for subsidiarity, arm's length relationship, and exit strategy?[3] 2. Where the Bank is administering trust funds that support the program, do they comply with OP 14.40 for trust funds and address the five issues in the recent Trust Funds Review: • Alignment with the Bank's strategic priorities • Dependency risks • Cost-effectiveness • Fiduciary risks • Reputational risks? 3. Where the Bank is providing resources for the program from its administrative budget (BB)—for program administration or program activities—is there a realistic assessment of BB needs and is it a clearly appropriate use of BB resources? 4. Is the Bank's share of the overall resources dedicated to the program appropriate?[4] 5. Are regional and central unit BB needs spelled out? 6. Does the program have an exit strategy? Does it follow the foundation model, the venture capital model, or the long-term development assistance model? Is the model used clearly justified? Have steps been taken within the context of the model to ensure the long-term sustainability of the program? If the venture capital model is used, does it follow best practice on venture financing? Is the form of exit defined clearly (financial exit, participation exit, legal exit)? How well is the exit strategy planned?
Risks and risk management	This category cuts across the previous six, consistent with the way risks are treated in the Bank financing of projects. 1. Have the risks (applying to both the private sector and NGOs) been assessed at the outset?[5] • Reputational risks • Conflict of interest risks • Unfair advantage risks • Governance risks 2. Are the risks associated with the program greater than the expected benefits? Have appropriate procedures been established to manage these risks during program implementation?
Monitoring and evaluation	1. Has a **monitoring and independent evaluation** system been established for the implementation phase of the program? Does it comply with OED standards for best practice? • Clear project and component objectives verifiable by indicators • A structured set of quantitative or qualitative indicators • Requirements for data collection and management • Institutional arrangements for capacity-building • Feedback from monitoring and evaluation to Bank management and the Board. 2. Is there adequate provision for routine Bank oversight of the program? 3. Is the Bank exercising adequate fiduciary responsibility for in-house secretariats and for the management of trust funds, with periodic centralized reporting of accounts and audits, which are routinely monitored for quality and completeness?
External review	1. Has the program been endorsed by independent external reviewers?

3. These need to be assessed at the appropriate level. In some cases, the DGF is retailing grants to grantees, and in other cases, the DGF is wholesaling to global programs that are retailing to grantees.

4. This needs to be measured consistently across programs.

5. The following are the risks that are assessed in private sector partnership assessment and approval process that is administered by PSI. See Annex K for a definition of each of these risks.

Appendix 2: Vice-Presidents' Comments on OED Proposal to Designate a Single VPU with Oversight Responsibility

VP Comments	***OED Responses***
STRUCTURAL ISSUES	
Let sector boards develop and apply clearer and more rigorous criteria for appraising programs and for more stringent evaluation and review:	Sector boards certainly can help in the design of global sector strategies; this fits with their advocacy function. But some global programs require a multi-sectoral focus that most sector boards cannot handle, and the thematic sector boards are among the weakest. Network Councils have not developed a record in this area either. Finally, neither the councils nor the sector boards can be expected to be objective in appraisal and oversight.
Have global program task managers provide more periodic reporting to sector boards.	They are already doing so, but reporting quality is weak without strong standards for objective setting and monitoring.
Strengthen interaction between network and country operations where there are increased resource flows.	This too needs monitoring, evaluation, and oversight.
Strategy and Resource Management (SRM) and Resource Mobilization and Co-financing (RMC) already have responsibilities for global programs. Why not simply try to improve on those?	SRM and RMC do not have clear quality control mandates, are not equipped for quality control, and must rely on the Networks to do this through collective responsibility mechanisms that create a conflict of interest.
Increase task managers' funds for oversight.	Task managers should be funded to do their work, as OED has suggested, but this is not enough. They alone cannot adequately provide oversight without institutional commitment to standards.
Funding for global programs that address merit goods should come from the Bank budget rather than from DGF.	OED recommended this for Window 1 programs during its 1998 review, but other reforms would also be needed to make this funding change work.
The new Sector Strategy Papers (SSPs) address global strategy.	While they have improved, they are still very weak in addressing global/country linkages.
ROLE OF PARTNERSHIPS	
Partnerships are different than investments; appraisals are less important that whether there are adequate processes for monitoring and assessing effectiveness of global programs.	Standards for partnership programs should not be identical to those for investment projects, but those programs should be evaluable and they should be appraised to ensure that they meet agreed criteria for effectiveness and impact. OED's CGIAR and GEF reviews will illustrate this.
It is always possible in partnerships that not all members' views will be adequately reflected. The more important issue is: are we relatively on track?	We could be more on track with greater effort in ensuring participatory planning and ownership, objective performance criteria, and standards for effectiveness.
DGF and trust fund programs should be treated differently—but most are not single-donor programs. Should GEF and CGIAR be treated differently?	Funding and governance arrangements necessarily differ across programs. But there is also a need for coherence in strategy and in quality assurance.
PROCESS CONSIDERATIONS	
Wait for the case study results in Phase 2.	Evidence already gathered suggests that the results will reinforce, not alter OED's basic findings.
Try some recommendations on a pilot basis.	The experience with "pilots" in the Bank is not very encouraging. Phasing of the reform would be a more effective approach.
The proposed reforms will increase transaction costs but not commensurately increase benefits. Changes in DGF practices have demonstrated this.	If the reforms are done with ownership in the Bank and carried out by qualified staff able to add quality to the process, this should not happen. DGF can still be improved through clearer allocation of responsibilities, replacing collective quality assurance systems with independent appraisal, and clarifying quality standards that currently are too vague.
Undertake downstream consultation with staff to ensure they accept these reforms.	Agreed. However, OED has consulted operational staff, who ask for greater clarity in the management of global programs.

