Approach Paper
Clustered Country Program Evaluation
For Resource Rich Developing Countries:
Cases of Bolivia, Kazakhstan, Mongolia and Zambia

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Background and Context

1. The CCPE product: This is the first Clustered Country Program Evaluation (CCPE) undertaken by IEG[1]. *We define a clustered CPE as a set of CPEs undertaken for countries comprising a particular client segment as part of a broader exercise to derive lessons about Bank programs and support for this group of countries.* In the past CPEs were conceived as being due diligence exercises related to particular countries with a view to informing the design of the new country strategy. The clustered CPE attempts to exploit the learning potential of looking across countries and regions and in addition to each country CPE also includes an over-arching report that attempts to summarize the experience and draw broader lessons, across countries. This is a new approach to CPEs, and this particular evaluation is an opportunity to test, validate and refine this approach.

2. *The clustered CPE on Resource Rich Developing Countries (RRDCs)* will cover four countries, with each CPE covering more or less the same time-frame and using a common analytical framework. As part of the preparatory work for the CCPE, the evaluation team undertook a comparative analysis of RRDCs looking at their economic characteristics. The analysis led to the selection of Bolivia, Kazakhstan, Mongolia and Zambia for the CCPE. Country selection is discussed further below. Each individual CPE will be a separate finished product, ready to be used by the respective country authorities and country teams, and will contain ratings, as per normal practice for single-country CPEs. In addition to the externalities derived from this coordinated approach it is also expected to derive some efficiency gains and lower the average cost per CPE. The efficiency gains will be achieved through (a) economies of scale – benefiting from desk-based cross-country thematic reviews that will precede field work and feed into single CPEs, (b) selectivity – allowing for more focused field investigations, based on recommendations of the thematic desk reviews; and (c) lower cost of field work, through shorter missions (2-2.5 weeks as compared to 4-5 weeks in the past) and smaller country task teams deployed in the field (4-5 person teams, compared to 5-6 person teams in the past). These measures are expected to reduce the cost of each individual CPE from an average of $527,000 in the past (FY09-13), to $300-350,000 in the cluster approach.

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[1] Over the past four years, IEG made a first attempt to undertake a series of coordinated CPEs focused on a specific client group – fragile and conflict-affected states (FCS). CPEs were carried out for the West Bank and Gaza, Timor-Leste, Liberia and Afghanistan. Each of these CPEs was carried out by a different TTL and set of team members, with a structure drawn from the CAS pillars and with no attempt to develop a common framework. When IEG subsequently attempted to pull together the findings of the individual CPEs into an overall assessment, it was found necessary, in spite of many useful lessons drawn from the CPEs, to undertake a new set of country case studies in order to give coherence to the study. The new CCPE approach reflects the learning from this experience.

3. There are a number of other potential benefits from this approach. First, the CPEs in the cluster are likely to have *a broader audience* of stakeholders and interlocutors within the client group as a whole. At present the interest in most CPEs tends to be confined to stakeholders within the country that is being studied, Bank staff working on the country, and donors active in the country. The cluster CPEs approach is likely to bring in stakeholders from *countries with similar characteristics and problems, across regions*. These will include an important constituency of client countries with recently discovered large deposits of natural resources (extractives), and where the Bank is currently helping to set up systems for their transparent and productive use, but the relatively short record of Bank engagement in that area does not lend itself for an in-depth CPE-type of evaluation (e.g. Burkina-Faso, Ghana, Uganda, Myanmar, others). Within the Bank the cluster approach is much more likely to attract much broader audience – across multiple country teams, as well as Networks/Global Practices.

4. Another potential benefit from the approach is to establish a *more consistent analytical framework* for CPEs. In the past each CPE has tried to mirror the Bank strategy documents for the period covered by identifying a set of pillars based on the CPS/CAS pillars. While there is a great deal of overlap in the way strategy documents define pillars, each CPS/CAS tends to define them slightly differently, thus making comparative analysis across countries on the basis of the CPE extremely difficult.

5. It is important to underline that *a cluster CPE is not a thematic evaluation*, and that there are principal differences between the two. While the cluster CPE is designed to learn lessons across countries, it remains an instrument for establishing the accountability of the Bank and for learning from its experience, by monitoring the impact of its programs within countries. Each CPE will still be a free-standing product which derives lessons for the coming country strategy, and provides the Bank Group shareholders (the Executive Board) with an independent assessment of the relevance, effectiveness and efficiency of the Bank's country programs. By contrast, a thematic evaluation is intended to illuminate the Bank's global impact on a particular theme, and the country case studies carried out for this purpose are generally not designed as independent products, and normally cover only select aspects of the Bank Group engagement (as per chosen *theme*).

6. <u>The topic of Resource Rich Developing Countries (RRDCs)</u>. The topic of *resource rich developing countries* was selected for this first CCPE because (a) extraction, management, and use of natural resources for development are important issues that impact a significant group of Bank clients; (b) this is a topic that relates closely to the Bank's new strategy twin goals of *eradicating poverty and boosting shared prosperity* or, as the evaluation is designed to answer some of the key questions for a large group of Bank clients: *how effective and how selective* was the Bank assistance in helping the countries to take advantage of their endowment with natural resources in a most effective and efficient manner[2]; and (c) it is an issue of great interest to the Bank's shareholders: in the recent document on Special Themes for IDA17 the statement is made that *"Natural resource wealth has the potential to be a game-changer for accelerating development in IDA countries, although when not well managed it can be a significant economic stress factor for conflict."* The Bank has a rich experience of working in many of these countries which should provide fertile ground for deriving significant lessons for the future.

[2] See more on evaluation questions in para 37 and Attachment 2

7. Definition of RRDCs. The World Bank doesn't have a standard definition of resource-richness. Because of lack of appropriate data, the literature has relied on proxies for natural resource abundance. Traditional measures have been the share of natural resource exports to GDP and production flows (mostly, oil and mineral extraction). Distinction is often made between "resource-rich" and "resource-dependent" countries, with principal difference in measurement methodology. The term *resource-rich* normally refers to available deposits of oil, gas, and minerals below the ground, which are finite and can be exhausted, where the endowment potential depends on a country's geology and what is known about it, as well as on natural resource prices and available technology; whereas the concept of *resource-dependent* country captures the extent to which a country's economy relies on resource rents - usually measured in proportion to gross domestic product (GDP), exports, or government revenues; hence, it is a function of absolute levels of resource extraction and rent capture in the context of other economic activity and sources of state revenue.[3] For the purposes of this evaluation, the term *resource-rich developing countries (RRDCs)* will refer to the countries that are both endowed with abundant non-renewable natural resources (hydrocarbons and minerals) and derive a significant share of their *national product, exports and government revenues* from exhaustible resources. Where the boundary values are set in each of these areas could be somewhat arbitrary but the literature generally defines a group of about 50 countries as RRDCs. This includes a large group of World Bank Group client countries (in every income category) with total population of more than 1.5 billion. According to "Rents to Riches", worldwide rents from natural resource extraction account for 7 percent of the global GDP with investments in the sector reaching $1 trillion. The windfall of revenues from natural resources offers vast opportunities for developing countries to address their short-term financial needs and promote long-term sustainable development. The engagement of aid agencies in these settings is not trivial and qualitatively different from the rest of the clients. Often times, these resource-abundant economies seek not financial resources but knowledge and expertise from multilateral organizations in such areas as managing natural resource sectors and fiscal resources, developing institutional and physical infrastructure for natural resource extractions, etc.[4]

8. Exploring the relevance of the various WBG instruments in the settings where traditional lending operations may have limited value, given the clients' endowment with natural rich resources and rising commodity prices, will help the WBG shape a customized approach to this specific group of countries. Many resource-rich economies face the risk of drifting away from highly needed structural changes as welfare improves and government revenues increase. The challenge of aiming for right interventions in resource-rich economies is also highlighted in Africa Pulse (2012): "*As the opportunity to harness natural resource wealth increases in resource-rich countries, demands for ensuring inclusive and sustainable growth through accountable government and good policies are also increasing in tandem, so that the opportunities provided by natural resource wealth are not squandered*".

[3] For an extended discussion of the implications of different measures see "Rent to Riches". An extract: "A particular caveat here is that this statistic depends crucially on the share of resource rents that actually enter state coffers; in some cases, the figure can be misleadingly low as a result of either weak design and implementation of the fiscal regime or the extent to which resource rents are captured and diverted elsewhere."

[4] See Attachment 3 for more details on definitions of resource richness

9. Underlying **conceptual framework** for the evaluation: There is a rich literature, including studies by the Bank and the Fund, on the particular challenges faced by resource rich countries. The task team undertook a careful analysis of this literature which is consistent in identifying *a set of common characteristics and generic issues* posed by the substantial role of earnings from the exploitation of natural resources.

10. A first set of issues relate broadly to the **macro-economy**. There are upstream issues in the extractive industry value chain relating to the *unequal negotiating capacity* of large multi-national mining companies and low income developing countries to capture a 'fair' share of resource rents for the national budget. There is a set of issues related to the *exhaustibility* of natural resources. Governments need to determine the appropriate pace of exploitation both from the perspective of absorptive capacity to use revenues efficiently and from the standpoint of inter-generational efficiency. There are issues of managing the *volatility* of prices of natural resources through stabilization funds or other mechanisms. Apart from the problem of managing short-term volatility, there is also the problem of managing long-run *cyclical trends* in resource prices, for example whether to incur debt against future earnings, during years of sluggish prices and demand. There are also questions of *trade-offs*, not just in the exploitation of resources, but in their use, e.g.: what should the balance be between using resource earnings to support social safety nets and health programs with immediate benefits; or spending them on infrastructure development and education programs with medium or longer-term benefits.

11. A second set of issues relates to the challenges for **governance** which derive from the availability of substantial natural resource rents. Governance and anti-corruption issues often arise in the upstream phase with the *negotiation of contracts*. There may be substantial *leakages* of funds before they enter the national budget and can be used for public expenditures and investment (this is an area that the Extractive Industry Transparency Initiative attempts to address). When resource rents enter the budget, *public accountability* for the efficient use of 'windfall' earnings of this kind is often low and there may be tolerance for corruption and inefficiency in the allocation and use of these resources.

12. A third issue relates to the **growth of the non-extractive sectors** of the economy. High concentration of GDP in the exportable natural resource sectors with low spillovers and limited job prospects can keep the exchange rate high, therefore depressing other sectors of the economy and hurting their competitiveness, a phenomenon known as "*Dutch Disease*". At the same time, *volatility* in commodity prices and resource exhaustibility may cause output disruptions in short-term as well as threaten the long-term fiscal and external sustainability. The long-term development prospects of resource-rich countries heavily depend on effective use of resource revenues: *investments* in infrastructure and human capital, and revenue distribution across population can help in removing long-term development bottlenecks and improving social welfare in the short-run.

13. Fourth, in many RRDCs there is a trend of '*growth without **poverty reduction***' as Governments fail to translate the potentials of the natural resource earnings into inclusive growth for the population at large. A particular issue relates to the fact that the *employment effects* of the natural resource sector may be limited. There are often *labor market distortions* which arise from the nature of employment in the mining or petroleum sectors. The development of a *dual econom*y with a relatively rich natural resource sector and associated urban areas on the one hand

and a poor rural economy with very limited linkages to the growth poles, is a characteristic of many RRDCs. While Governments may have the resources to increase social spending, the expansion often comes at the expense of *quality* in the health and education sectors.

14. Finally two other areas are worth noting. Natural resource exploitation usually provides employment disproportionately for men. Many RRDCs face resulting *gender* issues relating to leaving women in the countryside dependent on subsistence agriculture, supplemented by remittances. The direct *environmental impacts* of the exploitation of natural resources can also be significant.

15. The ***conceptual framework of the CCPE*** builds out from these challenges to explore four common themes and two cross-cutting issues. Within each of these areas, the evaluation has identified the areas where the Bank, either working alone or with partners, has established expertise and has a demonstrated comparative advantage. These themes broadly group the **main challenges facing RRDCs** as follows:

I. **Management of resources:** addressing risks to macroeconomic and fiscal sustainability, covering the link between intergenerational sustainability of the resources, savings and investment and fiscal sustainability, including management of price volatility risk. A second level of issues is the composition of spending and ways to transfer the resource revenues to the private economy; and securing the sustainable extraction rate for the country's natural resource by adopting a supportive regulatory regime and incentive framework. Particular issues include:

   - How to ensure adequate taxation levels and effective tax structure with respect to the country's resource revenues by adopting appropriate tax policy and building capable tax administration.

   - Making right macro decisions on utilization of the country's public revenues, i.e.: How much to spend vs. how much to save? Where to save? What instruments to use to manage price and resource volatility?

   - Making effective and sustainable choices with respect to the macro structure of public spending (how to spend?), i.e. making informed decisions on relative size of the following categories in the overall expenditure envelop: (i) public investment (physical and human capital investments); (ii) transfers to sub-national governments (to reduce inter-regional inequality and risks of distributional conflicts); (iii) credit to the private sector; (iv) cash transfers and subsidies to the private sector; (v) lower taxation on the non-extractive sector.

II. **Improving governance and institutions for effective use of resources**, reflecting the fact that RRDCs face higher risks of corruption and resource misuse because of the nature of their fiscal flows (dependence on highly concentrated rents vs. regular taxes). Specific questions include:

   - *Accountability of major economic institutions* and macroeconomic decisions (the institutional dimension of Thematic Area 1): transparency in both set-up and operations of exploration contracts, country's fiscal rules, sovereign wealth funds; compliance with the EITI framework, etc.

- *Efficiency of the country's PFM institutions/arrangements*: (i) institutions to support efficiency spending at the project level (such as procedures for project evaluation and selection); and (ii) accountability elements of the PFM system, i.e. institutions and practices to support monitoring, reporting, audit, and evaluation of public spending at macro, sectoral and project level.

- *Strengthening efficiency and accountability of the public sector* in general in the midst of increased flow of income from NR; and addressing the risks of (i) distributional conflict over rent sharing; and (ii) excessive growth of the public sector bureaucracy (due to higher availability of public funding). This makes traditional public sector reforms a major priority for these countries, including: (i) strengthening the system of checks and balances (e.g. judiciary reforms, accountability of Parliament); (ii) civil service reform to improve incentives and attract higher quality of people; and (iii) laws and regulation on availability of public information.

III. **Addressing economic diversification and job creation;** including:

- Promoting *growth and job creation in non-extractive sectors* (e.g. *agricultural* development);

- *Public infrastructure development*, including issues of modern regulatory framework and PPPs;

- *Cost of doing business* and deregulatory agenda to help the private sector to respond to growth in local demand that is associated with resource extraction;

- An efficient and competitive *financial sector*, capable of mobilizing local savings and turn them into private investments;

- Secure *property rights*, including issues of land access.

