Management Comments

World Bank Group management welcomes the report of the Independent Evaluation Group (IEG), *Results and Performance of the World Bank Group 2015*, and the opportunity to respond with comments. The report brings out many salient issues and provides useful analysis and insights on three key topics: (a) the integration of gender into Bank Group operations and country strategies; (b) results and performance of recent Bank Group operations; and (c) the Management Action Record (MAR).

Bank Group management welcomes IEG's recognition of recent positive trends as well as of challenges in the results and performance of Bank Group operations. These include (a) the good progress in gender mainstreaming in recent years, in particular the increased gender uptake in operations and country strategies; (b) the good performance of Bank lending, International Finance Corporation (IFC) Advisory Services and Multilateral Investment Guarantee Agency (MIGA) guarantees; and (c) the overall improvement in the performance of Bank Group country programs.

World Bank Management Comments

Gender Integration

The report reflects on the Bank Group's experience in gender mainstreaming and draws some lessons that also informed the new Bank Group Gender Strategy, published in December 2015. The new Bank Group Gender Strategy emphasizes the importance of defining specific gender gaps on which to focus in Country Partnership Frameworks (CPF), approaches to address and track such gaps in the analytical and operational portfolio, and clear results-chains on gender equality at the project and strategy level. It also highlights the critical role of country ownership, since achievements on closing gender gaps will only be sustained if they are integrated in countries' own development agenda and institutions.

Gender mainstreaming to gender integration. Management fully recognizes the need to strengthen the link between diagnostics and relevant interventions and outcomes at the country strategy and project levels. Much progress has been made since the 2001 Gender Strategy. The latest Bank Group Gender Strategy has greatly benefited from lessons learned over the past 15 years through the implementation of Country Gender Assessments and country and Regional Gender Action Plans, as well as from a wealth of analytical and evaluative work, notably the 2010 IEG evaluation of the implementation of the 2001 strategy and the World Development Report 2012 on gender.

The introduction of the three-dimension gender flags at the project and country levels in FY13 successfully raised the uptake of gender issues in country strategies and projects. Building on this success, the new Bank Group Gender Strategy aims to raise the bar by strengthening the links between country gender diagnostics and the identification of relevant interventions, and by enhancing the quality and relevance of monitoring and evaluation (M&E) frameworks for improved reporting of gender-related results. Management appreciates the analysis and examples of indicators in projects and country strategies (in the text and Box 1.3) and the focus on outcomes, which enhance learning and provide a useful reference point as we implement the Bank Group Gender Strategy. Revised guidelines for the inclusion of gender equality outcomes in the Systematic Country Diagnostic and CPF documents are under development and will be available by the end of FY16.

Global Practices and IFC departments are developing follow-up notes for how they will implement the Bank Group Gender Strategy. These plans will discuss the gender gaps they can help close, highlight good practices and approaches in operational programs, and identify areas for which more piloting and research are needed. IFC industry departments and five Global Practice follow-up notes are already under development, and the remainder will follow in FY17.

More systematic diagnostics and monitoring. Management plans to address the gaps identified in the report through a more systematic approach, including (a) enhanced country diagnostics that not only identify specific gender gaps but also probe into the underlying causes and constraints for those gaps; (b) support for more and better sex-disaggregated data at the country and global levels; and (c) a new monitoring system for projects using and enhanced three-dimension gender tag and monitoring indicators throughout the project cycle.

As the 2015 strategy explained, the gender tag has been revised, with sharper definitions and questions that better link project-relevant gender gaps and those identified through the country engagement framework. The new gender tag has already been introduced for all investment project financing (IPF) operations. Progress will be monitored at project entry and throughout implementation and completion, including through a new outcome rating of how well the activity closed gender gaps in the Implementation Completion Report. Implementation of the new monitoring system has already commenced: the trial phase for the new gender tag system is under way, and working groups have been formed for the development of revised rating criteria, relevant guidelines, and so forth. Following the successful completion of the trial phase, gradual rollout is expected to start in FY17, with the first phase targeting Bank IPF operations.

The Bank Group Gender Strategy also takes on the challenges highlighted in the report, both in the availability of relevant data and the necessary skills to use these data and improve the quality of gender analysis at the country level and in operations.

Methodology for the country strategy and project reviews. The *a posteriori* application of the gender flag to the analysis of country strategies ignores the fact that the scorecard assessed country strategies presented to the Board in FY15, while the review considers country strategies that closed between FY12 and 14, that is, before the analysis of the three dimensions became part of International Development Association (IDA) monitoring. Similarly, the *a posteriori* application of the gender flag to the analysis of projects should be tempered by the fact that many sample projects that were closed between FY12 and FY14 were designed and implemented before the flag system was put in place.

