

The World Bank's Support to Middle Income Countries: An Independent Evaluation Group (IEG) Review

Approach Paper

I. Context and Motivation for the Evaluation

1. Middle-income countries (MICs) are an important group on the global stage¹. These 86 countries account for just under half of the world's population, and are home to nearly 40 percent of the world's poor living on less than \$2 a day. They have grown faster than the world at large over the last decade and now account for one-sixth of global output. The MIC group has achieved faster poverty reduction than the world as a whole, and has significantly improved its access to and receipt of private capital flows. Their progress increasingly influences that of their neighbors including Low Income Countries (LICs) through, for example, growing trade and foreign direct investment. They contain some of the earth's most important natural assets, whilst at the same time several have amongst the world's fastest rising carbon emissions and energy consumption.

2. MICs are a very diverse group whose development challenges are substantial and varied. The way in which the World Bank supports MICs in meeting those challenges has been the subject of debate in recent years. The Bank itself has produced two reports on the topic from MIC Task Forces (2001, 2004)² and progress memoranda on the Bank's Action Plan for its work on MICs (2005)³. Both stakeholders and outside commentators have proposed changes, ranging from a revitalization of engagement to withdrawal, in the Bank's role in MICs.

3. The IEG evaluation will differ from, and add to, existing studies because it will focus on the **development effectiveness** of the Bank's engagement in MICs. It will identify lessons from experience along three dimensions:

- First, it will assess the **outcomes of country assistance programs** in MICs. It will seek to identify the development effectiveness of different business models—comprising varying types of lending and AAA—in different country circumstances;
- Second, it will assess the extent to which the Bank's **knowledge sharing** role meets the MICs' needs;
- Third, it will assess the extent to which the Bank has effectively engaged MICs in **global programs and issues**.

4. By drawing lessons from recent development experience in client countries, the evaluation's findings will help to inform the composition and scale of future assistance programs for MICs with a variety of needs and preferences. By evaluating the outcomes of country assistance programs as a whole, the evaluation would complement—and would not revisit—management's ongoing business analysis of the competitiveness of Bank lending products in the context of global capital markets. The review's findings on

knowledge sharing and global engagement issues will also shed light on how partnership activity with MICs can be strengthened, so that a more effective globally-coordinated response can be made to deal with common challenges affecting the international community at large.

II. Evaluation Issues

5. The Bank's business model for supporting MICs is anchored in individual Country Assistance Strategies. Beyond the CAS, there is no overarching institutional framework for organizing assistance to MICs in contrast to, say, the Poverty Reduction Strategy Process for LICs. The Task Force reports and subsequent progress memoranda, as discussed by Executive Directors, have elucidated the main objectives of the Bank's engagement in MICs, grounded in the Bank's Articles of Agreement. We distill these as:

- to support the development and priorities of each client in the MIC group, on a tailored case-by-case basis, as set out in the relevant Country Assistance Strategy.
- for the MIC group as a whole—to support pro-poor, sustainable, private sector led economic growth.
- to help MICs cope with volatility in capital flows and crises which impede market access (and the impact thereof especially on the poor), and upgrade their market access over the longer term.
- regarding knowledge for development, to help build, refresh, share and apply knowledge by engagement with MICs. This is to help MICs use knowledge for their own individual progress; to share knowledge between MICs; and to share MIC-derived knowledge with LICs.
- to support MICs in their ability to play a full part in global cooperative ventures, to the mutual benefit of the MICs themselves and the wider global community.

6. Based on these five general objectives, the evaluation has formulated *three evaluation themes* discussed in more detail below. The first three objectives are covered in theme one—development effectiveness; and the others are covered in the themes on knowledge sharing, and global engagement.

Theme One: Country development effectiveness in the fight against poverty

7. *How relevant and effective have the Bank's country programs been in meeting MICs' development objectives and reducing poverty?* We look at these dimensions across country programs for the range of MICs. A preliminary review of Country Assistance Evaluations (CAEs) for this group reveals that whilst more than 40 percent of the sample programs ranked as satisfactory or highly satisfactory, about one-quarter of the sample programs received an unsatisfactory rating. The review will examine outcome patterns and include an examination of growth performance and other indicators such as institutional development.