Appendix 3. Evaluation Methodology and Source Material for Phase 1 Report

Phase I of the review is based on the following:

Review of existing documentation on each of the 70 global programs, including program documents, annual reports, evaluation reports, DGF applications and other material, TF material, and respective sector strategies.

Survey of the task managers of global programs. (See Annex 16.)

Purposive sample survey of operational task managers of Bank lending operations. (See Annex 17).

Interviews with Bank task managers and program managers.

Interviews with Managing Directors, Central and Network Vice Presidents, Sector and Country Directors, and Sector Managers.

Interviews with managers and staff in Strategic Resource Management, Resource Mobilization, Partnership Council, DGF Council Members, DGF Secretariat, and Trust Fund Operations.

Interviews with regional staff (Africa, East Asia, and South Asia)

Interviews with IMF and World Bank Board Members,

Interviews at WHO, ILO, UNAIDS, UNHCR, DFID, SDC, Swedish Ministry of Foreign Affairs,

Field Visits to China, Ethiopia, Ghana, and India

Review of literature on global public goods

Case studies of 28 programs currently underway

Appendix 4. People Consulted

International Organizations

Name	*Title/Department*	*Organization*
Dr. David Heymann	Executive Director, Communicable Diseases	
Dr. Nick Dragger	Director, Reproductive Health & Research	
Marta Mauras	Director	Office of the Deputy Secretary General, UN
Nitin Desai	United Nations Secretary-General, Johannesburg Summit & Under-Secretary-General, Economic and Social Affairs	ECOSOC
Dr. Tore Godal	Executive Director	GAVI
Dr. Yasuhiro Suzuki	Executive Director	GFHR
Louis Currat	Executive Secretary	GFHR
Stanley Taylor	Coordinator, Relations with International Financial Institutions	ILO
Chris Hetschel	CEO	MMV
Dr. P. V. Venugopal	Director, International Operations	MMV
Dr. David Alnwick	Program Manager	RBM
Robert Herdt	Director, Agricultural Sciences	Rockefeller Foundation
Walter Hofer		SDC
Alexandre Widmer		SDC
Christina Greider		SDC
Benoit Girardin		SDC
Martin Rohner		SDC
Hanspeter Wyss	Program Officer	SDC
Dr. Carlos Morel	Director,	TDR
Dr. Erik Blas	Programme Manager	TDR
Dr. Jim Sherry	Director of Programme Development	UNAIDS
Alan Doss	Deputy Special Representative of the Secretary-General	UNDP
Inge Kaul	Director, UNDP Office of Development Studies	UNDP
Khalid Malik	Director, Office of Evaluation	UNDP
Marta Mauras	Deputy Director, Office of Evaluation	UNDP
Nurul Alam	UNDP Evaluation Office	UNDP
Morten Ussing	Associate Economist Planner	UNHCR HQ
Sajjad Malik	Senior Rural Settlement Officer	UNHCR HQ
Jean Quesnel	Chief, Evaluation Office	UNICEF
Dr. Abha Saxena	Scientist, Research Policy and Cooperation	WHO
Dr. David Nabarro	Executive Director	WHO
Dr. Emmanuel Guindon	Tobacco Free Initiative	WHO
Dr. J. W. Lee	Director, Stop TB	WHO
Dr. Jacob Kumaresan	Executive Secretary, Stop TB	WHO
Dr. Mario Raviglione	Coordinator, TB Strategy & Operations	WHO
Dr. Paul Van Look	Director, Reproductive Health & Research	WHO
Dr. Sonya Rabeneck	Technical Secretary	WHO
Dr. Tikki Pang	Director	WHO
Prabhat Jha	Senior Sicientist	WHO