Recent Results and Performance of World Bank Operations

Management appreciates the comprehensive presentation of project outcomes information with different levels of disaggregation—by project counts versus commitment amount, IPF versus development policy financing, International Bank for Reconstruction and Development (IBRD) versus IDA, by Region, and by Global Practice. Such disaggregation enables a deeper analysis to pinpoint areas of weaker performance and enriches the discussion. **The Regional** and

Practice Group updates attached to the report are a very useful tool to highlight each group's overall portfolio characteristics, as well as its trends, strengths, and challenges in performance. Management also appreciates the report's recognition of some of the concrete steps taken to address performance challenges.

Factors affecting project outcomes. Management also appreciates the report's detailed analysis on factors affecting project outcomes, which is a rich source of information and insights. Not surprisingly, quality at entry, quality of supervision, and M&E quality are among the top factors affecting project performance. Client capacity and commitment, project management, and experience and turnover of Bank task team leaders also play important roles. A deeper analysis to understand project-specific factors and context may be useful—for instance, the relationship between project restructuring and outcome ratings.

Project size. Management notes the finding that changes in commitments during implementation (through cancellation or additional financing) are significantly associated with outcome ratings, while the correlation with initial commitment size was not significant. Figure 2.11 also confirms this intuitive result since, as the report points out, additional financing (or cancellation) is often an effect of good (or poor) performance, not a cause.

Risk. The report underemphasizes the recent developments to strengthen the identification of risks and mitigation measures. Under the Systematic Operations Risk-rating Tool (SORT) framework, introduced in October 2014, risk is defined as it relates to the achievement of intended development outcomes and the risk of unintended impact of an operation or country engagement. The SORT is a simple tool designed to identify risk early on and throughout the project cycle, systematically track progress, and continuously assess its effect. This information can effectively contribute to improvements, not only in quality at entry, but also vis-à-vis the development results that the operations were designed to achieve.

Crisis response. Management appreciates the observation that the global food crisis projects supported by the Bank are seen to have "performed exceptionally well." On avian influenza, the Annex notes the positive experience and the Bank's "ability to use its convening power, to raise funds, to work with partners, and to rapidly prepare and supervise a global investment program." It also highlights how the Bank continues to support important global agendas even after the spotlight has moved on. For example, the Agriculture GP has recently made concerted efforts to resuscitate the Global Food Crisis Response Trust Fund and will use the available funds to mount analytical support in response to the El Niño phenomenon, which affects several client countries.

Management Action Record (MAR)

It is encouraging to note the high rates of implementation of IEG recommendations after four years. A key remaining challenge is the recommendations on M&E: only two of the four recommendations showed substantial or better implementation progress by year four. The upcoming reform of the Implementation Completion and Results report will present an important opportunity to strengthen guidance and tools for self-evaluation of projects. Management is also taking actions to step up staff training in M&E and results measurement.

Management is already working with IEG to strengthen the MAR process with earlier and more collaborative interactions between IEG evaluators and operations staff. The proposed dynamic engagement and dialogue to promote learning and adaptable implementation of recommendations is also welcomed by management. As a follow-up to the recommendations from the IEG External Review, management and IEG are planning to implement a few pilot processes to that effect.

IFC Management Comments

Management appreciates IEG's review and analyses detailed in the World Bank Group Results and Performance 2015. It commends IEG for highlighting gender as a featured evaluation topic this year, particularly given the new Bank Group Gender Strategy, and for providing candid insights from recent results based on IEG-validated self-evaluation systems and other studies. Management also appreciates IEG's undertaking an analysis of the influence of project size on investment success. The report overall is helpful in drawing attention to important areas for IFC to consider as it continuously seeks to improve operational performance.

Development Results. With respect to IFC's investment services, management acknowledges that the share of positively rated projects in the evaluated sample for CY12-14 declined to 58 percent on an unweighted basis, or 69 percent weighted by commitment size, from 73 percent for CY08-10. In this regard, management agrees with the report that the development performance of IFC investments is closely linked to the financial success of those investments and that it was significantly impacted by the global economic and financial crisis throughout the period of CY07-14, as well as region-specific effects in Europe and the Middle East. Global economic conditions affected the equity portfolio in particular, which has become a larger share of IFC's business over the review period. With respect to IFC's equity investments, however, management wishes to note that they have consistently outperformed against relevant global emerging market benchmarks, and IFC manages equity investments with a long-term approach. Furthermore, widespread economic volatility, accompanied by currency depreciation and low commodity prices, continued to affect both developed and developing countries.

The report also points to work quality as one of the key factors affecting IFC investment development outcomes. IFC management acknowledges the analysis, and views this as an important opportunity to identify potential improvements in work quality. Based on a further review of evaluated projects, it is difficult to discern a systematic pattern from the data. IFC therefore plans to undertake a further analysis jointly with IEG to examine the data in more granular detail to identify causality at the process, product, industry, or regional level. Following the analysis, actionable recommendations linked to more specific findings on where work quality can be improved will be identified. This work will be done in conjunction with the diagnostic exercise launched by IFC's Executive Vice President.