8. We will look particularly at the experience in tackling poverty. For some MICs such as China there are still substantial numbers of people living in extreme poverty on less than one dollar per day. In other countries, such as Turkey, the more pressing

problems are associated with the vulnerability of sections of the population and their relative poverty. In yet others such as Brazil the issue of inequality—closely associated with geographic regions where poverty is concentrated—comes to the fore. *To what extent has the Bank tailored its programs to meet these different challenges? How effectively has the Bank helped tackle regionally-concentrated poverty? To what extent has the Bank's help supported countries in meeting pertinent Millennium Development Goals (MDGs)—and for some countries the more stretching ambitions of the so-called "MDG plus" targets?*

9. Managing financial crises, and mitigating the risks thereof, has been a distinctive feature of the Bank's work in several MICs over the years. Crises have been an important feature of MIC experience—about one in six MICs (and almost one in three of the larger MICs) has been affected by financial turbulence within the last decade. The way in which the Bank approaches crisis situations is too broad a topic to be covered comprehensively in this review. The evaluation will therefore be selective in focusing on important experiences from financial crises in a small number of MICs and draw out relevant lessons. *How effective is the Bank's support to MIC client countries during crises? When helping deal with crises, how far does the Bank focus on poverty issues and longer term development needs where its comparative advantage may lie?*

10. It is important to recognize the great diversity within the MIC group. Country experience, and the analysis thereof, will not be one-size-fits-all. The review will not impose an *a priori* classification which firmly divides the MIC sample according to characteristics such as income level or capital market rating. Rather the evaluation will assess the combinations of country characteristics and Bank program composition which are most illuminating in revealing shared experiences.

Theme Two: Knowledge sharing and impact in MICs

11. The key questions here are:

- *How well is the Bank acquiring and sharing knowledge relevant to the particular needs of MICs?*
- *How effectively does the Bank use knowledge sharing in its engagement with MICs?*
- *How effective has been the experience in applying global knowledge to country programs and projects supported by the Bank, including in bundling Analytical and Advisory services (AAA) with finance?*

The Bank's effectiveness in building, sharing, and using knowledge for development is given a particular emphasis in this evaluation. For the MIC group, this has three dimensions: using knowledge in individual MICs; exchanging knowledge within the group; and transferring knowledge from MICs to other clients (LICs). Earlier evaluations have also highlighted some of these points. For example the IEG report on Sharing Knowledge⁴ found that across all countries (LICs as well as MICs) knowledge sharing was not being well integrated into country programs and projects. The QAG Assessment of the Quality of Country AAA (2005)⁵ found no clear difference in the quality of AAA

between IBRD and IDA countries in the sample reviewed, but of the seven countries having AAA rated as marginally satisfactory or unsatisfactory, five are MICs. Identifying those circumstances displaying best practice—or deficiencies—in the delivery of knowledge services can help the Bank in the emphasis upon and design of such services in the future.

Theme Three: Global engagement

12. *To what extent has the Bank's support to MICs helped them contribute to identified global priorities and initiatives?* MICs should contribute to globally shared goals such as environmental sustainability and an effective trading system. Global programs, to be effective, require a strong connection with country programs, and adequate representation of the voices of developing countries in the international consensus⁶. *What is the extent and result of efforts to reach out to MICs and link global programs to their needs? How are MICs represented in governance arrangements for relevant global initiatives sponsored or administered by the Bank? How well are the Bank's country programs in MICs aligned with selected global programs of the Bank? How well has the Bank helped MICs to input their own perspectives on global priorities into emerging joint initiatives?* Evidence on these questions should guide how, and to what extent, the Bank can assist further in the future integration of MICs within global initiatives.

III. Approach and Scope

13. We will draw on four sources of evidence to examine the issues listed above:

1. A literature review;
2. Country performance and Bank portfolio review;
3. Client survey;
4. Selected field work on key themes.

14. A **literature review** will commence our work program. A key source here will be existing evaluative material which is particularly pertinent to MICs. Analysis which has previously been produced by IEG includes the major evaluations on Knowledge, Global Programs (including background case studies), Finance, Investment Climate, and selected Annual Reviews of Development Effectiveness. Relevant findings will be summarized and, where practicable, source material and its accompanying analysis will be re-assessed through a MIC-specific lens. Selected external literature will also be surveyed, especially as it casts light on long term trends in MICs, and upon specific issues such as global engagement.