IV. **Promoting human capital development and reducing poverty**.

- *Public investment in education and health* is potentially a key instrument of wealth re-distribution and support for social mobility. Specific issues of concern are: (i) equity dimension of social spending, including spending by the level of service (e.g. primary vs. tertiary education), spatial equity of social spending; (ii) matching education to the demands of private sector (including attention to the vocational training); (iii) sufficient attention to the needs of very young children, as it is critical for inter-generational mobility;

- *Effective social safety nets,* which in the RRDC environment are expected to play important counter-cyclical role: (i) long-term sustainability of safety nets; (ii) rationalization of consumer subsidies; (iii) use of conditional cash transfers.

16. In addition to the four thematic areas, each CPE (and the synthesis report) will include the *cross-cutting themes of gender and environment*. The thematic areas and cross-cutting themes, broadly reflecting the pillars and objectives of specific country programs, as well as major developmental challenges typical for most RRDCs, were identified as a result of extensive review of Bank documents and external literature, and complemented by series of interviews with experts within and outside the Bank. Attachment 7 shows how specific country program pillars (a sum of two most recent CAS/CPS/ISN cycles) fit within the overall framework. Based on this approach, the higher plane evaluation questions for all CPEs will be similar (see para 47), whereas the more specific set of questions within each theme will me more representative of the country specifics, and each thematic area will have different weighting based on country priorities and Bank program details.

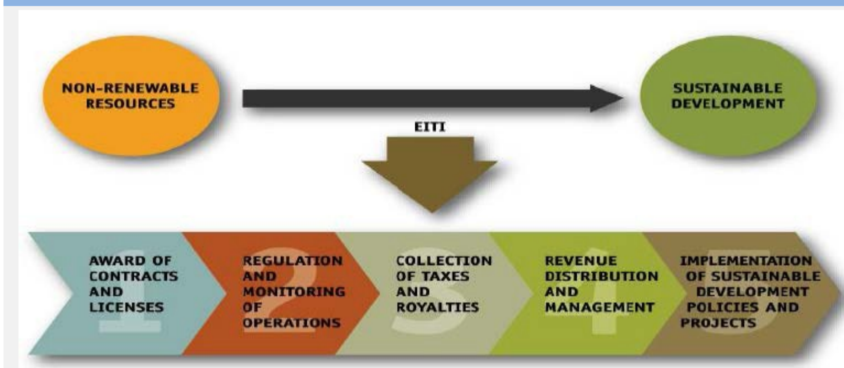
17. The common themes and cross-cutting issues which form the organizing framework for the CCPEs differ from the usual identification of pillars which is used in traditional CPEs. As mentioned above, the CPEs normally build up their pillars from the CAS/CPS pillars during the period studied, with an attempt to capture the dominant objectives and areas of the Bank program. By using a common framework, this evaluation is likely to find that in some areas in some countries the Bank may have only a very thin program or even no program at all. This can be for two reasons. First the Bank may not have attached priority to the particular topic. If this is the case given the importance of each of these themes in RRDCs, then the evaluation will attempt to understand the rationale for this position and assess whether it impacts the relevance of the Bank's program overall. A second reason for not covering a theme may be that the Government for whatever reason does not wish the Bank to be involved in that area. These issues continue to be serious challenges for all RRDC government however, so understanding how the Government itself is dealing with these challenges and deriving lessons from its success of failure in doing so, remains an important element of the evaluation and will be particularly critical for the synthesis report.

18. At the same time the evaluation recognizes that only a part of the Bank's program is likely to be driven by the fact that the country in question is an RRDC. Therefore, each CPE will cover the country-level objectives and program aspects, even if not unique to the resource-dependent context, but also make sure to cover a core set of development challenges that are unique to resource-dependent economies. The Bank's programs in infrastructure and the social sectors for example may not look very different in the countries selected from a group of comparator non-RRDC countries. The approach adopted has the flexibility to ensure that the CCPE provides adequate coverage of these programs. At the same time the evaluation will be looking at these programs through an RRDC lens. For example, given that countries may not be dependent on donor resources, it is even more critical than usual for the Bank and other donors to build an effective partnership with the client that includes commitment to and genuine ownership of donor-supported programs. Knowledge sharing and capacity building are likely to be even more significant in these countries, and is the Bank's operational program devoting sufficient resources to these areas?

19. WBG approach to Extractive Industries. After the 2003 Extractive Industries Review (EIR) the WBG committed to continue its support to the EI sectors (including oil and coal) but placed stronger emphasis on certain key principles as conditions for the institution's continued engagement which includes: promoting renewable energy and efficiency to combat climate change; strengthening governance and transparency; ensuring that EI benefits reach the poor; protecting the rights of people affected by EI investments; and mitigating environmental and social risks.

20. The World Bank has also developed a more comprehensive approach to engaging with client countries that emphasizes accountability and transparency along the entire extractive value chain. It has helped to more closely integrate technical advice and work that is done on the upstream side — resource development and production — with work that is done on the downstream side, that is, revenue expenditure and budgeting.

Figure 1 Extractive Industries (EI) Value Chain



21. Although the emphasis of Bank engagement has been indicated in response to the 2003 EIR, there is no clear delineation of the approach that each Bank unit will take on each issue, and it is not clear how collaborative is their engagement. Natural areas of engagement can be inferred for each WBG unit but this has to be verified.

22. Despite many commonalities, the RRDCs represent quite a heterogeneous, and therefore particularly challenging, client group for the Bank. Careful analysis and attention to context are required before one can relate the experience in one country to others. Since RRDCs may have substantial resources to fund government programs, they are less dependent on donor funding and their willingness to engage in a dialogue is dependent on the establishment of a shared vision and mutual trust. This is challenging in environments where weak governance is often associated with the availability of resource rents. As a consequence the Bank's sector units have undertaken substantial programs of thematic analysis on RRDCs and remain actively engaged in work in this area. The PREM network deals with issues of economic policy, governance, transparency, and public financial management. The SDN network covers natural resource management and environmental sustainability, and hosts the Bank's global practice for extractive industries (SEGOM), previously structured as a joint department with the IFC; SEGOM manages the EITI MDTF that has played a major role in enhancing transparency and accountability in the sector; FPD/IFC/TRE take the lead in issues relating to economic diversification, Sovereign Wealth Funds, PPPs, and infrastructure finance; while HDN deals with capacity building and

gender. Another important player is WBI. The Governance for Extractive Industries (GEI) program - housed in WBI - promotes transparency and accountability along the extractive industries value chain. The program connects and empowers key stakeholders to jointly identify, prioritize, and implement actions designed to lead to better governance outcomes. The initiative has brought together champions from the private sector, government, media and civil society to work towards more responsible contracting.

23. While this broad interest is positive in many ways, it provides the Bank with an additional challenge of bringing together the fragmented learning and experience into a coherent approach at the country level.[5]

24. **Relevant IEG Thematic Evaluations.** Four IEG thematic evaluations are especially relevant to the CCPE. The first is the *Evaluation of Extractive Industries and Sustainable Development* undertaken in 2003. The key findings of this evaluation are provided in Box 1 below. The evaluation reviewed, among other areas, Bank Group's activities in addressing governance challenges in countries dependent on extractive industries. It found the need for the Bank Group to *tailor its support for resource extraction on the basis of an assessment of the quality of governance*. It pointed out that at the time of the evaluation, the Bank's economic and sector work frequently assessed the quality of public financial management, but it had no diagnostic instrument to evaluate the rule of law or the quality of sectoral governance, and these gaps needed to be addressed. The evaluation envisaged that such governance analysis could then inform the risk assessment, structuring, and investment or underwriting decision. In addition, the report recommended the Bank Group to vigorously pursue countrywide and industry-wide disclosure of government revenues from extractive industries.

- Box 1. Findings of the 2003 IEG Evaluation of Extractive Industries and Sustainable Development

The 2003 IEG evaluation defines 'three main areas for improvement. Despite being written more than ten years ago, these still seem to resonate for the CCPE on RRDCs. 1) **"Formulate an integrated strategy**: The WBG has not devoted enough attention to the developmental needs of the poorly performing resource-abundant countries, many of which experienced negative growth during the 1990s. To address this gap, the WBG needs to formulate and implement strategies at the sector and country levels for transforming resource endowments into sustainable development. These strategies should start with the presumption that successful EI projects – whether financed by the WBG or not – should not only provide adequate returns to investors but also provide revenues to governments, mitigate negative environmental and social effects, and benefit local communities. The strategies also will need to address governance squarely and help to ensure that EI revenues are used effectively to support development priorities. They will require in addition much better cooperation across the WBG and with other stakeholders. 2) **Strengthen project implementation**: The WBG needs to strengthen the implementation of the existing policy framework. Given the potential environmental and social impacts of resource extraction, rigorous implementation of safeguard policies is a minimum requirement. The safeguard policies need to be in line with evolving good practice. The WBG needs to define, monitor, document and report on the economic, social and environmental impacts of its projects more systematically. Specifically the distribution of benefits needs to be monitored and evaluated explicitly. 3) **Engage the stakeholders**: The WBG's convening role has been actively sought and has been significant because of its access to all stakeholders, its private and public development experience, and its ongoing involvement with project investment and technical assistance. But the WBG has inadequately addressed some areas – notably governance and revenue management. The WBG's performance in these areas can be enhanced by improving consultation with stakeholders, including local communities, and by reporting on key sustainability indicators systematically and transparency. The WBG should also vigorously pursue countrywide and industry-wide disclosure of government revenues from extractive industries."

Source: IEG

[5] See attachment 4 for additional details on Bank units working on RRDC-specific issues

25. IEG's *Evaluation of Bank support for public sector reforms (2008)* reviewed Bank support for public sector reform between 1999 and 2006 in four areas: public financial management, administrative and civil service, revenue administration, and anticorruption and transparency. Some of the specific findings relating to these areas are described in Box 2 below. The evaluation found three factors contributing to success in different areas of public sector reform. First, it is important to be realistic about what is politically and institutionally feasible, but at the same time be opportunistic in preparing technical foundations for what might become feasible in the future. Second, the Bank needs to recognize that enhancing technology is not enough by itself, that the most crucial and difficult part is changing behavior and organizational culture. Third, the Bank should deal with the basics first, such as ensuring that taxpayers have unique identification numbers before installing a complex collection system or ensuring that the government is executing a one-year budget reasonably well before launching sophisticated multiyear budgeting. On the process side, starting with AAA has been a successful way for the Bank to develop a trusting relationship with governments to work on sensitive areas of public sector reform. Results were also found to be better where arrangements are institutionalized to coordinate staff in diverse sectors within the country program.

- Box 2. Findings of the 2008 Evaluation of Bank support for public sector reforms

With regard to various aspects of public sector reform support, public expenditure and financial management was almost always a component in public sector reform loans. In this area (and in tax administration), the ministry of finance has usually been given strong support, and the Bank's analytic tools have become the most systematic and widely accepted. About two-thirds of all countries that borrowed for financial management showed improvement in this area in a Bank-wide data set (the Country Policy and Institutional Assessment), and it was the most consistent area of improvement in the case studies. Budget formulation and reporting usually received more attention and had more success than the downstream phases of the spending cycle, such as procurement and auditing. The frequent failures of civil service and administrative reform, despite continued acknowledgement of its importance, seemed to reflect the lack of a coherent strategy (with isolated exceptions) and of clear diagnostic tools to address the relevant issues. AAA on civil service is less than one-fourth as common as for financial management, and it did not precede lending in most case study countries.

Bank projects for tax administration have generally succeeded and benefited from strong government ownership, and from good diagnosis and strategy, often led by the International Monetary Fund. On anticorruption and transparency, the report found that a majority of the borrowers for public sector reform had increased transparency, but not reduced perceptions of corruption. Lending usually supported indirect measures against bureaucratic corruption—reducing opportunities for corruption by simplifying procedures and regulations, moving to e-government in various areas, and rationalizing personnel management. These had some success. Direct measures to reduce corruption—such as anticorruption laws and commissions—rarely succeeded, as they often lacked the necessary support from political elites and the judicial system. The report also found that the Bank's diagnostic work on corruption and transparency generally focused on global perceptions or the experience of the private business sector and gave less attention to the extent of corruption in the core public sector. Also, the Bank has not developed a framework that adequately recognizes the long duration of the process to reduce corruption and the differences in where countries need to start. The Bank's stance against corruption needs operational clarification in country contexts—for instance, how the extent of corruption should affect the balance between investment and budget-support operations.

Source: IEG

26. The *Evaluation on the World Bank country-level engagement on governance and anticorruption (2011)* reviewed relevant country programs as well as lending and non-lending operations. In addition, it conducted detailed case studies for six countries (one of which was Azerbaijan where natural resources play a significant role in the economy). The evaluation found that sustained engagement on governance and anti-corruption issues and support in such relevant areas as public financial management, sector service delivery, and the investment climate have been one of the Bank's strengths. But it also noted that the Bank's record in helping to achieve

countrywide governance improvements was limited. Where its support was effective, the Bank usually focused on specific governance and anti-corruption entry points and was realistic in its aims and balanced commitments to support long-term institutional development with accountability for interim results. Greater engagement with citizens and better coordination with sector initiatives enhanced the credibility of reforms in some cases. On civil service reform, the Bank adopted opportunistic and selective approaches and produced modest results. With regard to support for accountability and demand side, achievement of objectives was heavily dependent on the independence and political composition of legislature. Also important was the choice of financial instruments, for instance, development policy loans or investment loans. The use of development policy loans was positively associated with the achievement of public sector reform objectives as well as of accountability and rule-based governance objectives. However, it was negatively associated with the achievement of demand-side objectives.