IMF Board

Name	*Title*
Roberto Jungito	Executive Director
Vijay L. Kelkar	Executive Director
J. De Beaufort Wijnholds	Executive Director
Rosemary Stevenson	Executive Director (Alternate)

IMF Board

Name	***Title***
Cyrus Rustomjee	Executive Director
Wei Benhua	Executive Director

World Bank Board

Name	***Title***
Yahya Abdullah M. Alyahya	Executive Director
Jaime Ruiz	Executive Director
Helmut Schaffer	Executive Director
Balmiki Singh	Executive Director
Pieter Stek	Executive Director
Bassary Toure	Executive Director
Abdul Aziz Mohd. Yaacob	Executive Director
Guangyao Zhu	Executive Director

World Bank

Name	***Title***	***Department***
Jeffrey Goldstein	Managing Director	MDF
Mamphela Ramphele	Managing Director	MDH
Shengman Zhang	Managing Director	MDS
Surjit Singh	Lead Operations Officer	AFC06
Pamela Cox	Director	AFRVP
Agnes Kiss	Lead Ecologist	AFTES
Julie McLaughlin	Senior Health Specialist	AFTH1
Dr. Francois Decaillet	Senior Public Health Specialist	AFTH3
Dr. Jean-Pierre Manshande	Senior Health Specialist	AFTH4
Dr. Lawrence Barat	Technical Specialist	AFTH4
Gebreselassie Okubaghzie	Senior Health Specialist	AFTH4
Ok Pannenborg	Senior Advisor	AFTH4
Pamphile Kantabaze	Sr. Operations Officer	AFTH4
Dr. Bernhard Liese	Senior Advisor	AFTHD
Oey Meesook	Director, Human Development	AFTHD
Jeffrey A. Katz	Manager	AFTPX
Hartwig Schafer	Chief Admin. Officer	AFTRM
David Scott	Adviser	BFR
Larry Promisel	Sr. Adviser	BFR
Margery Waxman	Director	BFR
Nigel Twose	Manager	BPG
Bruno Lanvin	Program Manager	CITPO
Charles Kenny	Economist	CITPO
Isabelle Andress	Sr. Infomatics Specialist	CITPO
Pierre Guislain	Sector Manager	CITPO
Gotthard Walser	Sr. Mining Specialist	CMNPO
Misha Belkindas	Lead Statistician	DECDG
Shaida Badiee	Director	DECDG
Uri Dadush	Director	DECPG
Paul Collier	Director	DECRG
Lyn Squire		DECRG (GDN)
Shahrokh Fardoust	Sr. Economic Adviser	DECVP
David Ellerman	Sr. Economist	DECVP
Lisa Campeau	Consultant	EACDF
Jagadish Upadhyaya	Lead Project Officer	EASHD
Maureen Law	Director, Human Development	EASHD