15. The second pillar of analysis will encompass a **country performance and Bank portfolio review**. We will quantify and benchmark how poverty has evolved in the MIC group over the last decade, and how related selected social indicators (particularly some MDG targets) have changed. Trends in inequality will also be reviewed, given their particular importance to several MICs. This poverty profile will be complemented with a

look at the economic growth performance of the sample, as well as indicators of institutional development and capital market access.

16. This overall country performance picture will set the context for examining the performance of Bank portfolios in individual MICs and the group as a whole. The review of portfolio performance will examine several features. First, Country Assistance Evaluations (CAEs) and Country Assistance Strategy Completion Reports (CASCRs) will be used where available to yield information on the overall relevance and effectiveness of Bank support as a whole. Common features or lessons will be elicited. Second, a database will be compiled from individual evaluation results of project performance in the MIC group. The database will help assess quality along several dimensions. Similar evaluative material drawing on QAG data will be gathered and reviewed for AAA/ESW performance.

17. The third source of evidence is a **cross-country survey of client perspectives** and experience. A representative sample of countries will be assembled and a structured questionnaire will be used to canvas opinion. Feedback is being sought primarily from partner government front-line representatives, i.e., senior personnel involved with policy formulation and implementation, and from other relevant partners, such as other opinion-formers and Civil Society Organizations (CSOs).

18. Finally, the review will carry out a limited amount of **field-work on key themes** as the fourth source of evidence.

(a) On the **knowledge theme**, samples of the Bank's AAA products will be reviewed to assess, inter alia, evidence of fertilization (such as multi-country experience of staff on teams; study references to experience of different countries and regions; multi-region learning events and networks for counterparts), primarily in MICs but also in some LIC situations. Field-work in three countries will obtain feedback from clients and operational staff, on the acquisition, relevance, dissemination and application of the Bank's global knowledge. A thematic case study—possibly on the Bank's role in innovative social assistance programs—will be used to examine the experience of Bank involvement in knowledge development and sharing within the MIC group and between MICs and LICs.

(b) On the **global engagement theme**, to supplement evidence derived from background case studies from IEG's Global Programs' evaluation⁷, we will carry out a new thematic case study to spotlight the specific features and experiences of MICs' engagement with global programs, such as those associated with key environmental issues. The examination would include looking at the scale of MIC engagement; "voice" issues including the interaction of MIC counterparts in the design, management and oversight of the program; and client feedback on program strengths and weaknesses.

Scope

19. The evaluation will review the group of countries classified as middle-income by the World Bank's World Development Indicators (i.e. those countries with per capita income between US\$826 and US\$10,065 in 2004: see Annex 1 for details). The diversity within the MICs will be accommodated as far as possible and data analysis will review and present information to control for the weight carried by China—through its size—or by the smallest of MICs (with populations below one million)—through their number. The review will cover experience from 1995 to the most recently available data point. Country assistance programs, and associated regional inputs, are the core activity for evaluation because they account for the most significant share of resources in terms of staff/Bank administration and financial flows to MICs. DEC, Network and relevant Treasury activities, as delivered through country programs, will be included subject to the availability of adequate data. Since WBI activities are being examined as part of a distinct IEG review on client training⁸ they will not be included in detail here. The evaluation will draw on any available evidence from IEG-IFC and IEG-MIGA regarding the IFC's and MIGA's interaction specifically with MICs. Findings on the issue of the coordination and synergy of Bank group services (Bank, IFC, MIGA), including perspectives of client representatives, will be reported where available. IFC services delivered intertwined with Bank programs specified in the relevant country assistance strategy, e.g., a FIAS report, will also be covered. A comprehensive view of IFC and MIGA portfolios and activities is beyond the scope of this study.

IV. Team, Timetable, and Dissemination

20. The evaluation will be task managed by Thomas O'Brien (IEGCM). Other team members will include Basil Kavalsky (reviewing operational issues and the knowledge services dimension) and Brett Libresco (research).

21. An Advisory Group is being assembled of respected partner country representatives, thinkers, and practitioners. Peer reviewers will be confirmed from within and outside the Bank. We are also seeking to form a Consultative Panel of senior Bank staff drawn from various parts of the institution closely involved with the MIC agenda. Such a panel—slated to include personnel from the key regions, OPCS, SFR, DEC, GPP etc.—would be a valuable interface for the review team as work progresses, to discuss emerging findings and think through the learning for the Bank's operational and strategic stance with this set of clients.

22. The evaluation is expected to take around eleven months to deliver to CODE and be completed towards the end of 2006. The indicative timetable is below.