27. The recent *Evaluation of the World Bank engagement in Fragile and Conflict-affected States (2013*) found that supporting institutional capacity building at national and subnational levels – together with other measures - would enhance the relevance and effectiveness of WBG assistance to FCS. The report provided positive assessment of revenue mobilization in FCS. Recognizing that mismanagement of natural resources was a source of conflict in some countries, the Bank focused its support on reforming the regulatory framework in the mining sector. While the Bank was successful in improving regulatory frameworks in FCS, it was less effective in support for accurately valuing and negotiating resource contracts. In terms of monitoring and transparent reporting, compliance with EITI standards was less positive for FCS countries than for non-FCS. Promotion of inclusive growth and jobs was found to be highly relevant to address the drivers of fragility; however progress in this area has been slow. One of the challenges identified was that the sectors driving economic growth are not necessarily labor intensive. Bank's support in infrastructure prioritized transport, urban, and energy and mining sectors. Especially power and transport were found to be a leading constraint to private sector development and growth. Agriculture was the largest sector in IDA FCSs, in terms of contribution to growth and employment. Bank support to the sector has not been commensurate with its importance. The review noted that many FCS are highly dependent on extractive industries, yet the Bank paid more attention to legislation and regulatory reform and less to the distribution of benefits and local economic development. The fragility risks associated with natural resource management have not been sufficiently addressed. The evaluation highlighted WBG support to Timor-Leste on setting up a sovereign wealth fund as an interesting example of the challenges in balancing savings with spending when poverty remains endemic; and pointed to lessons emerging from that experience.

28. Another important evaluation was the *Global Program Review (GPR) of the Multi-Donor Trust Fund (MDTF) for the Extractive Industries Transparency Initiative (EITI)*, carried out in 2011. The EITI was launched in 2002 at the World Summit on Sustainable Development in Johannesburg, as a multi-stakeholder initiative to encourage governments, companies involved in extractive industries, international organizations, CSOs and others to work together voluntarily to develop a framework to promote transparency of payments and revenues. The initiative was grounded in a shared belief that the EITI could help address the paradox that two thirds of the world's poorest people live in countries that are rich in natural resources, i.e., the "resource curse."

29. The World Bank endorsed the EITI and established the Multi-Donor Trust Fund (MDTF) for EITI in 2004 as a global partnership to harness donor resources to develop and broaden the EITI process. The objective of the MDTF-EITI was to increase transparency of payments made by industry and revenue received by host governments from oil, gas and mining production, with the underlying rationale was that it would help reduce poverty in resource-dependent countries by addressing the resource curse.

30. The main finding of the review is that the MDTF-EITI program is in the process of achieving its objective of increasing transparency of revenues in resource-dependent countries. Given the resilience and pervasiveness of the resource curse, the achievement of this narrowly defined objective in a few critical countries is a notable accomplishment that has created the momentum needed to attract a growing number of countries, donors, enterprises and CSOs — a testimony of their hope that, in spite of the uncertainty and risks, the benefits will be forthcoming in due course. A focus on a narrow, achievable objective of increasing revenue transparency agreed for the first phase of the MDTF-EITI, while setting aside the broader agenda required addressing the resource curse, made the program non-threatening and acceptable to a critical cluster of the poorer resource-dependent countries. This enabled the initiative to take off and establish itself as a global standard and created the momentum and opportunity needed to extend the reach of the program and enable it to address a more ambitious objective for its second phase.

31. On the other hand, the MDTF-EITI's contribution to the broader goal of improving governance and fighting corruption remains unclear. At this point, indications are that the program is creating multi-stakeholder structures and processes that can be expected to address broader governance issues in the long term, but there is as yet little evidence of the expected benefits. The findings of the review suggest that to ensure that tangible benefits in terms of improved revenue management and accountability can be achieved, the program needs to satisfactorily address the emerging doubts about the adequacy of the program in the absence of complementary measures, tackle issues with the scope and quality of the EITI reports, manage the tensions between authority and accountability, and face up to the tradeoff between expanding the number of EITI candidates and improving results in countries that are already implementing EITI. From IEG's perspective, the WBG's continued engagement with the second phase of the program needs to focus on achieving the expected benefits from EITI, such as improved revenue management and reduced corruption.

32. *IEG evaluations* discussed above point to a number of elements that contribute to successful operations to strengthen public sector institutions and governance. *First,* evaluation evidence suggests the importance of diagnostic and analytical work on the challenges on the ground, including political economy analysis, which would help formulate realistic expectations of reform initiatives. *Second*, evaluations point to the value of stakeholder involvement, which would enhance ownership to and transparency of the reform process. *Third,* experiences indicate the long term nature of the changes envisaged in these efforts. Bank Group activities need to factor in the time needed for identifiable changes and the degree of complexity involved in these efforts. It has been noted that some activities focused on specific governance and anti-corruption entry points had some success. A balance between quick-wins and sustained support for long term institutional development, with monitoring of interim results, is needed. And *finally,* assessment of quality of governance should be one of the key determinants of Bank Group support for resource extraction.

33. **Country Selection**[6]. The country selection process included several stages, and began with an analysis of the full set of RRDCs included in relevant Bank and IMF[7] documents. The task team then applied additional criteria, mainly related to the availability of evaluative evidence (presence of WBG program in the last 7-10 years) and potential value for cross-country learning (diversity - as explained below, para 35). From the long list of about 50 countries (both low- and middle-income), a short list of 10 was selected on the basis of the following criteria: (i) high levels of resource dependence for exports or revenues (threshold of 50 percent); (ii) presence of Bank program of lending, technical assistance and analytic work; (iii) regional representation/balance. Countries where in-depth country-level evaluative work had been done during the period to be reviewed (2005-2013) were excluded, e.g. Nigeria (CAE in 2008), Angola (CAE in 2007), Timor Leste (CPE in 2010), DR Congo (country study for 2013 FCS evaluation). Another set of countries excluded from this evaluation were the "new arrivals" – countries where large deposits of non-renewable NRs were discovered recently and where Bank engagement in resource-rich specific issues in not long enough (less than five years) to provide enough evidence for a full-fledged CPE. These countries, however, will represent a key constituency in the overall audience for this evaluation. The task team then prepared country briefs for each country on the short list that included information on country background, Bank Group program summary, a short assessment of the evaluability of Bank Group programs; and a brief analysis of pros and cons of country inclusion in the cluster. From this list four countries - *Bolivia, Kazakhstan, Mongolia, and Zambia* - were selected.

34. Additional resource-rich countries considered but not selected in the final sample included: Angola (a CPE was concluded in 2007; Bank engagement limited and declining); Ghana (potentially large NR reserves discovered relatively recently, little value-added from the perspective of ex-post evaluation); Gabon (very limited Bank engagement); and Russia (high-income economy, virtually no lending program, with limited learning value for other RRDCs). The team considered other factors, such as possible evaluation overload, and excluded countries where evaluations have been conducted within last 12 months (e.g. DR Congo)[8].

35. This selection puts a deliberate emphasis of *country diversity*, aiming at reinforcing the *learning value* of this cross-country review, and reflecting on how the Bank programs in these countries reflected the particular needs of the clients and helps them in finding country-specific solutions to the broadly similar challenges. Therefore additional parameters applied for the final selection included: (a) *global coverage* – aiming to cover as many Bank regions as possible; (b) *type of natural resource* - to have coverage of mineral producing countries (Zambia and Mongolia) as well as petroleum and gas (Kazakhstan and Bolivia); (c) *income diversity* - to have a broad range of income categories, both lower- and upper-middle-income economies, IDA and

[6] Tables partially illustrating the selection process are available in Attachment 5

[7] The 2012 IMF paper "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries" was one of the most useful sources that set up the stage providing the initial framework and classification of RRDCs.

[8] Kazakhstan was part of the Knowledge-Based Country Programs (KBCP) evaluation. An IEG mission visited the country in June 2012 (CCPE mission planned for May-June 2014). The country was included in the cluster because of (i) significant learning value for other RRDCs, as the country occupies a somewhat unique place in the list of Bank clients – an UMIC with long history of close and productive partnership with the WBG, including large volume of lending and AAA; (ii) last full CPE was completed in 2002; and (iii) significant efficiency gains as the CCPE will benefit from the comprehensive AAA review conducted by the KBCP evaluation.

IBRD borrowers; (d) combination of varying degrees of *depth of dialogue* and *engagement modalities* with the clients (lending, TA, RAS and combinations thereof); and (e) *availability of evaluative material* – making sure there are no overlapping CPEs (or CAEs); and that there are fairly recent CPSCRRs and project-level evaluations that indicated potential issues for more in-depth assessment.

Table 1. CCPE Countries: Select Country Data

Country/ Region	Country Characteristics					World Bank Portfolio [1]				IBRD/ IDA	Last CPE
	GNI per capita (2012) Atlas method (current US$)	Type of NR	NR Exports (% of total) [2]	NR Fiscal Revenue (% of total)	Pop-n % at $2/day	# of projects	Lending (US$ million)	# of ESW	# of TA		
Zambia (AFR)	1,350	Copper	72	4	82	16	641	28	29	IDA	2003 U
Mongolia (EAP)	3,160	Mining	81	29	49	14	209	36	16	Blend	2002 MS
Kazakhstan (ECA)	9,730	Oil, gas	60	40	1	13	4,662	19	121	IBRD	2001 MS
Bolivia (LAC)	2,220	Gas, Mining	74	32	25	16	490	14	19	Blend	2005 MU

Source: IMF and World Bank
Notes: 1. Includes projects approved in the FY07-13 period. AAA data refers to deliveries in the fiscal year. 2. Averages for years 2006-2010

36. CAEs were prepared for Kazakhstan in 2001, Zambia in 2002, Mongolia in 2004 and Bolivia in 2005. There are therefore no CAEs covering the evaluation period. There are CAS/CPSCR reviews for all four countries undertaken between 2011 and the present. Only Mongolia was rated as having Moderately Satisfactory outcomes by the CPSCRR; outcomes for the three other countries were all rated Moderately Unsatisfactory. The current *growth and poverty context* of each country is discussed below along with the major findings of the IEG evaluations[9].

37. **Bolivia**: Growth has been stimulated through large investments in the gas and mining sectors in the late 1990s and early 2000s, combined with an improvement in the terms of trade. Mining output has almost doubled since 2006, due mostly to the foreign-financed San Cristobal project, which began operations in 2007. Furthermore, high commodity prices and prudent fiscal and monetary policies led to an annual average growth of 4.5 percent for the past seven years, which has translated into an 18 percent rise in per capita income. Thanks to positive macroeconomic performance and debt relief, gross public debt dropped from 96 percent to 40 percent of GDP between 2003 and 2010. The national poverty rate in Bolivia declined slightly, from 63 percent in 2005 to 59 percent in 2008, but extreme rural poverty dropped 10 percentage points over the same time period. Income inequality has trended downward but is still very high. Despite recent progress, Bolivia is the poorest country in South America. Industries such as mining, hydrocarbon and electricity production are operating at almost full capacity, thus limiting new sources of growth unless significant investments take place.

[9] Country Brief Notes covering country context and reflecting on the Bank Group program are available in Annexes 1-4 to this paper.

38. The 2005 CAE reviewed Bank's assistance to Bolivia during the FY99-04 period and rated the overall outcomes as Moderately Unsatisfactory. 2011 ISNCR-R accorded Moderately Unsatisfactory rating to the Bank program outcome as well as IDA and IFC performance.

39. **Kazakhstan**: Sustained growth during the past decade has translated into significant reduction of the poverty and improvement of living standards in Kazakhstan. Poverty officially declined from 46.7 percent in 2001 to 3.8 percent in 2012, although the poverty line (currently set at $2.25) is low for an upper-middle income country. The poverty rate is twice as high in rural as compared to urban areas. Kazakh economy grew rapidly during 2000-07. GDP growth averaged 10 percent and average real incomes more than doubled as the economy reaped efficiency gains from increasing market orientation, and hydrocarbon output expanded amidst rising price. The country attracted large foreign direct investment, privatized small and medium enterprises and housing, and adopted modern public resource management institutions. Expenditure restraint held the non-oil fiscal deficit at 3 percent of GDP with large saving transfers into a stabilization fund. Economic diversification proved elusive in the face of booming oil prices. The tradables sector—agriculture and manufacturing—was squeezed, while non-tradable construction expanded markedly. Growth remained concentrated in natural resource sectors, construction, and real estate. Tightening liquidity in international financial markets in 2007 hit Kazakhstan's financial sector. Domestic banks had relied extensively on foreign funding to finance rapid credit growth in particular to real estate projects. Access to international wholesale markets ceased in mid-2007 triggering a liquidity crisis and speculative runs, which the Central Bank successfully managed, helped by large reserves. The prices of residential and commercial property fell sharply, leading to large losses for the banks. The second shock arose from the global financial crisis in 2008 and the associated sharp decline in commodity prices in 2009, which led to an economic slowdown (GDP growth declined from 10.7 percent in 2006 to 5 percent in 2012) and hence a deterioration in the quality of banks' assets.

40. IEG's CPSCR review of 2011 rated the overall outcome of the WBG's CPS of FY05- FY11 as moderately unsatisfactory. Kazakhstan saved part of its oil revenues in the National Fund of the Republic of Kazakhstan (NFRK) through the CPS period, and introduced a medium term expenditure framework in 2009. Progress in complying with the Extractive Industries Transparency Initiative (EITI) has been slower than expected, and the NFRK has mixed ratings within the sovereign wealth funds. Macroeconomic policy was thwarted by failures in macro-prudential regulations of the banking system and bank supervision. Efforts to decentralize to lower levels of government through legal changes have yet to overcome the culture of strong centralization in decision making. Similarly, moves to improve governance, including through better customs and tax administration, have had little effect. Accession to the World Trade Organization (WTO) has been slowed by the Government entering into trade agreements inconsistent with WTO principles. The high coverage of education remains challenged by its quality, with students performing at well below OECD standards. Health indicators show the country making progress, backed in part by a large increase in public expenditure in health. Progress in improving basic services has been slowed by the regulatory framework, which discourages private investments in electricity generation and water treatment. Road infrastructure has improved, but remains challenged by maintenance. Efforts to move towards environmentally sustainable growth, as demonstrated by new legislation and higher expenditures, have yet to yield results despite having been in place for five years. The interventions of the WBG in helping Kazakhstan address regional development issues have been mostly positive, but have failed to

bring about their scaling up or replication in the country. With regard to the portfolio, all four projects that closed since 2007 have been rated Satisfactory by IEG.

41. **Mongolia**: The mining sector accounts for about one-third of the country's economic activity, about 90 percent of exports, and generates nearly 40 percent of government revenue. The global financial crisis exposed major shortcomings in governance-related policies, in economic management, and in the local banking sector. In all, growth averaged 8 percent per annum over the past 10 years - among the highest in the region. As a result, per capita GDP increased five-fold, to about US$3,000 while –according to Bank analysis - poverty has declined significantly, in about half. Still, a third of Mongolians are considered poor while large differences in the poverty rate still exist across regions.