World Bank

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Constance Bernard	Director, Support Services	ECSCS
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Jane Holt	Sector Manager, Environment	ECSSD
Konrad Von Ritter	Lead Environmental Economist	ECSSD
Marjory-Anne Bromhead	Sector Manager	ECSSD
Steven Holtzman	Sr. Social Scientist	ECSSD
Monika Borowska-Massalska	Adviser to Executive Director	EDS24
David Cassells	Sr. Environmental Specialist	ENV
Enos Esikuri	Consultant	ENV
Gonzalo Castro	Sr. Biodiversity Specialist	ENV
Guenter Riethmacher	Environmental Specialist	ENV
Jocelyne Albert	Sr. Regional Coordinator	ENV
Kristalina Georgieva	Director	ENV
Magdolna Lovei	Lead Environmental Economist	ENV
Marea Hatziolos	Sr. Environmental Specialist	ENV
Kenneth Newcombe	Sr. Adviser	ENVCF
Rohit Khanna	Operations Officer	ENVGM
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Ian Johnson	Vice President & Head of Network	ESDVP
Robert Watson	Chief Scientist & Director	ESDVP
Richard Jeremy Spencer	Sr. Energy Specialist	EWDEN
Charles Feinstein	Lead Operations Officer	EWDES
Walter Stottman	Manager	EWDWP
Eduardo Doryan	Special Rep. To United Nations	EXTUN
Daniel Ritchie	Consultant	EXTVP
Matts Karlsson	Vice President	EXTVP
Amedee Prouvost	Manager	FRM
Geoffrey Lamb	Director	FRM
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Luigi Passamonti	Sr. Adviser	FSEVP
Gerard Caprio	Director	FSP
Jarle Harstad	Lead Monitoring and Evaluation Specialist	GEFME
Leif Christoffersen		GEFME
Amie Batson	Senior Health Specialist	HDNHE
Christopher Walker	Lead Quality Specialist	HDNHE
Diana Weil	Senior Public Health Specialist	HDNHE
Helen Saxenian	Sector Manager	HDNHE
Janet Nassim	Operations Officer	HDNHE
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Laura Cooley	Operations Officer	HDNHE
Susan Stout	Lead Implementation Specialist	HDNHE
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Jozef M. Ritzen	Vice President	HDNVP
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Eduardo Doryan	Former Vice President	HDNVP
Jozef Ritzen	Vice President	HDNVP
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Stephen Eccles		IMDDR
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World Bank

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Lynn Brown	Communications Specialist	RDV
Robert Thompson	Director	RDV
Sushma Ganguly	Sector Manager, Rural Development	RDV
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John Todd	Lead Economist	SRMSG
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Anil Sood	Vice President	SRMVP
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World Bank

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Ruairi Brugha	Health Policy Unit	LSHTM
Prof. Andy Haines	Dean	LSHTM
Prof. Anne Mills		LSHTM
John Cleland	Head, DFID-funded Safe Passages to Adulthood Program	LSHTM
Richard Hayes	Professor, Epidemiology & International Health	LSHTM
Steve Bennett	Infectious Disease Epidemiology Unit	LSHTM
Basia Zaba	Center for Population Studies	LSHTM
Ian Timaeus	Center for Population Studies	LSHTM
Sylvia Meek	Malaria Consortium	LSHTM
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John Roberts	Principal Economic Adviser, International Division	DFID
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Charlotte Seymour-Smith	Head of Department, International Trade	DFID
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UNITED STATES

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Robert Mendelsohn	Professor of Economics	Yale University
Kathy McAffee	Professor of Economics	Yale University

BURUNDI

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Judith Nahayo	Deputy Director	BURSAP
Dr. Kassi Manlan	Representative	WHO
Salvatore Bijojote	Director-General	Ministry of Reinstallation & Resettlement of Returnees

BURUNDI

Name	*Title/Department*	*Organization*
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Serge Nkurikiye	Project Coordinator of Health & Population Project	Ministry of Health
Jacqueline Kankindi	Ministry of Social Action	
Karekezi Lazare	Governor	Muyinga Province
Gratien Nzayanga	Advisor to Governor of Ruyigi	
Dr. Deogratias Manirakiza	Provincial Health Director	
Dieudonne Ntamahangarizo	Communal Administrator	
Bernard Civye	Provincial Education Director	
Salvator Nkurunziza	Program Coordinator	Action Aid