Indicative timetable for Middle Income Countries Review

Dates	Tasks
<i>Phase I: Study approach</i>	
December 2005	IEG one-stop review of approach paper
January 2006	CODE receipt of approach paper
<i>Phase II: Data analysis and project launch</i>	
January – April 2006	Desk-based research
February 2006	Advisory panel consultation
March 2006	Project launch workshop
<i>Phase III: Topic reviews and field work</i>	
January – April 2006	Topic and field work study design, planning, start-up and initial consultations
March – June 2006	Field work studies, mission
June – September 2006	Study analysis and drafting
<i>Phase IV: Preliminary findings</i>	
October 2006	Advisory panel consultation
October 2006	IEG one stop review of draft final report
<i>Phase V: Study finalization and dissemination</i>	
October – November 2006	Finalizing of draft report; management consultation
December 2006	Circulation and discussion of report at CODE
January 2006 – March 2007	Finalization and dissemination of report, findings and follow-up

23. We will draw the attention of partner governments, Bank and other development practitioners, and other stakeholders to the evaluation output. Dissemination tools to be used include: an evaluation web-site; production of the review's summary in several MIC-relevant languages; and key findings presented in multimedia format.

24. We welcome comments and suggestions on this approach paper, which will inform and guide the final conduct of the evaluation to maximize its quality and usefulness.

Endnotes

¹ Middle Income Countries are classified by the World Bank's World Development Indicators as those with GNI per capita (Atlas method) between US\$826 –US\$10,065 in 2004

² Strengthening the World Bank's Support for Middle Income Countries, March 2001 (SecM2001-0170); Enhancing World Bank Support to Middle Income Countries, April 2004 (SecM2004-0071/1). The Task Forces defined the middle-income country group as those eligible to borrow from IBRD. As of FY06, this MIC grouping based on "IBRD eligibility" as compared to the MIC grouping based only on income level, includes 1 high income country, 5 low income "blend" countries, and excludes 14 lower middle-income countries which are IDA-only clients.

³ Enhancing World Bank Support to Middle Income Countries, Management Action Plan: Progress Memorandum, February 2005 (R2005-0016); Second Progress Memorandum, December 2005 (SecM2005-0560)

⁴ Sharing Knowledge: Innovations and Remaining Challenges, An OED Evaluation, 2003 (World Bank)

⁵ Quality of Country Analytical and Advisory Activities (CAAA), prepared by QAG, December 2005, CODE2005-0108

⁶ As noted in "Addressing the Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs", OED, 2004 (World Bank)

⁷ Op. cit.

⁸ IEG Evaluation of World Bank Support for Client Training – Approach Paper, November 2005 (CODE2005-0103)

Annex 1

Figure 1: Income Distribution of MICs

Income Category	2004 GNI per Capita	Country	2004 GNI per Capita	Country	
Upper Middle Income (\$3,256 - \$10,065)	10,000	Antigua and Barbuda	6,870	Palau	
	8,580	Trinidad and Tobago	6,770	Mexico	
	8,270	Hungary	6,590	Croatia	
	8,090	Seychelles	6,480	Slovak Republic	
	7,600	St. Kitts and Nevis	6,090	Poland	
Category V (\$5,686 - \$10,065)	7,010	Estonia	5,740	Lithuania	
Category IV (\$3,256 - \$5,685)	5,460	Latvia	3,950	Uruguay	
	4,980	Lebanon	3,940	Belize	
	4,910	Chile	3,940	Gabon	
	4,670	Costa Rica	3,760	Grenada*	
	4,650	Malaysia	3,750	Turkey	
	4,640	Mauritius	3,720	Argentina	
	4,450	Libya	3,650	Dominica*	
	4,450	Panama	3,650	St. Vincent and the Grenadines*	
	4,340	Botswana	3,630	South Africa	
	4,310	St. Lucia*	3,410	Russian Federation	
	4,020	Venezuela, RB	NA	Equatorial Guinea	
	Lower Middle Income (\$826 - \$3,255)	3,090	Brazil	2,260	Kazakhstan
		2,920	Romania	2,250	Suriname
2,900		Jamaica	2,180	Ecuador	
2,740		Bulgaria	2,140	Jordan	
2,690		Fiji	2,130	Guatemala	
2,630		Tunisia	2,120	Belarus	
2,620		Serbia and Montenegro*	2,080	Dominican Republic	
2,540		Thailand	2,050	Albania**	
2,510		Maldives**	2,040	Bosnia and Herzegovina*	
2,370		Marshall Islands	2,000	Colombia	
2,370		Namibia	1,990	Micronesia, Fed. Sts.	
2,360		Peru	1,860	Samoa**	
2,350		El Salvador	1,830	Tonga**	
2,350		Macedonia, FYR	1,770	Cape Verde**	
2,300		Iran, Islamic Rep.	1,660	Swaziland	
Category III (\$1,576 - \$3,255)	2,280	Algeria			
Category II (\$826 - \$1,575)	1,520	Morocco	1,040	Sri Lanka**	
	1,340	Turkmenistan	1,030	Djibouti**	
	1,340	Vanuatu**	1,030	Honduras**	
	1,310	Egypt, Arab Rep.	1,030	Angola**	
	1,290	China	1,030	Georgia**	
	1,260	Ukraine	990	Guyana**	
	1,190	Syrian Arab Republic	970	Kiribati**	
	1,170	Paraguay	960	Bolivia*	
	1,170	Philippines	950	Azerbaijan*	
	1,140	Indonesia*	NA	Iraq	
	1,070	Armenia**			