42. A 2004 CAE reviewed Bank support delivered since Mongolia joined the Bank in 1991. In 2012, a CAS-ICNCR-R reviewed Bank assistance during the period CY05-11, covering the 2004 CAS and the 2009 ISN. The overall outcome was rated Moderately Satisfactory. Bank and IFC's performance was rated Moderately Satisfactory while performance of MIGA was rated Moderately Unsatisfactory. The CASCR review indicated substantial support from the Bank Group for Extractive Industries. IDA's DPC1 (FY09) supported, among other things, the development of the model agreement for exploitation used for Oyu Tolgoi mine. IDA's DPC2 (FY11) followed up on mining development issues, including mineral licensing, EITI compliance, and dissemination of environmental impact assessments. IDA provided support to Mongolia through the Mining Infrastructure Support Project (FY11). The Extractive Industries Transparency Initiative (EITI) Board designated Mongolia as EITI Compliant in 2010. IDA's DPC1 (FY09) and DPC2 (FY11) supported actions to target presently universal social transfers towards the poor, including a draft reform of transfers that was submitted to parliament. In 2012, the Parliament of Mongolia adopted the amended law on Population Social Welfare which introduced a new system of targeted social transfers, replacing a previous one that involved transferring mining revenues to each citizen as a fixed cash amount. MIGA's facilities remained unutilized during the review period.

43. **Zambia**: Zambian economy has grown at 5.7 percent per annum over the last decade and Zambia was among the 10 fastest growing economies of Sub-Saharan Africa in 2012, mainly thanks to sharp increase in price of copper. Fast growth has enabled it to attain lower middle income country (MIC) status with a nominal per capita income of US$1,299 (2011). Investor confidence has improved as evidenced in the successful issue of the US$750 million Euro bond. In 2011 it successfully held national elections in which the long standing ruling party was defeated by the opposition and there was a peaceful transfer of power. Zambia also presents difficult development challenges. The economy remains largely undiversified and is mainly dependent on copper with economic activity mostly concentrated in the urban areas. Income distribution is highly unequal (0.52 Gini coefficient). Zambia is also lagging on a number of MDG targets—particularly those on extreme poverty and maternal and child mortality. Institutional capacity remains weak.

44. The only CAE for Zambia was published in 2002. A recent CPS Completion Report was reviewed by IEG in 2013. IEG rated the overall outcome of IDA assistance as moderately unsatisfactory, below the CASCR rating of moderately satisfactory. IDA provided valuable support towards improving management and transparency of the mining sector, helped expand

rural infrastructure and electricity access, and contributed to fighting malaria. IDA assistance also helped strengthen public sector management and simplify some aspects of business regulations, although the results achieved fell considerably short of expectations. However, these achievements were offset by question marks about the sustainability of the models for technical and vocational training promoted under IDA-supported programs; there was limited progress towards improvement in natural resource management, in access to water and irrigation systems, in access to finance for SMEs, and in health programming. In particular, very little progress was made in tapping the large potential of the Zambian agriculture for sustainable productivity gains in order to lift the rural population out of poverty. IDA's efforts at improving governance helped promote good governance and anticorruption practices in some areas, but were not able to produce the expected results; mainstreaming of HIV/AIDS treatment and prevention got very little traction and consequently no results.

Table 2. Selected economic and social indicators for CCPE countries and two comparators (Chile and Botswana)[10]

Economic and Social Indicators	Ave 2006-2012					
	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile
GDP growth (annual %)	4.75	6.30	8.94	6.61	3.99	4.13
GNI, Atlas method (current US$) in million	16,284.41	109,070.86	5,211.60	13,060.88	11,942.01	178,044.77
Inflation, consumer prices (annual %)	6.75	9.20	11.44	9.58	8.90	2.59
Agriculture, value added (% of GDP)	13.24	5.75	18.42	20.83	3.05	3.61
Industry, value added (% of GDP)	37.05	41.48	37.01	34.37	36.52	39.98
Gross domestic savings (% of GDP)	23.73	42.38	35.45	27.58	34.95	29.08
Exports of goods and services (% of GDP)	42.39	48.88	55.90	40.44	45.67	39.73
General government revenue (% of GDP)/1	35.81	26.50	35.43	24.70	38.31	24.57
Life expectancy at birth, total (years)	65.84	67.55	66.46	52.30	46.40	78.75
Mortality rate, infant (per 1,000 live births)	37.13	21.50	26.93	64.61	44.26	7.81
School enrollment, primary (% gross)	105.98	109.36	107.52	118.48	108.55	104.75
Population, total (in million)	10.00	16.03	2.67	12.87	1.95	16.99
Population growth (annual %)	1.64	1.48	1.45	2.92	0.94	0.95

Source: WDI as of 11/18/13
/1 WEO Data as of October 2013

Purpose, Objectives, and Audience

45. The main purpose of CCPE and the new approach to country evaluations is twofold: (i) help improve the sparse country coverage that is currently afforded by IEGCC's completion of in-depth Country Program Evaluations (CPEs) at the rate of two per year; and (ii) offer greater opportunities for learning on issues that are cutting across these countries. Rather than focus on assessing the extent to which a single World Bank Group country program has attained its objectives, the evaluation would assess the programs in a cluster of several client countries selected for comparability of attributes and development challenges. While the assessment of each country program would not go into the same depth as in individual CPEs, the cluster of four countries would also offer lessons on certain themes that are common across the countries.

[10] See Attachment 8 for more detailed information

46. CPEs played a useful role in the past. They provided significant inputs into the formulation of new country strategies and derived useful lessons that feed into Bank operational policies over time. There are grounds for thinking however, that there are potential benefits that are not being exploited. A study carried out four years ago by IEG looking at Bank support for federal-state development relationships in four large countries with federal systems (Brazil, India, Nigeria and Russia)[11] provided an indication of the rich lessons that could be obtained by looking across selected Bank country strategies and programs. The interest across regions and within countries seemed to be a multiple of the interest with which the average CPE is received. The study and its recommendations triggered a number of cross-regional exchanges within the Bank that led to concrete examples of breaking through regional/country silos and sharing and applying innovative initiatives. This experience contributed to the idea that, by selecting CPEs from a particular client group, and conducting them within months of each other, with a core team involved in each of the CPEs, it should be possible both to fulfill IEG's mandate to monitor individual country strategies and to derive broader lessons that could apply to other countries in the client group. Since this is the first CCPE, an obvious objective is to validate the approach, and in addition to substantive lessons concerning the countries and the topic, to derive lessons that can lead to the refining of the CCPE in subsequent rounds.

47. It is important however, not to short-change the single country CPEs as part of this process. For this reason the agenda is not limited to the special issues surrounding the exploitation of exhaustible resources, but relates more broadly to the full set of CPE questions. If the preliminary analysis suggests for example, that a particular sector poses special problems for Bank support in a particular country then the CPE will pay the requisite attention to that sector whether or not it has any special relevance to natural resource-related issues. The test of the exercise will be whether we can succeed in having it both ways – produce a set of viable and useful CPEs and throw interesting light on problems of Bank support for RRDCs. *Single CPEs will be self-standing independent products, containing ratings, and country-specific forward looking recommendations that will inform next round of country strategies (CPFs) or allow mid-course corrections for recently approved country strategies (CPSs).*

48. As indicated earlier, the audience of the CCPE is much broader than a typical CPE audience. This is an important topic for Bank's shareholders and the Executive Board. It reflects the main focus areas of the new strategy of the Bank Group of *eradicating poverty and boosting shared prosperity*, as well as directly refers to one of the priority areas of *IDA17*. Within the Bank, the audience includes several country teams, various Networks/Global Practices. In addition, the work should be of interest to policy-makers in most RRDCs, as it cuts across several countries and brings in potential for South-South learning and exchange. The task team plans a comprehensive dissemination exercise after completion of the evaluation, including the CCPE sample countries as well as the broader RRDC community.

[11] "World Bank engagement at the state level: the cases of Brazil, India, Nigeria, and Russia", IEG 2010.

Evaluation Questions and Coverage/Scope

49. **Evaluation questions:** The main overarching evaluation question for the CCPE is *how relevant and effective were the Bank Group programs in RRDC context in helping the client countries to address the challenges of*:

I. ***Management of resources:*** Did the Bank provide adequate advise for addressing macroeconomic and fiscal risks?

II. ***Improving governance and institutions for effective use of resources:*** How effective was the Bank Group in helping the countries in transforming revenues from natural resources into a flow of public goods and services through effective transfer mechanisms?

III. ***Addressing economic diversification, growth and job creation:*** What was the role of the Bank Group in promoting economic diversification (non-extractive sectors) and entry of the private sector into non-extractive sectors? Was it relevant, timely and effective in particular country circumstances?

IV. ***Promoting human capital development and reducing poverty:*** What was the Bank Group role in and contribution to helping the countries to use revenues from natural resources to reduce poverty and build human capital?

V. ***Cross-cutting theme***: Gender: Did the Bank Group programs contribute to achieving gender-based outcomes in resource-rich countries context?

VI. ***Cross-cutting theme***: Environment: Did the Bank Group assistance provide adequate help and advice in strengthening environmental risk management and setting climate change priorities in the context of the extractive industries.

50. While these thematic areas and related questions are broadly similar to most CAS/CPS pillars, they are likely to differ in some of the boundaries and result in a classification of country ESW and operations that is slightly different from the CAS/CPS. Each CPE will clarify how this structure relates to the CAS pillars. Approach papers to individual CPEs generally list the specific issues within each of these areas that the evaluation will address. Evaluation questions for the CCPE, as discussed in this paper, are rather broad – and apply to most RRDCs. Specific questions for each country reflecting on country context and taking into account country specifics will be developed at a later stage as part of the Terms of Reference for the individual CPEs.

51. ***Scope and coverage:*** Some of the most prominent issues within the identified thematic pillars and cross-cutting themes are described below. The precise scope and coverage of these issues in the evaluation will depend on the specific country circumstances.

52. Macroeconomic stability and fiscal sustainability. Dependence on natural resources with volatile market prices may cause output disruptions in the short-run and, hence, adversely affect

welfare in the absence of precautionary savings. At the same time, the resource exhaustibility poses questions on consumption-savings choices in order to ensure long-term fiscal and external sustainability and to provide intergenerational transfers. According to Rents to Riches, while fiscal policy tended to be more prudent in the 2005–08 commodity boom than in the 1970s, stabilization and saving policies in practice have had various degrees of success. Several countries established special fiscal institutions for saving natural resource revenues and insulating the budget and fiscal policies from commodity price fluctuations. However, many RRDCs continue to apply pro-cyclical fiscal policies imposing costly adjustments in time of revenue busts, as observed in 2008.

53. Dutch Disease. According to IMF (2012), substantial revenues and foreign exchange generated from discovery of natural resources or spikes in their prices channel to the economy first through governments' fiscal policies but their macroeconomic implications depend on monetary and exchange rate policies as well. The expansionary fiscal policies which stimulate domestic demand either through consumption or investments, might generate undesirable inflationary pressures or also lead to the real exchange rate appreciation. This, in turn, could adversely affect the non-resource tradable sectors by making domestic production more expensive and non-competitive in the world market, a phenomenon, known as Dutch Disease. While the Dutch Disease can be addressed by revenue sterilization, the effects on the economy might vary in different countries. As discussed in the Rents to Riches (2012), a country's absorptive capacity, hence the extent to which it may be vulnerable to overheating as a result of additional export-driven expenditures, depends on a number of factors, including domestic productive opportunities at the margin, the ability of the public sector to adequately manage additional investments, and the economy-wide effects of scaling up public spending (esp. in capital investment).

54. Weaknesses in the national systems for public finance management (PFM) relate to the core development challenge that RRDCs have been facing. Historically many RRDCs proved to be incapable of turning their resource wealth into a steady stream of public revenue and transforming these revenues into the adequate flow of public goods and services. This failure has been in the heart of "resource curse" phenomenon, and thus it is expected that the PFM agenda would constitute the central part of the WB's country assistance strategies in the RRDCs. There are three core PFM blocks in the national resource rent management systems and generally one should expect the Bank to support developments across all of them (but emphasis in the Bank's support programs is likely to vary depending on countries' circumstances and actions by other development partners). *Raising resource revenues*: advising on extractives tax regime, capacity building in tax administration, helping countries to become EITI-compliant, supporting the basic regulatory framework to encourage new private investment, supporting restructuring of state-owned companies, supporting the government in the course of their negotiations with major private investors. *Upgrading national PFM institutions and systems:* strengthening the legal and regulatory framework for PFM in line with the good international practice (informed by PEFA-type assessment); building capabilities for adequate implementation of national PFM regulations, especially in the areas of budget formulation and planning, project evaluation, budget accounting, monitoring, reporting, and evaluation. *Improving efficiency of public expenditure envelope:* policy advice and sector-level project support to help the governments to improve their expenditure allocation.

55. Broader governance and accountability reforms. The RRDCs are also exposed to two additional governance/political economy risks. First, there is a risk of severe distributional conflict over the rent distribution. Second, these countries could be affected by disproportional expansion of their public sector, funded by the relatively high level of government revenues. The latter may lead to excessive role of the government in the economy (large, ineffective, and interventionist government administration operating in the environment of low institutional capacity). In such situation there may be a particular need to address the issues of public administration capacity, civil service reform, broader anti-corruption and deregulation agenda, etc. The emphasis in such an institutional upgrade has usually been made on strengthening first the core local institutions responsible for economic management, such as Central Bank, Ministry of Finance, and Revenue Administration. In addition, many RRC have been struggling in their effort to establish a proper system of checks and balances in their governance arrangements (which could help to address a risk of distributional conflict), including (but not limited to) steps to build independent judiciary.

56. Economic diversification and jobs. Diversification of the economy is critical for long-term sustainable development. Natural resource sectors are capital-intensive and deploy a very small fraction of the labor force in resource-rich countries. According to the 2013 WDR on Jobs, investments in extractive industries can represent a sizable fraction of a developing country's GDP and lead to spectacular increases in export revenue, but they do not create many jobs. Hence, diversifying away from natural resources can generate more jobs and address acute social welfare problems in developing countries. Also, diversification can reduce the vulnerability of the economy to commodity price fluctuations and resource exhaustibility which have negative implications for the economy as discussed above. Another important motivation for diversifying the economy away from strong reliance on extractives is finding sources of sustainable growth when resources are declining or exhausted. The literature analyzes various detrimental effects of product concentration: for example Giovanni and Levchenko (2008) show that concentration in export is related to a higher volatility in the real exchange rate and, hence, GDP growth. In resource-rich settings, diversification agenda focuses on promoting non-extractive industries and services and continues to remain a major challenge.