CHINA

Name	*Title/Department*	*Organization*
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Chen Chunming	Former Official	Ministry of Health
Liu Yi	Director General	Foreign Economic Cooperation Office
Gaolai Luo	Deputy Director General	Foreign Economic Cooperation Office
Wang Qing	Project Officer	Foreign Economic Cooperation Office

COTE D'IVOIRE

Name	*Title/Department*	*Organization*
Carla Short	Task Manager (former)	Formerly of Conservation International

ETHIOPIA

Name	*Title/Department*	*Organization*
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S. Nyambi	Resident Representative	UNDP
Antonius Broek	Deputy Resident Rep.	UNDP
Dr. Elfaith Shaaeldin	Resident Representative	ADB
George Namakando	Principal Macroeconomist	ADB
Eskendir Alemseged	Civil Engineer	
Dr. Mahendra Sheth	Programme Officer	UNICEF
Dr. Agonafer	Head	CRDA (National NGO umbrella organization)
Mr. Yohannes	Head, Health Services and Training	MOH
Klaas Wit	First Secretary, Economic	Netherlands Embassy
Mr. Oedi	Sr. Health Officer	WHO
Dr. Girma Azene	Head of Planning	MOH
Dr. Thomas Labahn	Director	MOH
Bjorn Seidel	Deputy Director	MOH
Dr. Peter Herzig	Health Project Adviser	MOH
Ms. Tekle	Sr. Nurse Adviser	MOH
Mr. Alem	Health Worker	MOH
O. Gebreselassie	Sr. Health Specialist	

Ghana

Name	*Title/Department*	*Organization*
Dr. Sam Adjei		Ministry of Health
Mr. George Melville		WHO
Ms. Elizabeth Gaere		DFID

Appendix 5: Management Response

OED reform agenda	Management response
Organization:	
Management should strengthen strategic planning and oversight of global programs and partnerships. Rigorous priority setting, improved quality management, and stronger corporate leadership on global issues is of strategic importance, but *how* to achieve this is a challenge and has been the subject of considerable debate within the Bank as the findings of this study began to surface. Here, OED puts forwards three options: 1. Fine tuning of the existing management framework and processes to address the identified weaknesses. 2. Setting up a secretariat to assist a single Managing Director (MD) in the oversight of all Bank global activities. 3. Allocating Bank-wide responsibilities for improving quality assurance and overseeing partner relations at the global level to a single existing Vice-Presidential Unit (VPU).	Management agrees that oversight of global programs will need to be further strengthened. Over the past few months, important oversight mechanisms for new global, regional, and institutional partnerships have already been introduced. A **Review Group**, created to propose further refinements to the oversight and review structures, will examine different options presented in the OED report. Management will report to CODE on the recommendations of the Review Group and on actions taken.
The strengths and weaknesses of each option were weighted in the context of the global policy cycle, that is, development of strategy and policy, refinement and application of criteria for engaging in partnerships and for selectivity, and follow through in the program cycle from initiation to accountability for impact. ➢ OED concludes that refining the existing framework, while it would continue to promote innovation and flexibility, would not significantly enhance quality or accountability. Strengthening the sector boards and giving QAG and OED roles in ensuring quality at entry and evaluation, while useful and necessary under any scenario, would not resolve conflict of interest dilemmas. Nor would it provide the strong leadership needed to achieve coherence and enhance accountability so as to tap the full potential for Bank leadership and impact on global poverty alleviation. ➢ With an appropriately staffed and mandated MD secretariat, on the other hand (possibly absorbing the current DGF establishment), the possibility of real reform would be higher, especially regarding operational deliverables	Management would like to caution against an overly regulated and centralized oversight system, which would unduly constrain the flexibility needed for the evolving and very diverse agenda of global programs. Global programs will need to remain fully integrated into network programs to benefit from professional expertise located in sector Networks. Senior management will continue to exercise strong corporate leadership for global programs, relying on support provided by Networks and Regions. Management has asked the Review Group to carefully weigh the advantages and disadvantages of centralized versus decentralized oversight structures, drawing on the analysis provided by OED.