* Indicates country is eligible for both IBRD borrowing and IDA credits

**Indicates country is eligible for IDA credits only

All other countries are eligible for IBRD borrowing only

Figure 2: Regional Distribution of MICs

Latin America / Caribbean (28 Countries)	2004 GNI	Europe / Central Asia (22 Countries)	2004 GNI	East Asia / Pacific (13 Countries)	2004 GNI	Middle East / North Africa (11 Countries)	2004 GNI	Africa (10 Countries)	2004 GNI	South Asia (2 Countries)	2004 GNI
Antigua and Barbuda	10,000	Albania**	2,050	China	1,290	Algeria	2,280	Angola**	1,030	Maldives**	2,510
Argentina	3,720	Armenia**	1,070	Fiji	2,690	Djibouti**	1,030	Botswana	4,340	Sri Lanka**	1,040
Belize	3,940	Azerbaijan*	950	Indonesia*	1,140	Egypt, Arab Rep.	1,310	Cape Verde**	1,770		
Bolivia*	960	Belarus	2,120	Kiribati**	970	Iran, Islamic Rep.	2,300	Equatorial Guinea	..		
Brazil	3,090	Bosnia / Herzegovina*	2,040	Malaysia	4,650	Iraq	..	Gabon	3,940		
Chile	4,910	Bulgaria	2,740	Marshall Islands	2,370	Jordan	2,140	Mauritius	4,640		
Colombia	2,000	Croatia	6,590	Micronesia	1,990	Lebanon	4,980	Namibia	2,370		
Costa Rica	4,670	Estonia	7,010	Palau	6,870	Libya	4,450	Seychelles	8,090		
Dominica*	3,650	Georgia**	1,030	Philippines	1,170	Morocco	1,520	South Africa	3,630		
Dominican Republic	2,080	Hungary	8,270	Samoa**	1,860	Syrian Arab Republic	1,190	Swaziland	1,660		
Ecuador	2,180	Kazakhstan	2,260	Thailand	2,540	Tunisia	2,630				
El Salvador	2,350	Latvia	5,460	Tonga**	1,830						
Grenada*	3,760	Lithuania	5,740	Vanuatu**	1,340						
Guatemala	2,130	Macedonia, FYR	2,350								
Guyana**	990	Poland	6,090								
Honduras**	1,030	Romania	2,920								
Jamaica	2,900	Russian Federation	3,410								
Mexico	6,770	Serbia / Montenegro*	2,620								
Panama	4,450	Slovak Republic	6,480								
Paraguay	1,170	Turkey	3,750								
Peru	2,360	Turkmenistan	1,340								
St. Kitts and Nevis	7,600	Ukraine	1,260								
St. Lucia*	4,310										
St. Vincent / Grenadines*	3,650										
Suriname	2,250										
Trinidad and Tobago	8,580										
Uruguay	3,950										
Venezuela, RB	4,020										

*Indicates country is eligible for both IBRD borrowing and IDA Credits.

**Indicates country is eligible for IDA credits only.

All other countries are eligible for IBRD borrowing only.

Source: World Bank, World Development Indicators; August 2005 WDI/GDF Database.