57. Investments in human capital improve labor productivity in the long-run and, therefore, increase country's competitiveness and might lead to economic diversification. There is a plenty of evidence across countries, including Finland, the Republic of Korea, and Norway, showing the importance of investments in human capital for countries' sustainable development and diversification into high-tech manufacturing and services (Gelb, 2011). With windfall of revenues governments frequently conduct expansionary social policies. However, the distribution of resources across populations and regions varies substantially across resource-rich countries. While the social safety nets programs serve as a main government tool for allocating social benefits, targeting of the poor still remain questionable.

58. Environmental impact and climate change**.** Impact associated with the extraction of mineral resources can be assessed from various angles. The first is related to the efficiency of extraction and consumption of the mineral resources. Partially this impact is connected to the "carbon curse" phenomenon: a theory that "fossil-fuel rich countries tend to follow more carbon-intensive developmental pathways than fossil-fuel poor countries, due to a hitherto unappreciated

syndrome of causal mechanisms"[12], contributing to global emissions level. That includes also the issue of pricing of mineral resources and subsidies. Other impacts are associated with the environmental damage as a result of increasing demand for the natural resources and poor environmental management. Many resource-rich countries show poor performance in environmental health and ecosystem vitality measured by the EPI – Environmental Performance Index[13] (Yale University). These impacts should be assessed separately on a local and global scale. For example, extraction including processing, transportation, and consumption can be environmentally hazardous[14], and could have impact on a local level (water, soil, air pollution) or global level (climate change).

59. Gender issues in the RRDC context**.** While the impacts of EI are often measured broadly at the community level, evidence suggests there is a difference in the distribution of benefits, risks, and challenges between men and women. Gender-related work in Papua New Guinea, Peru, Poland, and Romania shows that benefits related to employment and compensation are experienced by men, while the costs of environmental degradation, family and social disruption, and economic and social marginalization are borne by women.[15] A study on gender mainstreaming in EI by UNDP emphasizes the social, economic, and environmental impacts of EI activities on women. Social changes were seen in areas with EI activities as prostitution increased due to the influx of higher numbers of male migrant workers, as well as financial need[16], and communities fell into a deeper poverty trap due to displacement attributed to mining. Economically, women lagged behind men in EI with regards to employment, income, compensations, as well as consultation and participation in decision-making processes.[17] Some of these issues were further aggravated by "occupational segregation" referring to the division of labor markets based on sex, limiting women's employment opportunities.[18] Women often have specific roles in Artisanal and Small-scale Mining, creating unique health and safety risks. Environmental impacts of deteriorating natural resources may disproportionately affect women and girls who walk longer distances to fetch water or gather firewood, not only adding to their daily workloads, but also increasing their risk for assault

Evaluation Design and Evaluability Assessment

60. Evaluation design will combine the approach used for single country CPEs and thematic (corporate) evaluations and will be divided into four phases:

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[12] 2013. Jörg Friedrichs and Oliver R. Inderwildi .The carbon curse: Are fuel rich countries doomed to high CO_2 intensities? Energy Policy, Volume 62, November 2013, Pages 1356–1365

[13] http://epi.yale.edu/. Countries selected for this evaluation (Mongolia and Kazakhstan are among weakest performers, while Bolivia and Zambia are included in the list of modest performers)

[14] 2005.Terry Lynn Karl. Understanding the Resource Curse. Revenue Watch Open Society Institute: NY

[15] Gender and Extractive Industries Work Program, The World Bank (http://go.worldbank.org/4JP5NNBVF0)

[16] Mainstreaming Gender in the Extractive Industries, Lessons from Cambodia, Policy Brief, September 2010. http://www.un.org.kh/undp/media/files/Mainstreaming_Gender_in_Extractive_Industries_Lessons_for_Cambodia.pdf

[17] Mainstreaming Gender in the Extractive Industries, Lessons from Cambodia, Policy Brief, September 2010. http://www.un.org.kh/undp/media/files/Mainstreaming_Gender_in_Extractive_Industries_Lessons_for_Cambodia.pdf, pp.4.

[18] Mainstreaming Gender in the Extractive Industries, Lessons from Cambodia, Policy Brief, September 2010. http://www.un.org.kh/undp/media/files/Mainstreaming_Gender_in_Extractive_Industries_Lessons_for_Cambodia.pdf, pp.4.

I. Concept/thematic review: The evaluation team is currently preparing a number of focused thematic reviews, covering four selected countries and two comparator countries, not formally included in CCPE - Chile and Botswana - that are generally regarded as countries which have made particularly effective use of natural resources to support growth and poverty reduction. These reviews will allow development/refinement of specific evaluation questions prior to field work, and ensure consistent queries across the case studies. The thematic reviews cover specific elements of each of the four core topics (pillars) and cross-cutting themes that will be used for the CPEs: (a) macroeconomic frameworks and policies; (b) governance – two separate reviews on public financial management and institutional aspects; (c) economic diversification and private sector development (including IFC and MIGA); (d) gender issues in RRDCs; and (e) environmental sustainability and risks. These reviews will take stock of the Bank Group strategies and instruments deployed in each area and come up with preliminary conclusions/hypotheses to be reviewed at the next stages. The reviews cover: (i) general approach and instruments used in these areas by the Bank, and their evolution (if any) in the past 8-10years; (ii) Bank strategy and actual program in these areas in selected countries (4+2) during the period under review (about 8 years – 2 CAS/CPS cycles); (iii) relevance (particularly to resource-rich context) and effectiveness of the Bank strategy, approach and specific instruments; and (iv) initial hypotheses and preliminary conclusions/ suggestions/recommendations i.e. - what could have been done more/less or differently, including comparisons with and benchmarking against "good practice" successful cases (e.g. Chile, Botswana).

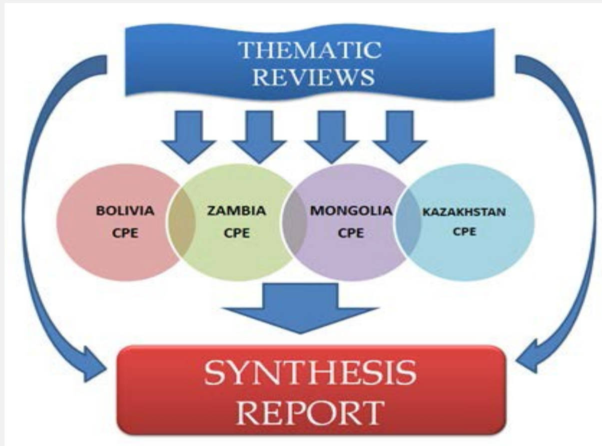
II. Country program review. A second phase will comprise the country studies themselves with the country work and CPE preparation conducted over a 6-8 month period. The evaluation design for the CPEs is well-established and will not be elaborated here. All four country evaluations will follow similar model for CPEs[19], applying the described common framework to all countries, and taking advantage of the thematic reviews to focus on areas requiring more in-depth assessment. The evaluation team will pilot the model first in one country (Zambia), reflect on the experience and apply it (with necessary modifications, if needed) in other countries, with a sequence pattern of 1+1+2. The intention is to use some team members in at least two country exercises to ensure cross-country exposure and consistency in framework application. Each CPE will be an independent free-standing product and will include ratings, as per normal practice for single-country CPEs.

III. Synthesis. A third phase will consist of the preparation of a consolidated 'synthesis' report taking advantage of the analysis of the two earlier phases. In addition to the four pillars/thematic areas, the overall report will include other overarching topics: (a) participation in selected global partnerships, such as EITI, GGFR, CASM, EI-TAF, PWYP, etc.; (b) overview of the role and assistance provided by various centralized Bank units, and their overall consistency; (c) South-South cooperation; (d) others (TBD). These overarching topics will be finalized as the first and second phases are near completion.

[19] See Attachment 6 "Guide to IEG's Country Program Evaluation Methodology".

IV. Dissemination and learning. After completing and presenting the report at CODE, the evaluation team will organize a series of events aimed at sharing lessons learned and recommendations derived from the evaluation exercise (described below).

Figure 2. Evaluation Design



61. The evaluation design for the synthesis report will require significant additional information. The preparatory phase of thematic studies will provide important background as to what the key issues are. At the conclusion of the preparatory phase an outline of the over-arching study will be prepared. This in turn is expected to guide some of the special data requirements that will be required for the CPEs. For example, CPEs will be asked to provide explicit information on the role of the Bank with regard to the status of country compliance with the EITI and its impact, the precise budgetary treatment of natural resource revenues, revenue-sharing arrangements between central and local governments and any special provision for the regions from which the natural resources are obtained, etc.

Quality Assurance Process

62. The quality assurance process for the CCPE will follow a 2-stage procedure. Each country report (CPE) will be reviewed after its completion by 2-3 peer reviewers (country/area experts, to be identified by each CPE team). It is suggested that country reports are discussed/peer reviewed virtually, without convening an IEG-wide "one-stop review" meeting. The proceeds of the comments and virtual reviews for each CPE will be summarized and presented at the "one stop review meeting" for the synthesis report as background documentation, and discussed, if deemed necessary, by the meeting participants. Peer reviewers for the evaluation are Alan Gelb (Center for Global Development); Andrew Warner (IMF); William Ascher (Claremont McKenna College), and Andres Liebenthal (Consultant, IEGCC).

Expected Outputs and Dissemination

63. The first output will be a series of thematic reviews. These will be desk reviews of Bank programs in each of the four areas covered by the CPEs with the special context of RRDCs factored into the analysis. The focus of these reviews will be on what makes RRDCs different.

These will be used by the evaluation team in preparation of the country and synthesis reports, and will not be disseminated separately. They will serve as inputs into the over-arching report and consideration will be given to issuing them as a companion volume to the main report.

64. The second output will be the individual CPEs for each of the four selected countries. CPEs will follow the regular format, including ratings and country-specific recommendations.

65. The third output will be the overarching ‘synthesis’ report (see para 52 (III) above). This report will be the main subject of the *dissemination and learning phase*.

66. The dissemination will include a number of initiatives at various levels: Bank Group-wide; in-country; and regional. Within the Bank the team will organize consultations with stakeholders in Regions, Global Practices, and the Board, including a Bank-wide presentation of the report. Individual country CPEs will be disseminated in their respective countries, with the participation of key stakeholders (government officials, Bank staff, academia, civil society, donors) in seminars in each country. As part of each of these country-specific events, there will be a session or sessions devoted to the synthesis report and to some of the more general findings of the study. Each of the country studies will have a senior local consultant associated with the main mission and the study. This consultant will have a key role in the preparation of the country seminar.

67. Given the cross-country appeal of the evaluation’s topic, the team will organize two regional seminars with the participation of resource-rich countries not included in the evaluation. The focus of these would be on countries where new fuel or mineral discoveries have been announced and where there could be special benefits of contributing to a dialogue on how best to manage the resources. Regional seminars will most likely be organized in Sub-Saharan Africa - a sub-region with the largest concentration of RRDCs. Possible locations include Ghana, Uganda, or Mozambique. At this seminar, there would be presentations on each of the four pillars of the evaluation, but also sessions devoted to each country CPE. A similar event will be held in Washington, preferably at the time of the 2015 spring meetings, with relevant CDs and CMs invited as well as representatives from the Global Practices to discuss the findings of the synthesis report.

68. The evaluation team will also gauge interest from the countries with recently discovered natural resource reserves on hosting smaller-scale technical discussions/workshops on the experience and lessons in other countries and their applicability in the particular country context. The team intends to involve other multilateral and bi-lateral development partners in this process (IMF, regional development banks, bi-lateral development agencies).

Resources

69. *Timeline*. Phase One of the evaluation (concept/thematic review) will be completed by FY14Q2. Phase Two (country work/CPEs) will be undertaken in FY14Q2-3, to be completed end FY14Q3-early FY15Q1. Phase Three of the evaluation (synthesis report) will be completed in FY15Q2, and final report will be presented to CODE in FY15Q3.

70. *Budget*. The budget for this evaluation is estimated at US$1,500,000, roughly US$300,000 per each CPE and the remainder (US$300,000) for the thematic reviews, the overarching

synthesis report, and dissemination activities – proving significant efficiencies compared to individual CPE production (average cost for individual CPE was US$ 527,000 in FY09-13). Additional resources are sought through trust funds to support additional data gathering, as well as outreach and dissemination.

71. *Team and Skills Mix.* The skills mix required to complete this evaluation include (a) evaluation experience and knowledge of IEG methods and practices – both at country and sector/thematic evaluation levels; (b) familiarity with the policies, procedures and operations of World Bank Group institutions; (c) knowledge of World Bank Group and external information sources, particularly for IBRD/IDA lending operations, IFC investment and advisory services and MIGA guarantees; and (d) sector and analytical expertise in selected areas (macroeconomic analysis; public financial management; political economy of natural resources; gender and natural resources; environmental management, etc.) The evaluation will be prepared by a team led by Konstantin Atanesyan (Senior Evaluation Officer, IEGCC, overall Task Team Leader), and will consist of IEGCC staff members - Jiro Tominaga, Florence Charlier, Xiaolun Sun (Senior Evaluation Officers and co-TTLs for single country CPEs); Shoghik Hovhannisyan (Evaluation Officer, IEGCC), Takatoshi Kamezawa (Senior Evaluation Officer, IEGCC), Dinara Akhmetova (Evaluation Analyst, IEGCC), Corky De Asis (Program Assistant, IEGCC), Yasmin Angeles (Program Assistant, IEGCC), and consultants – Basil Kavalsky, Inder Sud, Marcelo Selowsky, Steven Webb, Jorge Garcia-Garcia, Lev Freinkman, Disha Zaidi, Carla Pazce, Swizen Rubbani, Samia Ausaf, and other specialists identified in the course of the work. The report will be prepared under the overall direction of Nick York, Director, IEGCC, and Geeta Batra, Manager, IEGCC.