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and results. Working through the Networks, - which would continue to have the primary responsibility for task management and partner relations, the MD secretariat would set standards, oversee programming and budgeting, perform quality assurance functions and report annually to senior management and the Board on activity. It would also be able to ensure that risk management policies are defined by the appropriate unit and would oversee Network implementation of risk management processes, including, as appropriate, reporting to the Board. With an appropriate mandate, an existing VPU reporting to its Managing Director, could perform all the same functions as the MD secretariat as well as providing intellectual leadership and fulfilling the need to address the global policy environment. It could assist in the development of policy and strategy as well as help improve operational effectiveness through two interacting units: a think tank to routinely monitor and anticipate changes and emerging opportunities in the global environment, draw partnership implications for the Bank, and provide intellectual leadership; and a separate operational unit concerned with the internal management of global programs.	
Strategy:	
Management should further articulate a strategy for Bank involvement in global programs and policies that establishes over-arching objectives, oversight responsibilities, and the Bank's comparative advantage. The strategy would articulate how global programs are distinguished from institutional partnerships and contribute to achieving the Bank's mission of sustainable development and poverty alleviation, and the extent to which they should focus on the provision of global public goods and involve specific forms of partnership. ➢ A central unit (secretariat or VPU) would develop and monitor performance indicators to ensure that Networks and Regions are appropriately linking specific global programs, country assistance strategies, and sector strategies, and prepare annual reports for the Broad based on information provided by the Networks. ➢ It would develop clear and transparent criteria and guidelines for resource allocation,	Management agrees that a strategic role for the Bank at the global level based on its comparative advantage is important and has taken action. The Development Committee discussion of the paper *Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Collective Action* provided the basis for agreement among Ministers in the September 25, 2000, Development Committee Communiqué that the Bank should take on a strong yet selective role at the global level, where: ➢ The proposed interventions have clear value-added for poverty reduction and the Millennium Development Goals; ➢ Global action is a complement to country action; ➢ The Bank has a comparative advantage; and ➢ There is strong support in the international community for Bank involvement. Final initial priority areas were identified: (i) combating communicable disease, especially major killers such as AIDS and malaria; (ii) global aspects

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budgeting, accounting, and auditing practices, and information systems for global programs. ➢ It would be involved in the allocation of the Global Public Goods (GPG) Fund to link global programs to country needs, with a results-based focus, by providing the Networks with non-fungible, dedicated budgetary resources.	of economic governance, particularly in promoting good standards and architecture for financial management and corporate governance; (iii) trade integration, particularly to expand developing countries' access to markets; (iv) protecting the global environmental commons; and (v) developing and promoting access to information and knowledge. These global public goods priorities have been incorporated into the Bank's Strategic Framework, most recently discussed by the Board in the Strategic Update Paper. As work matures in the five areas, Management will revisit global priorities in the context of overall strategic issues. Fundamentally, Management sees global strategy as the responsibility of Senior Management, exercised especially through the annual Strategic Forum. Management believes that global strategy should not be considered separately from the Bank's regular strategic planning processes that drive them. In examining whether more analytical and intellectual support is needed at the center, the Review Group will consider OED's suggestion that a single unit be designated to develop a global strategy that also includes specific oversight procedures for global programs.
Selectivity:	
The MD secretariat or designated VPU should establish and monitor the standards Networks must follow for their global programs, including the extent of verifiable objectives, dedicated Bank resources, and appropriate organizational and funding arrangements, and some form of cost-benefit or other ex-ante criteria for Bank-wide prioritization and quality assurance. ➢ For new programs above a threshold size, likely of a global public goods nature, the central unit would help institute a transparent identification, preparation, appraisal, Board approval, supervision, and evaluation processes for global programs. OED estimates that in fiscal 2002 this would have involved appraising one new DGF program, but 19 ongoing DGF programs to which commitments were renewed by DGF for FY02 and similarly 10 non-DGF programs would also be potentially eligible for appraisal.	Management agrees that Networks should exercise very rigorous selectivity for Bank involvement in global programs. While a decentralized framework for managing global programs and partnerships is in place, Management will explore through the Review Group whether additional central standards need to be established to support this process. As noted earlier, global programs are very diverse, and the processes for identification, preparation, appraisal, approval, supervision, and evaluation should be tailored to the nature and scope of Bank involvement in specific programs. With regard to OED's recommendation that a central unit is needed to institute these procedures, Management will consider this question in the Review Group.