Attachment 1

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Attachment 2

Evaluation Design Matrix

Key Questions	Information required	Information sources	Data collection methods	Data analysis methods	Strengths and limitations
<u>How relevant were Bank interventions (AAA and lending) in the context of selected RRDCs?</u> Was the Bank Group technical advice and lending adjusted to the country needs? Was the Bank able to adapt its program to country specifics and the political economy?	Country socioeconomic context and major development challenges. Analytical basis of Bank strategy. Development objectives formulated in the CAS/CPS.	Bank strategy, project and analytical documents. Government strategies. Official statistics (governments, WBG, IMF, etc.) Relevant literature and analytical work. IEG reports. Key stakeholders; development partners and area experts.	Collation of available data and documents produced by the Bank Group, authorities, and external sources. Interviews with key stakeholders	Literature review Desk review of CAS/CPS, lending portfolio and AAA Interviews. Retrospective review of the results frameworks Qualitative analysis of Interviews	Difficulty to generalize based on different political economy in each country. Data availability.
<u>How effective were the Bank interventions in RRDCs in helping the clients to address the challenges of:</u> 1. <u>Macroeconomic management and fiscal sustainability</u> How effective was the WB in its interventions in assisting RRDCs in designing and implementing policies and institutions promoting macroeconomic stability and fiscal sustainability in the conditions of commodity price fluctuations and resource exhaustibility? Was the WB support clearly counter-cyclical? To what extent did the WB program reflect RRDC exposure to high commodity price and exchange rate volatility? Did it take into account the current stage of commodity/discovery cycle? How timely was the Bank's policy advice in light of volatility of the countries' circumstances? Was the program sufficiently flexible to promptly reflect the changes in the macroeconomic environment? How effective was the Bank in helping the countries in turning resource wealth into a steady and efficient stream of public revenue, while maintaining its integrity? How effective was the Bank in advising on sustainable choices in the macro structure of public spending, i.e. making informed decisions between public investment (physical and human capital), transfers to subnational governments, credits to the private economy, and subsidies and cash transfers to households?	Country performance based on main macroeconomic indicators. Changes (if any) in share of non-extractives in export, GDP, fiscal revenue.	Official statistics (governments, WBG, IMF, etc.) Relevant literature and analytical work. IEG reports Key stakeholders; development partners and area experts (including IMF) Country team and relevant Bank Group management	Relevant external documentation. Collation of available Bank Group data and documents. Interviews with stakeholders.	Desk-based review and analysis of macro indicators, results frameworks, and available monitoring data	Attribution problems, given the important role played by the IMF. Differences related to specific commodity (price) peculiarities. Diverse political economy in each country. Data availability. Uneven levels of statistical capacity.

Key Questions	Information required	Information sources	Data collection methods	Data analysis methods	Strengths and limitations
2. Governance and public financial management How effective was the Bank in helping the countries to improve efficiency of their resource utilization through upgraded capabilities of their PFM institutions and practices, including the areas of budget preparation (project evaluation and selection), execution, disclosure, audit, and evaluation? Did the Bank assistance address the accountability and transparency dimensions of the institutions involved in the policy decisions discussed under Pillar1 above? Did the Bank manage to achieve a proper mix of PFM agenda that are specific to RRC versus the common elements of good PFM management that are generally applicable to any developing country in the recommended PFM reform strategies? What were the tools used by the Bank teams to strengthen local demand for PFM reform support in RRDC? How strong was the Bank's political economy analysis to identify and empower PFM reform allies and support instruments? How effective was the Bank to use the window of opportunity during the crisis to shift the balance of interests towards the acceleration of the PFM reform agenda? How effective was the Bank in promoting specific PFM reform objectives and best management practices under individual sector investment projects, e.g. by using Bank-funded projects as models to upgrade national systems for evaluation, selection, budgeting, and execution of investment projects? How effective was the Bank in its support for strengthening the core national institutions responsible for economic management, accountability arrangements, and national system of check and balances? How much traction did the Bank have in the area of civil service reform aimed to improve incentives and attract higher quality of people?	Country performance on governance from various international governance and transparency indices (TI, Revenue Watch, Global Integrity, etc.) and Bank assessments (PEFA, etc.)	International indices. Official statistics (government, WBG, IMF, etc.) Relevant literature and analytical work. IEG reports. Bank reports. Key stakeholders; development partners and area experts Country team and relevant Bank Group management	Collation of available data and documents produced by the Bank Group, authorities, and the research community Field and HQ interviews with stakeholders	Desk-based comparative performance analysis (various indices). Desk review of external, Bank, and IEG performance-related documents and data Qualitative analysis of interviews	Issues of compatibility of various governance and transparency indices. Projecting perception-based indices (e.g. TI).
3. Economic growth, diversification, competitiveness and job creation. Was the Bank strategy for diversification and job creation appropriate for the country context and consistent with experiences from the successful diversifiers (e.g. Chile, Indonesia, Malaysia)? Did the Bank identify priority interventions that would support efficient diversification and overall improvements in productivity in the non-extractive sectors, including: reduction in the cost of doing business; improving business environment; promoting competition in the financial	Ex-post analysis of relevance, cross-country performance comparison. Data and analysis relating to business environment, socioeconomic inclusion, corporate governance.	External sources. Program/project documents (for Bank, IFC and MIGA): ICR Reviews, PPARs, XPSRs CASCRs, etc. Country team Public officials	Collation of external and Bank Group information and data) Collation of relevant documents produced by IEG (at the project, country, and thematic	Statistical analysis of sector performance overtime. Desk-based review of: country documentation, relevant AAA products, lending including joint operations, Bank Group and IEG performance data and	Validity of attribution. Compatibility of various indices. Statistical capacity. Availability of information. Interviewee sample limitations.

Key Questions	Information required	Information sources	Data collection methods	Data analysis methods	Strengths and limitations
sector, etc.; identifying critical infrastructure bottlenecks (energy, transport) Given the governments' emphasis on rapid expansion of infrastructure in all case study countries, could the Bank have done more? Was the Bank able to calibrate institutional and policy reforms in the power (and transport) sector with also delivering increased quantity and quality of service? What were the impediments to more rapid implementation? ? Did the Bank adequately consider the impediments to progress in non-extractive sectors (e.g. agriculture - including the linkages between agriculture and industrialization), as was explicitly the case of successful diversifiers (Chile, Indonesia)? Did the IFC and the IBRD coordinate efforts in the above areas? How active was IFC in identifying key cost of doing business and factors impairing the access to credit to SME? Was there a coordination in the IFC work regarding PPP in infrastructure and the necessary modern regulatory frameworks where the IBRD could contribute? What was the role of MIGA guarantees and could more have been done?	Country performance on various business climate-related indices: Doing Business; Global Competitiveness, etc. Sector performance information. Dynamics in share in GDP. Employment data per sector. Degree of synergy achieved among Bank Group members on PSD agenda.	Civil society organizations Donors Bank Group analytical products, self-evaluations, and notes IEG assessments External research and assessments Development partners Country team Other stakeholders	levels) Interviews with clients Interviews with partner Organizations Interviews with government, country team, and partner organizations Field and project site visits. Interviews with clients and beneficiaries.	reports Desk-based reviews of notes and background papers prepared by the country. Qualitative analysis of interviews.	
4. <u>Poverty reduction and human capital</u> How relevant and effective was the Bank assistance to client countries to help them channel more productively the revenues from NR extraction for the needs of the poorest and vulnerable strata? Did the Bank assistance contribute to improving human development indicators (health, education) amid growing revenues from NR extraction? How effective was the Bank to improve expenditure allocation within the social spending envelope, in particular to make it more pro-poor and more equally allocated across the regions?	Country performance on HD indicators (health, education, MDGs, etc. Country poverty dynamics Country human capacity assessment	External sources and cross-country indices, country statistics. Bank documents. Development partners. Government statistics Bank Group staff. Clients and beneficiaries Other stakeholders.	Bank and external documents. Interviews with clients. Interviews with partners, government, country team, and beneficiaries. Field and project site visits.	Desk-based comparative performance analysis (various indices). Desk review of external, Bank, and IEG performance-related documents and data Qualitative analysis of interviews Quantitative analysis of poverty dynamic and income from NR revenues	Validity of attribution. Compatibility of various indices. Statistical capacity. Availability of information.

Key Questions	Information required	Information sources	Data collection methods	Data analysis methods	Strengths and limitations
5. Gender Did the Bank recognize the differentiated gender impacts of extractive industries in country strategy documents and track any gender-specific strategic outcomes in the results framework for resource-rich countries? Did the Bank undertake any gender-based analytical work in resource-rich countries, particularly on extractives? Have the Bank programs been effective in identifying and achieving gender-based outcomes related to human development, economic empowerment, and voice and participation in resource-rich countries? Did Bank partnerships have an impact on gender issues in extractives (e.g. through collaboration with ministries, participation in multi-stakeholder initiatives and analysis of gender dimensions - EITI, CASM, and the Devonshire Initiative?	Gender-based outcomes for strengthened human development, economic empowerment, and increased voice and participation. Country-specific legal constraints on women, female labor force related data	Bank databases, e.g. IFC and Bank's Women, Business, and the Law database. Bank's GenderStats database. IEG evaluations (e.g. FCS, Gender, etc.)	Scan of Bank instruments and strategies around gender issues with an emphasis on extractive industries. Review of the current work of multi-stakeholder initiatives like the EITI, the CASM, and the Devonshire Initiative. Field interviews	A thematic review assessing strategic gender-based outcomes. Qualitative analysis of country strategy and project documents (CASs, ISNs, ICRs and ICRRs).	Data availability. Statistical capacity.
6. Environment How effective was the Bank Group in assisting client country governments and private sector stakeholders in addressing their environmental and climate change priorities and challenges in the context if the extractive industries? Were Country Strategy Papers aligned with Regional and country environmental priorities? To what extent have environmental considerations been mainstreamed – into these strategies, analytical work and lending? How effective was the WBG in improving the management of local and global negative externalities (including GHG emissions) from extractive industries?	Country performance in respect to environmental sustainability	Bank documents; international indices, external and local sources, local and international experts, non-governmental sources	Desk review and collation of available sources, data analysis	Qualitative analysis of country strategy and project documents. Quantitative analysis of environmental performance data	Attribution issues. Statistical capacity. Data availability.

Attachment 3

Definitions of Resource Richness

	Definitions	Criteria	Data used	Others	Point E
World Bank, 2002	Influence of mining sector on poverty reduction strategies.	A country's mining sector can play an important role in poverty reduction strategies if the approximate share of the mining sector is one or all of the following: - > 5–10 percent of fiscal revenue; - > 10–25 percent of export earnings; - > 3–5 percent of the gross domestic product (GDP); or - > 10–15 percent of the industrial workforce.		Source: 2002 A sourcebook for Poverty Reduction Strategies	
IEG	Resource-rich countries	Developing countries whose average annual export value of oil, gas, or mineral products exceeds 15% of total exports.	Total Exports 1990-1999, Source for mining, oil and gas share of exports: World Bank and International Finance Corporation (2002).	Criteria based on the one indicated in the 2002 Poverty Reduction Strategies Sourcebook Extractive Industries-Dependent and Resource-rich countries are used indistinctively. Source: 2003 Extractive Industries and Sustainable development.	
World Bank, (2012)	Resource-dependence	Share of resource revenues in total revenue intakes averaging over 25 percent during the period 2006–08.	Annex has data from these sources: EI rents per capita (Wealth of Nations Initiative Database 2010); EI shares on exports and on total public revenues, (IMF Article IV Consultations 2007–09)	The book contrasts this definition with resource-richness and cites the measure of natural capital describe below. Source: Rent to Riches. World Bank 2012	
World Bank. Research on natural capital measurement (2011)	Estimate of the value of non-renewal resources (energy and mineral resources).	Assigned dollar values to: - Stock of the main energy resources (oil, gas, and coal); and - Stock of 10 metals and minerals: Bauxite, copper, gold, iron ore, lead, nickel, phosphate rock, silver, tin, and zinc. Net present value of economic profits over the life of the resource.	Quantities, prices and costs: OECD, British Petroleum, IEA, International Petroleum Encyclopedia, UN, USGS Minerals Yearbook, UNCTAD monthly Commodity Price Bulletin, World Bank, national sources.	Data available for years: 1997, 2006, and 2011. * Due to lack of data (reserves and costs of production), some mineral resources were excluded: diamonds, uranium, and lithium. Source: The Changing Wealth of Nations, 2011. World Bank.	

	Definitions	Criteria	Data used	Others	Point E
		Exhaustion time was capped at 25 years for all countries and all resources. Assumptions: - Constant total rents - Optimality in the extraction path		No threshold provided for resource-richness.	
IMF	Resource-Rich Developing Countries: LIC and LMICs whose exhaustible natural resources (e.g., oil, gas and minerals) comprised at least 20% of total exports or 20% of natural resource revenues, based on a 2006-2010 average.	20% total exports were natural resources OR 20% of revenue from natural resources	Source: IMF, estimates Time: Average 2006-2010 (5 years)	Focus on LIC and LMIC only. Income classification -> Income per capita, Atlas method (2010) Other data: type of natural resources; HDI; Poverty headcount ratio; paved roads; EITI status 29 Countries selected Taken from Aug 2012 Paper.	—
Revenue Watch Institute	Start with IMF definition for resource-rich countries.	Two steps: 1. Started with IMF Definition: 25% of revenues, GDP or exports. 2. Purposely added other countries: - Prospective resource-rich countries - Countries where minerals hold great potential for future fiscal revenue - Countries that participate in EITI but are not resource-rich - Countries among the top 20 producers of hydrocarbons and minerals	Does not define the period assessed. Does not define data sources	Includes LIC, MIC and HIC All countries produce hydrocarbons or minerals (58) 58 countries selected: - 37 defined as resource-rich by IMF - 21 other countries * Note: The IMF has adjusted the list of resource rich countries over the years. In the latest published list (2012), 37 countries in the Index are called resource-rich and four are prospective resource-rich countries. Taken from website's description of the methodology for the 2013 Resource Governance Index.	

Attachment 4

Bank units working on RRDC-related issues

Sustainable Energy, Oil, Gas, and Mining unit (SEGOM): SEGOM is the global sector unit on extractive industries working on issues of governance and sustainable natural resource management across the main regions of the world. SEGOM is part of the World Bank's Sustainable Development Network. SEGOM offers technical and policy advice to governments and assists them to ensure that extractive industry operations are developed in an environmentally and socially sustainable manner. The key lending and advisory services of the Bank are structured around the extractive industries' 'value chain'.