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Program Implementation:	
Management should clarify responsibilities and accountabilities of the Board, Regions, Networks, and task managers, and provide each with the resources needed to fulfill the Bank's commitments with its partners. ➢ For programs under implementation, introduce a more systematic and regular approach for task manager monitoring of program performance and provision of audit reports, introduce independent panels similar to those used by QAG to review quality of the ongoing portfolio, expand audits introduced by DGF, in the first instance, to cover all programs receiving medium- to long-term Bank support (Window 1). ➢ Ensure independence of the three-year evaluation process the DGF has instituted for its programs by extending the practice to all programs (including ongoing programs and regardless of whether funding is from Bank budge, DGF, or Bank-managed trust funds) as a prerequisite for continuing support. ➢ Include global programs in the standard evaluation and reporting processes of OED, ensuring routine reporting to the Board of the findings of independent evaluations and management decisions of continuing support to the programs. ➢ For new small programs, of a merit goods nature, that are not presented to the Board, the MD secretariat or designated VPU would help improve approval, monitoring, and auditing in the DGF. Management could introduce independent review processes that are external to the program, similar to the processes used by the World Bank Research Committee, for the allocation of DGF small grants or as part of the Bank budget. ➢ For programs under implementation, including the existing portfolio, it would introduce quality assurance and enhancement standards and clear Network accountabilities. ➢ It could help adapt the standards and procedures applied to the use of Bank funds in innovative lending operations such as learning and Innovation Loans and Adjustable Program Loans to global programs.	Management agrees that as global programs have grown and now represent an evolving area of business for the Bank, responsibilities and accountabilities should continue to be clarified, and that sufficient resources should be allocated to commitments to partnerships undertaken by the Bank. The new Partnership Approval and Tracking System (PATS) launched as a pilot in December 2001, has consolidated business processes for seeking MD approval for new partnerships, Development Grant Facility (DGF) grant allocation, risk assessment, and knowledge management. The PATS system follows on a number of other improvements, such as the trust fund reform program, and a strengthened DGF prioritization process and "two window" approach. Management will consult with QAG about extending its portfolio quality procedures to partnerships, and with OED about extending its standard evaluation and reporting process to global programs. Management will explore the applicability of LIL and APL procedures to global programs. Management agrees that the existing portfolio of global programs and other partnerships requires regular review. It has directed all VPUs to monitor ongoing partnerships in their annual business processes, assess their quality and relevance, and report decisions about continuing or exiting from them. Management agrees with the principle that all ongoing global programs should have an evaluation strategy, but reserves judgment on whether the term should be three years in all cases. It may be preferable to relate the frequency of reviews to program size.

Appendix 6. Chairman's Summary: Committee on Development Effectiveness

Background. OED's review of the Bank's involvement in global programs was commissioned by the Board in FY2001 in response to concerns about growing Bank participation in global programs. At Management's request, the Phase l report focused on the strategic and programmatic management of global programs supported by the Bank. The OED report confirmed that global programs and partnerships (GPPs) had become an important line of business for the Bank and that the Bank had made progress in putting in place a management structure for global programs. However, some major reforms to improve the management of GPPs were still needed, including: (a) strengthening strategic planning and oversight of global programs and partnerships; (b) developing a Bank strategy for involvement in GPPs; (c) establishing procedures in the Bank for implementation and monitoring; and (d) clarifying organizational responsibilities for the GPPs within the Bank. Management noted that there was broad agreement between OED and Management on the scope and focus of the recommendations but differences on implementation.

Main conclusions and next steps. The Committee thanked OED for a useful and timely report. Members recognized that GPPs have made a real contribution to the development mission and that the Bank had a continuing, important role to play in GPPs. The Committee agreed that better strategic management of global programs was needed and overall endorsed the findings and recommendations of the OED's Phase 1 Evaluation. Members of the Advisory Committee fully supported OED's recommendations, underlined the importance of the Bank continuing to take a leadership role in GPPs, and suggested that the Bank should involve the United Nations in joint assessments of global programs and policies. Management has set up a Review Group to make recommendations on how management of GPPs can be strengthened. It will inform the Executive Directors of the review group's work program, planned activities, and timing by October 2002. The Phase 2 report will address impacts of individual programs to extract further lessons for strategy and programs.