SEGOM's Policy Division also carries out an advocacy role through the management of the following global programs or public-private partnerships:

Partnership	Description	Activities
Extractive Industries Transparency Initiative (EITI)	The objective of the EITI is to increase transparency over payments and revenues in the extractive industries in countries heavily dependent on these resources. EITI is managed by SEGOM and is an integral part of the WBG strategy for IE engagement.	WBG support includes: - Administration and management of the EITI MDTF - Technical assistance to 50+ countries throughout the EITI implementation cycle up to validation and post-validation. The work program also includes direct support to civil society on EITI issues. - Training, knowledge management and policy inputs in coordination with EITI secretariat.
Global Gas Flaring Reduction Partnership (GGFR)	GGFR -a public-private partnership launched in 2002- brings together representatives from major oil-producing countries and companies, as well as other stakeholders, to reduce gas flaring as a concrete contribution to improving energy efficiency and mitigating climate change. GGFR is also making efforts to utilize the associated gas -currently wasted- for power generation.	GGFR focuses its work on key anchor countries -Indonesia, Mexico, Nigeria, Iraq and Russia- and on activities in their surrounding regions that may lead to larger flare reduction projects or programs. GGFR has established three new networks: one to examine technical issues that inhibit further flaring reductions; another on communications-related issues to encourage dissemination of success stories; and a third on the use of carbon finance to make gas flaring reduction projects more economically viable.
Extractive Industries Technical Advisory Facility (EI-TAF)	The objective of the EI-TAF is to assist resource-rich, developing countries – on a demand-driven basis – to structure correctly extractive industry development projects and related policies, thereby reducing the risk of costly or politically difficult remediation at later stages. EI-TAF is managed by SEGOM.	EI-TAF facilitates advisory services to address urgent needs for assistance in connection with prospective EI transactions, and for short-term capacity building related to associated policy reforms and frameworks. Key components of its support are: - Rapid-response advisory services - Knowledge management: Focused on the development of an Extractive Industries Source Book that would provide a good practice reference framework for EI-TAF advisory work.
Petroleum Governance Initiative (PGI)	PGI is a collaborative effort between the government of Norway and the World Bank designed to achieve structured cooperation on petroleum sector governance issues. PGI is a medium- to long-term commitment, in the range of 3-5 years at minimum. PGI is based on the thematic pillars of Governance, Environment, Natural Gas, and Community Development (including through CommDev), and works at both the global and country levels.	PGI activities include: - Technical assistance and capacity building training to government, industry and community stakeholders; - Consensus-building and advocacy; - Global knowledge management and dissemination of best practice and lessons learned.

The World Bank's Mining staff are active in engaging various stakeholders on mining and has a strong reputation in the mining industry and government. Currently, the focus is on four partnerships and initiatives:

Partnership	Description
World Mines Ministries Forum	A forum for mines ministers, policy makers, senior government officials, mining company executives and representatives of non-governmental organizations from around the world to discuss some of the key challenges facing mining countries
Consultative Group for Artisanal and Small-Scale Mining (CASM).	Initiative to coordinate donor support and exchange of best-practice on improving the livelihood of Small Scale Miners around the World. CASM would be responsible for developing policy guidelines, providing advice, disseminating best practices and experiences, raising funds and project/program implementation. It would examine and fund proposals for assistance to the artisanal and Small-Scale Mining (ASM) sectors according to pre-established criteria
Mining Minerals and Sustainable Development Project (MMSD).	A two-year research and consultation effort to better understand and assess global mining and minerals use in terms of the transition to sustainable development — its track record in the past and its current contribution to and detraction from economic prosperity, human well-being, ecosystem health and accountable decision-making. The World Bank is a member of the Sponsor Group, as well as of the Assurance Group.
Business Partners for Development.	A project-based initiative that studies, supports and promotes strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world. The BPD initiative began in 1998 and formally ended in 2002. Two of the BPD Clusters are still operational (BPD Water & Sanitation and the Global Road Safety Partnership).

PRMED – Economic Policy and Debt Unit: Responsible for the Bank's operational and policy work on macroeconomic management and growth, fiscal policy and debt issues. PREMED has produced a toolkit for Assessing Fiscal Sustainability and Managing Uncertainty in Oil-Rich Countries and has produced a number of relevant pieces of analytical work. PRMED provides a comprehensive guide to country-level growth analytics, tools for undertaking the analysis, course materials and country cases. Among other initiatives: (i) *Economic Diversification and sustainable growth* - studies how countries can explore options for structural transformation by diversifying their exports in a competitive world. With the use of a new database and constructs based on product-space and income-based diversification concepts, a variety of country-specific and regional papers analyze this theme for Economic and Sector Work (ESW) as well as CEMs; (ii) *Growth in emerging markets* - contains a Global Simulation Tool for Analyzing the Effects of Growth and Policy Reform in the Presence of Production Sharing Arrangements. PRMED has also been active in advising on sovereign wealth funds as well as working with Governments and country teams to conduct fiscal sustainability analyses and consider the effects of various fiscal rules.

PRMPS – Public Sector Governance: principal unit responsible for GAC implementation. From GAC Update on Natural Resources Integrity: The Bank‘s aim is to strengthen mutual accountability for tackling natural resource exploitation in developing countries. This will include continued support for increased coverage and implementation of global governance initiatives that address specific natural resource management issues, such as the Extractive Industries Transparency Initiative (EITI), the Forest Law Enforcement and Governance program (FLEG), and Reducing Emissions from Deforestation and Forest Degradation (REDD). It will also entail efforts to strengthen corporate governance of companies that are involved in natural resource extraction in foreign countries. The implementation of the GAC Strategy, building on the momentum generated by the EIR has spurred a sector drill-down on how best to promote good governance in resource-rich economies, and encourage greater transparency and accountability in the oil, gas, and mining sectors.

WBI's Governance for Extractive Industries: The Governance for Extractive Industries (GEI) program -housed in WBI - promotes transparency and accountability along the extractive industries value chain. The program connects and empowers key stakeholders to jointly identify, prioritize, and implement actions designed to lead to better governance outcomes. The program builds collective capacity to monitor oil, gas and mining agreements. These are often cloaked in secrecy. Misunderstanding of their content, and mistrust amongst the different stakeholders can lead to tensions at the community and national level. Millions of dollars are lost in tax revenues every year because of inadequate monitoring, and effects of extractive industries operations are often neither effectively tracked nor mitigated

The initiative has brought together champions from the private sector, government, media and civil society to work towards more responsible contracting. Most of these individuals met for the first time with WBI's help and formed multi-stakeholder coalitions to improve contract monitoring in their countries. Coalitions meet regularly and have put together action plans which are soon turning into reality. Instruments include: disclosure and monitoring of oil, gas, and mining contracts; technology and interactive mapping; GOXI - a global practitioner network on governance for extractive industries that is connected via an online social platform (GOXI.org).

IFC – Oil and gas, and mining groups: IFC's mission is to help developing countries and communities realize sustainable economic benefits from natural resources; and work with companies through two private sector investment teams: oil & gas and mining. IFC coordinates closely with the World Bank's policy team that works with governments on oil, gas and mining regulations and revenue use. IFC provides debt and equity financing to oil, gas and mining projects at all stages of project life cycles. Its clients range from junior exploration companies to the industry majors. IFC adds value by providing tailor-made financing, and offers programs that enhance projects' business risk mitigation through the generation of benefits for local communities. Through its Environmental and Social Performance Standards, IFC help clients manage social and environmental risks as well as maximize development opportunities. IFC's *Oil, Gas and Mining Sustainable Community Development Fund (CommDev)* is a source of knowledge and funding for community development efforts linked to extractive industries projects. It provides support to IFC clients to develop a strategic approach to community investment projects consistent with their business objectives and thereby promote local development.

Extractives Industries and Gender: In many communities involved in the Extractive Industries (EI), gender bias exists in the distribution of risks and benefits: the risks, such as environmental damage and social harm, fall more heavily on women, while the benefits, such as employment and compensation, accrue mostly to men. The World Bank's Gender and EI program seeks to better understand the impact of the extractive industries, to create and share information on how to minimize risks and maximize community empowerment, and to ensure that EI projects all include a gender perspective. The Gender and EI team is based in the Oil, Gas, Mining unit (SEGOM) and works to inform governments, mining companies, and other stakeholders about unique impacts of EI on men and women, and how to improve development and business outcomes by best understanding these impacts. The World Bank and IFC have worked with numerous governments and EI companies to ensure that gender issues are a priority

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Attachment 5

Country Selection Tables

Long list: Resource-Rich Countries

Country	Country Characteristics								World Bank Portfolio /1					WBG Classification (Agreement type)	IEG Country Program Evaluation
	Region	2012 GNI per capita, Atlas method (current US$)	Income Group (2012)	Type of Natural Resources	Natural Resource Exports (% of total exports) /3	Natural Resource Fiscal Revenue (% of total revenue) /3	Human Development Index (2011)	$2 a day in % of population	Number of projects	Lending Commitments (US$ million)	Number of ESW	Number of TA	% Lending in portfolio (by number) /2		
DRC	AFR	220	LIC	Hydrocarbons and mining	94	30	0.29	80	26	2,158	12	16	48%	IDA	
Zambia	AFR	1,350	LMIC	Mining	72	4	0.43	82	16	641	28	29	22%	IDA	2003 CPE - U
Nigeria	AFR	1,430	LMIC	Hydrocarbons	97	76	0.46	84	38	6,085	33	37	35%	IDA	2008 CPE - MU
Angola	AFR	4,580	UMIC	Hydrocarbons	95	78	0.49	70	6	462	6	8	30%	IDA	2007 CPE - MU
Namibia	AFR	5,670	UMIC	Mining	51	7	0.61	51	2	15	5	13	10%	IBRD	
Botswana	AFR	7,720	UMIC	Diamonds	66	63	0.63	-	3	372	7	12	14%	IBRD	
Gabon	AFR	10,070	UMIC	Hydrocarbons	83	60	0.67	20			2	7	0%	IBRD	
Equatorial Guinea	AFR	13,560	HIC	Hydrocarbons	99	91	0.64	-			2	5	0%	IBRD	
Lao PDR	EAP	1,260	LMIC	Mining	57	19	0.52	66	25	326	33	31	28%	IDA	
Vietnam	EAP	1,400	LMIC	Hydrocarbons	14	22	0.59	38	73	10,662	52	77	36%	Blend	2002 CPE - S
Mongolia	EAP	3,160	LMIC	Mining	81	29	0.65	49	14	209	36	16	21%	Blend	2002 CPE - MS
Indonesia	EAP	3,420	LMIC	Hydrocarbons	10	23	0.62	51	51	16,875	70	162	18%	IBRD	1999 CPE - MS 2007 CPE - MS
Azerbaijan	ECA	6,050	UMIC	Hydrocarbons	94	64	0.70	8	23	2,424	12	16	45%	IBRD	
Kazakhstan	ECA	9,730	UMIC	Hydrocarbons	60	40	0.75	1	13	4,662	19	121	8%	IBRD	2001 CPE - MS
Russian Federation	ECA	12,700	HIC	Hydrocarbons	50	29	0.76	0	7	445	27	105	5%	IBRD	2002 CPE - S 2002 CPE - U
Bolivia	LAC	2,220	LMIC	Hydrocarbons	74	32	0.66	25	16	490	14	19	33%	Blend	2005 CPE - MU 1998 CPE - MS
Ecuador	LAC	5,190	UMIC	Hydrocarbons	55	24	0.72	13	4	126	5	7	25%	IBRD	1999 CPE - U
Venezuela	LAC	12,470	UMIC	Hydrocarbons	93	58	0.74	10			1		0%	IBRD	
Chile	LAC	14,280	HIC	Mining	53	23	0.81	2	6	140	15	35	11%	IBRD	2002 CPE - HS
Trinidad and Tobago	LAC	14,400	HIC	Hydrocarbons	38	49	0.76	-			1	2	0%	IBRD	
Algeria	MNA	4,110	UMIC	Hydrocarbons	98	73	0.70	-			8	19	0%	IBRD	
Kuwait	MNA	44,730	HIC	Hydrocarbons	81	85	0.79	-			8	37	0%	-	

Source: IMF and World Bank

Country	Country Characteristics								World Bank Portfolio /1					WBG Classification (Agreement type)	IEG Country Program Evaluation
	Region	2012 GNI per capita, Atlas method (current US$)	Income Group (2012)	Type of Natural Resources	Natural Resource Exports (% of total exports) /3	Natural Resource Fiscal Revenue (% of total revenue) /3	Human Development Index (2011)	$2 a day in % of population	Number of projects	Lending Commitments (US$ million)	Number of ESW	Number of TA	% Lending in portfolio (by number) /2		
Zambia	AFR	1,350	LMIC	Mining	72	4	0.43	82	16	641	28	29	22%	IDA	2003 CPE - U
Mongolia	EAP	3,160	LMIC	Mining	81	29	0.65	49	14	209	36	16	21%	Blend	2002 CPE - MS
Kazakhstan	ECA	9,730	UMIC	Hydrocarbons	60	40	0.75	1	13	4,662	19	121	8%	IBRD	2001 CPE - MS
Bolivia	LAC	2,220	LMIC	Hydrocarbons	74	32	0.66	25	16	490	14	19	33%	Blend	2005 CPE - MU 1998 CPE - MS

Source: IMF and World Bank

Attachment 6

Guide to IEG's Country Program Evaluation Methodology

This methodological note describes the key elements of IEG's Country Program evaluation (CPE) methodology.[i]

CPEs rate the outcomes of World Bank Group assistance programs, not the country's overall development progress.

- A World Bank Group assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the country's development objectives. If a Bank Group assistance program is large in relation to the country's total development effort, the program outcome should be similar to the country's overall development progress. However, most Bank Group assistance programs provide only a fraction of the total resources devoted to a country's development by development partners, stakeholders, and the government itself. In CPEs, IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

- The experience gained in CPEs confirms that Bank Group program outcomes sometimes diverge significantly from the country's overall development progress. CPEs have identified Bank Group assistance programs which had:

- Satisfactory outcomes matched by good country development;
- Unsatisfactory outcomes in countries which achieved good overall development results, notwithstanding the weak Bank Group program; and,
- Satisfactory outcomes in countries which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank Group performance are not the same.

- By the same token, an unsatisfactory Bank Group assistance program outcome does not always mean that Bank Group performance was also unsatisfactory, and vice versa. This becomes clearer in considering that the Bank Group's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (i) the country; (ii) the Bank Group; (iii) partners and other stakeholders; and (iv) exogenous forces (for example, events of nature, international economic shocks, and so forth). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.

- IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other AAA, the consistency of the Bank Group's lending and financial support with its non-lending work and with its safeguard policies, and the Bank Group's partnership activities.

Rating Assistance Program Outcome

- In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank Group do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

- For each of the main objectives, the CPE evaluates the relevance of the objective; the relevance of the Bank Group's strategy toward meeting the objective, including the balance between lending and non-lending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

- Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key country development constraints. In either case, the consequences could include a diminution of program relevance, a loss of country ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

- IEG utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

Highly satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified**.**
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified**.**
Moderately satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

- The **institutional development impact** can be rated at the project level as *high*, *substantial*, *modest*, or *negligible*. This measures the extent to which the program bolstered the country's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- The soundness of economic management
- The structure of the public sector, and, in particular, the civil service
- The institutional soundness of the financial sector
- The soundness of legal, regulatory, and judicial systems
- The extent of monitoring and evaluation systems
- The effectiveness of aid coordination
- The degree of financial accountability;
- The extent of building capacity in nongovernmental organizations
- The level of social and environmental capital.
    - IEG is, however, increasingly factoring institutional development impact ratings into program outcome ratings, rather than rating them separately.

    - **Sustainability** can be rated at the project level as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country program over time, taking into account eight factors:

- Technical resilience
- Financial resilience (including policies on cost recovery)
- Economic resilience
- Social support (including conditions subject to safeguard policies)
- Environmental resilience
- Ownership by governments and other key stakeholders
- Institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness)
- Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.
    - At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

Risk to development outcome. According to the 2006 harmonized guidelines, sustainability has been replaced with a "risk to development outcome," defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) of a project or program will not be maintained (or realized). The risk to development outcome can be rated at the project level as *high*, *significant*, *moderate*, *negligible to low*, and *non-evaluable*)

Attachment 7

Country Strategy Pillars and Objectives (Mongolia, Kazakhstan, Zambia, Bolivia)

Country/Pillar	Management of Resources	Governance and Institutions	Economic diversification and jobs	Poverty reduction and human capital
Mongolia CAS FY05-08 ISN FY09-CY11	Improve Macro and Fiscal Sustainability in a Mineral-based Economy: 1.Strengthen fiscal sustainability 2.Bolster confidence in the banking sector Reducing Vulnerabilities: Improving environmental management and governance of natural resources.	Build Better Transparency and Accountability Mechanisms: 1.Strengthen vertical accountability by broadening engagement and by encouraging more transparent policy analysis and monitoring by civil society across the extractive industry value chain 2. Build on core public sector reforms to strengthen institutional accountability Reducing Vulnerabilities: 1.Improving environmental management and governance of natural resources. Alignment of Policies and Resources with Intended Development Results: 1. Strengthening the national institutional framework for further developing, implementing and monitoring the Economic Growth Support and Poverty Reduction Strategy (EGSPRS) 2. Facilitating the development and implementation of sector strategies linked with the EGSPRS. 3. Strengthening the Government's Ability to Coordinate Aid and Harmonize Donor Procedures	Encourage Transparent and Prudent Mining Investments and a More Competitive and Stable Medium-term Business Investment Climate: 1.Encourage sustainable, efficient mining investments 2.Manage large investments in supporting infrastructure 3.Provide stable medium-term business investment climate Consolidating the Transition: 1.Establishing a sound enabling environment for the private sector. 2. Supporting reforms to improve the efficiency and distributive impact of infrastructure Investments. 3. Strengthening institutional capacity to support human development. Reducing Vulnerabilities: 1.Analyzing the viability of regional development options	Protect the Poor and Vulnerable: 1.Retarget social transfers to the poorest 2.Reduce rural vulnerability 3.Help vulnerable populations in Ulaanbaatar Reducing Vulnerabilities: 1.Improving municipal service delivery for vulnerable populations in peri-urban areas.
Zambia CAS FY04-07 CAS FY08-11	Macroeconomic and Expenditure Management: 1. Macroeconomic stability and support the growth and diversification of the economy	Sustained Economic Growth Anchored in a Diversified and Export Oriented Economy 1.Improved Management of Public Resources Effectively and Efficiently Managed Public Sector: 1.The Government executes an open, transparent and timely and realistic budgeting process with lower levels of financial waste 2. The environment in place for improved performance by the civil service is strengthened: Institutional Capacity: 1.Strengthened public financial management, procurement and oversight capacity 2. Improved public management and transparency of the mining sector and improve management of the natural resources sector	Sustained Economic Growth Anchored in a Diversified and Export Oriented Economy: 1.Enabling Environment for Private Sector led Growth Institutional Capacity: 1.Improved business environment, especially for micro-, small- and medium-size enterprises (MSMEs) 2. Improved agricultural productivity and marketing schemes for smallholders Infrastructure Development: 1.Improved transport infrastructure 2. Improved access to water, energy services and irrigation systems	Improving Lives and Protecting the vulnerable 1.Efficient use of financial and human resources for the Health Sector 2. Reliable and sustainable provision of water in districts that the Bank supports 3. Reduce risky behavior in vulnerable groups in communities targeted 4. Vulnerable populations impacted by HIV use prevention, care and mitigation 5. Poor households and communities in areas vulnerable to frequent droughts benefit from risk mechanism Human Capital Development: 1.Improved health programming 2. Strengthened skills and education for the formal and informal sectors

Country/Pillar	Management of Resources	Governance and Institutions	Economic diversification and jobs	Poverty reduction and human capital
Kazakhstan, CAS FY05-11	Reducing losses in competitiveness through prudent management of the oil windfall and increased public sector efficiency 1.Management of the oil windfalls (including transparency in oil revenues) Ensuring future growth will not harm the environment and past liabilities are mitigated: 1.Consequences of growth on the environment 2.Regional environmental issues	Reducing losses in competitiveness through prudent management of the oil windfall and increased public sector efficiency 1.Management of the government's MTFF 2.Local and central government's capacity to absorb public spending 3.Addressing various levels of corruption	Promoting competitiveness by strengthening government's capacity to identify and reduce barriers to business and private investors: 1.WTO accession and bilateral trade agreements 2. Technology transfer and commercialization of research and development 3. SME development and linkages 4. Agricultural support policies (including quality and safety standards) Building the foundation for future competitiveness by investing in human capital and basic infrastructure: 1.Transport (including roads and railway modernization	Building the foundation for future competitiveness by investing in human capital and basic infrastructure: 1.Health (including HIV/AIDS) 2.Education 3.Basic services (water, heat, power)
Bolivia, CAS FY04-08, ISN FY07-09, ISN FY10-11	Macroeconomic Stability Ensure Sustainable Development: 1.Mitigate the effects of natural disasters and of productive activities with damaging environmental consequences 2. Increase understanding and knowledge of the impacts of climate change	Modifying Hydrocarbons Law Gas Referendum Constitutional Assembly Support for Enhancing Good Governance and Transparency Ensure Sustainable Development: 1.Improve the capacity of public authorities to formulate and implement adequate climate change responses Governance and Support to Public Sector: 1.Improve public programs design, monitoring and evaluation to implement the National Development Plan effectively 2.Strengthen public sector management for better services delivery and increased inclusion 3. Strengthen the PFM and procurement framework to improve transparency and accountability.	Support for Fostering Jobs through Growth Ensure Productive Development and Support to Production: 1.Increase agricultural productivity and food security 2.Boost productivity and job creation in both rural and urban areas 3.Improve service delivery and access to services in both urban and rural areas	Support for Providing Better Services to the Poor Human Development: 1.Ensure equitable access to better quality education and public health services. 2.Enhance the Social Protection Network 3.Provide youth and vulnerable households with the means to reduce the risks and cope with the negative effects of unemployment

Attachment 8

Selected economic and social indicators for CCPE countries and two comparators (Chile and Botswana)

Series Name	Ave 2000-2005						Ave 2006-2012						Ave 2000-2012					
	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile
Economic Indicators																		
Growth and Inflation																		
GDP growth (annual %)	3.0	10.3	5.6	4.6	5.4	4.3	4.8	6.3	8.9	6.6	4.0	4.1	3.9	8.1	7.4	5.7	4.6	4.2
GDP per capita growth (annual %)	1.0	10.0	4.5	2.0	3.9	3.1	3.0	4.8	7.4	3.5	3.0	3.1	2.1	7.2	6.1	2.8	3.4	3.1
GNI per capita, PPP (current international $)	3,213.3	6,218.3	2,325.0	970.0	9,193.3	10,335.0	4,378.6	10,270.0	3,898.6	1,342.9	13,910.0	16,780.0	3,840.8	8,400.0	3,172.3	1,170.8	11,733.1	13,805.4
GNI, Atlas method (current US$) in million	8,437.3	27,876.6	1,542.2	4,026.3	6,844.1	80,376.8	16,284.4	109,070.9	5,211.6	13,060.9	11,942.0	178,044.8	12,662.7	71,596.6	3,518.0	8,891.1	9,589.2	132,967.2
Inflation, consumer prices (annual %)	3.4	8.0	7.5	21.2	8.0		6.7	9.2	11.4	9.6	8.9	2.6	5.2	8.7	9.6	15.0	8.5	2.6
Composition of GDP (%)																		
Agriculture, value added (% of GDP)	15.0	8.2	24.0	22.5	2.2	5.2	13.2	5.8	18.4	20.8	3.1	3.6	14.1	7.0	21.0	21.7	2.5	4.4
Industry, value added (% of GDP)	30.1	38.9	28.7	26.8	52.5	33.8	37.1	41.5	37.0	34.4	36.5	40.0	33.6	40.2	33.2	30.6	46.1	36.9
Services, etc., value added (% of GDP)	54.8	52.9	47.3	50.7	45.3	61.0	49.7	52.8	44.6	44.8	60.4	56.4	52.3	52.8	45.8	47.7	51.4	58.7
Gross fixed capital formation (% of GDP)	14.1	23.5	25.6	20.7	24.9	20.5	16.9	25.5	38.2	20.8	30.5	21.9	15.6	24.6	32.4	20.8	27.9	21.2
Gross domestic savings (% of GDP)	12.4	30.7	17.2	12.0	40.2	25.2	23.7	42.4	35.4	27.6	35.0	29.1	18.5	37.0	27.0	19.8	37.4	27.3
External Accounts																		
Exports of goods and services (% of GDP)	25.4	50.7	54.5	30.6	47.5	33.6	42.4	48.9	55.9	40.4	45.7	39.7	34.5	49.7	55.3	35.5	46.5	36.9
Imports of goods and services (% of GDP)	27.5	45.8	67.2	40.7	36.3	30.5	35.5	34.4	66.1	35.1	44.8	33.0	31.8	39.7	66.6	37.9	40.9	31.8
Current account balance (% of GDP)	6.5	(1.8)	3.3	(8.4)	15.9	1.2	7.8	0.3	(12.5)	0.5	3.3	0.8	7.7	0.0	(10.5)	(0.6)	4.9	0.9
External debt stocks (% of GNI)	70.8	79.1	78.9	157.9	7.0	54.4	38.1	96.5	41.7	27.5	8.6	39.4	54.4	87.8	60.3	92.7	7.8	46.9
Total debt service (% of GNI)	6.4	19.8	5.6	7.5	0.9	9.5	4.1	25.9	1.9	1.2	0.5	8.8	5.3	22.8	3.7	4.4	0.7	9.2
Total reserves in months of imports	6.4	2.7	2.4	2.1	16.0	4.0	14.1	4.3	4.5	3.1	16.0	3.8	13.1	4.1	4.2	2.9	16.0	3.8
Fiscal Accounts /[1]																		
General government revenue (% of GDP)	26.2	24.7	29.7	24.6	42.1	22.8	35.8	26.5	35.4	24.7	38.3	24.6	31.4	25.7	32.8	24.7	40.1	23.8

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Series Name	Ave 2000-2005						Ave 2006-2012						Ave 2000-2012					
	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile	Bolivia	Kazakhstan	Mongolia	Zambia	Botswana	Chile
General government total expenditure (% of GDP)	32.0	21.5	32.6	28.3	40.0	22.2	33.8	23.0	37.6	23.7	39.7	22.1	33.0	22.4	35.3	25.8	39.8	22.2
General government net lending/borrowing (% of GDP)	(5.8)	3.6	(2.9)	(3.7)	2.2	0.6	2.0	3.5	(2.2)	1.0	(1.4)	2.4	(1.6)	3.6	(2.5)	(1.1)	0.2	1.6
General gov't primary net lending/borrowing (% of GDP)		3.4			(9.4)	1.1		3.3			(11.3)	2.4		3.3			(10.4)	1.8
General government gross debt (% of GDP)	73.3	13.0		24.9	9.2	12.1	39.9	9.0		27.5	13.8	7.3	55.3	10.5		26.3	11.6	9.5
Social Indicators																		
Health																		
Life expectancy at birth, total (years)	63.8	65.8	64.1	44.2	48.3	77.5	65.8	67.6	66.5	52.3	46.4	78.8	64.8	66.7	65.3	48.2	47.4	78.1
Immunization, DPT (% of children ages 12-23 mo.)	80.0	94.3	97.2	83.7	96.5	94.2	82.5	97.8	96.7	84.3	96.0	94.2	81.3	96.1	96.9	84.0	96.3	94.2
Improved sanitation facilities (% of rural pop. with access)	39.1	97.0	50.3	40.9	55.0	93.5	44.2	97.3	52.2	41.8	61.9	97.3	41.7	97.1	51.2	41.3	58.5	95.4
Improved H20 source, rural (% of rural pop. with access)	59.4	91.1	41.8	38.9	90.4	72.5	68.2	90.5	51.4	46.8	92.3	84.9	63.8	90.8	46.6	42.8	91.3	78.7
Mortality rate, infant (per 1,000 live births)	50.8	33.6	41.2	88.0	51.5	8.3	37.1	21.5	26.9	64.6	44.3	7.8	43.5	27.1	33.5	75.4	47.6	8.0
Education																		
School enrollment, preprimary (% gross)	47.6	28.3	35.0		15.4	78.0	47.2	41.9	66.0		17.7	91.4	47.4	35.1	50.5		17.2	85.3
School enrollment, primary (% gross)	113.3	101.3	101.4	96.1	106.0	100.8	106.0	109.4	107.5	118.5	108.5	104.7	109.7	105.6	104.5	108.3	107.0	103.0
School enrollment, secondary (% gross)	84.4	94.4	78.4		75.4	87.4	81.7	96.0	91.7		80.2	89.7	83.3	95.3	83.7		77.0	88.7
Population																		
Population, total (in million)	8.9	14.9	2.5	10.8	1.8	15.9	10.0	16.0	2.7	12.9	2.0	17.0	9.5	15.5	2.6	11.9	1.9	16.5
Population growth (annual %)	1.9	0.2	1.0	2.6	1.4	1.1	1.6	1.5	1.5	2.9	0.9	1.0	1.8	0.9	1.3	2.8	1.2	1.0
Urban population (% of total)	63.0	55.2	59.8	35.7	55.3	86.8	65.9	54.0	66.5	38.3	60.2	88.7	64.6	54.6	63.4	37.1	57.9	87.8
Debt service on external debt, total (TDS, current US$) (in million)	527.0	6,349.3	86.5	319.1	55.8	7,612.0	641.2	28,841.4	97.4	157.7	61.5	15,112.1	584.1	17,595.4	91.9	238.4	58.6	11,362.1

Source: WDI as of 11/18/13
/1 WEO Data as of October 2013