Among the main points discussed were:

Selectivity and strategic management. The Committee agreed with OED's recommendation that better strategic management of global programs was needed, including a better process for selection and management of global programs, clearer linkages to the Bank's core objectives, and better definition of the Bank's comparative advantage in the design and July 18,2002 CODE2002-0058 implementation of global programs. However, most members did not support the Bank developing a separate strategy for GPPs. They noted that the Bank already had mechanisms in place which, if strengthened, could provide for adequate oversight, quality assurance, and systematic appraisal of GPPs. Some members emphasized that Bank engagement in GPPs should be guided by criteria emphasizing clear added value to the effectiveness for Bank country programs, the need for Bank action to catalyze other resources, and for the Bank to demonstrate a significant comparative advantage. OED, however, stressed that identifying development priorities was not enough to ensure selectivity and that a strategy and an arm's length appraisal and evaluation processes were also necessary to provide the kind of selectivity the Committee desired.

Oversight and control. The Committee held differing views on the central control function. Some members supported a more pro-active, centralized, oversight function for clear leadership, accountability, and transparency but cautioned that it not be overly bureaucratic. Others noted that some decentralized-managed programs had worked well. OED underlined that it was not recommending establishment of a new Vice Presidential Unit (VPU). Rather, it was stressing the need for designating responsibility either to an existing VPU or to a Managing Director to provide strong intellectual leadership and to coordinate activities on a Bank-wide basis in order to ensure a coherent strategy, transparency, and accountability for Bank involvement in global programs. Management noted that there was broad agreement between OED and Management on the scope and focus of the recommendations, especially with respect to the need for more structured and tightened managerial oversight, and for well-defined and rigorous appraisal methods. It, however, was cautious about introducing a centralized function as proposed by OED. The Review Group would examine the oversight processes for global programs and Management would report back to CODE on how it planned to strengthen these processes. The Committee believed that Phase 2 of the review would hold practical lessons in this regard and they looked forward to Management's further proposals on this issue.

Partnerships. The Committee recognized the value of partnerships developed through global programs, but noted that some may have been too "Bank" and donor driven. Members were concerned about the report's finding that "developing countries have had little voice in the design, governance, and management of most global programs" and it supported the recommendation to increase the focus on activities that could help developing countries benefit from and inform global initiatives. Members also would have like to see a broader analysis and focus on partnerships beyond their benefit solely to the Bank's work. Management underlined that the commitment to partnerships and the partnership agenda had broadened considerably as a result of the Bank's engagement and that a flexible approach to partnerships, through decentralized processes, had been instrumental in allowing global programs to be responsive to client needs.

Additionality of Bank resources. The Committee felt that it would be useful to get a clearer picture on the "additionality" and leveraging of Bank resources and of the level of resources required to realize the goals of the GPPs, including whether the Bank was adequately resourced to realize its mandate. Members would have appreciated more focus on the impact and results of GPPs and urged faster progress in assessing the benefits and additionality of Bank engagement in GPPs. One speaker noted that the establishment of an IDA grant window could have implications for the Development Grant Facility and the way GPPs were resourced. OED indicated that it was currently finalizing a meta-evaluation of the CGIAR as part of its Phase 2 review to which the issues of grants are IDA relevant.

Appraisal of programs. Members noted that few global programs focus on global public policies that have significant impacts on developing countries., The Committee agreed with OED on the need for more systematic appraisal, quality tracking, and independent evaluation of global programs to improve selection and monitoring of programs. It would also help to identify where the use of funds for global programs is better than their use at the country level.

Timing. The Committee underlined the importance of the Bank making fast progress on the issues raised in the OED review and agreed that this did not require waiting for the results of the Phase 2 Report. The Committee asked Management to report back on its next steps, especially with regard to organizational issues and timing by October 2002. Management will inform Executive Directors on its next steps, including the Review Group's proposal by October 2002.

Girmai Abraham
Acting Chairman