With respect to advisory services, management acknowledges IEG's recognition of the steady development effectiveness of IFC's advisory services in the report. The success rate in the most recent three-year rolling period (CY12-14) was 75 percent by self-rating, based on all the applicable advisory portfolio, compared to the 63 percent reflected in the report after IEG adjustments. Strong performance has been steady over the last five years and is expected to continue per CY15 preliminary data. This is consistent with a 91 percent client satisfaction rate reported through client surveys. Management is pleased with the stable success backed by strong work quality assessed by IEG, including over the period of reorganization of IFC's advisory services. Since it has been one and a half years since the reorganization took place, it would be useful for IEG to start reporting results against the current structure.

Methodology. Management is aware of methodological differences between IEG and IFC, particularly on evaluation of IFC's investment operations. The IFC team looks forward to resolving them with IEG. For instance, the more significant decline in the IEG system than that in the Development Outcome Tracking System (DOTS) is influenced by the fact that the former does not update project performance for the sample even if the financial performance of the underlying investments improves after the Expanded Project Supervision Report (XPSR) is validated by IEG. This is an important consideration given the timeframe. The implementation period of the projects in the sample, conceived and approved by the Board in CY07-09, included the global financial crisis, Eurozone slowdown, and such geopolitical events as those in Eastern Europe and the Middle East. Since IFC held on to the evaluated investments after IEG validation, DOTS has captured net performance improvement for the entire active portfolio which may have taken place after conditions started to stabilize.

Signs of weakening development outcomes are also evident in the success rate generated by IFC's internal and portfolio-wide DOTS. The DOTS success rate stood at 66 percent for FY12-14, and the decline from 71 percent for FY08-10 was more modest. Management further acknowledges that IFC's preliminary self-rating for the same CY12-14 XPSR sample stood at 73 percent on a non-weighted basis. Management is pleased to learn that the difference in the success rate between IFC's review and IEG's is narrowing, and has fallen to 13 percentage points in CY13. Management encourages IEG to assess projects and IFC's work based on the information that was available to project teams at the time they engaged in the rated activities. Management understands that a detailed memo with full analysis of rating differences will be issued to IFC and looks forward to further discussions together with the above-mentioned joint analysis.

Another instance of differences is in respect to IFC's additionality framework established in 2007, and IEG's role and contribution framework embedded in the XPSRs. For instance, IFC considers "long-term partnership" and "provision of equity not available in the market" as important forms of additionality, while IEG does not recognize them as such. According to IFC's client survey, long-term partnership is the most cited reason why investment clients choose to work with IFC. In addition, the provision of equity not available in the market can be essential to the viability of an investment.

Gender Operationalization in IFC. Management appreciates IEG's undertaking a special thematic analysis regarding the Bank Group's gender integration and is pleased with the report's recognition of IFC's initiatives in integrating gender into its strategy and operations, with notable progress in recent years. As described, IFC has come a long way in its selective gender mainstreaming efforts since its first gender-dedicated projects in 2005. This now includes the launch of a gender flag, first in advisory projects and then in investments; the establishment of a Gender Secretariat, the Bank Group Gender CCSA, and the recently endorsed Bank Group Gender Strategy (FY16-23); three new gender-focused advisory solutions (employment, insurance, and women business and leadership training); and the large Banking on Women portfolio. Management is proud of the achievements IFC has made in helping and promoting gender equality in the private sector and beyond. As IEG observed, IFC has been strategically focused in the way it operationalizes gender with clients. Implementation has contributed to closing gaps between men and women when it comes to access to jobs and assets, but management recognizes that even more can be done. With clients in targeted areas, IFC's approach has been to seek to support the projects' gender-related needs, which are typically implemented as specific activities rather than as defined objectives. Investments in the Banking on Women program, currently consisting of 32 projects, do have a clear-cut gender objective, along with DOTS targets and reporting, which are part of investment agreements. IFC's investment efforts also involve the appointment of women directors to the board seats of client companies, with a target of reaching 30 percent on IFC-seated boards. In FY14, IFC reached 28 percent of women as non-executive directors being nominated into its board seats. Going forward, IFC is looking to help more clients realize gender solutions to their business challenges.

Regarding IFC's Global Entrepreneurship Markets Initiative, implemented in Africa, management acknowledges the comments made in the report. These projects were the first cohort of micro, small, and medium enterprises projects in Africa with a gender component. The valuable lessons drawn from the challenges encountered during implementation of these projects have been addressed in subsequent project design—in particular, by focusing on phasing projects in a way that considers the client's internal capacity to implement. The Diamond Bank Burundi project was a stand-alone gender project, implemented by the same team that rolled out the early pilots, and similar lessons on client readiness have been effectively applied.

Regional Operations—Eastern Europe and Central Asia. The IEG evaluation states that the success rate of investments in Eastern Europe and Central Asia (ECA) was on a downward trend, first reported in 2013. As noted above, the cohort of projects covered in the report was approved just before or during the global financial crisis, which affected the region the most severely because of its stronger linkages with the Eurozone, especially through the financial sector. The crisis significantly weakened the economic and financial performance of the projects in the cohort. Since IFC's clients do not operate in isolation from the rest of the economy, which was in recession as late as 2013, their performance could have been much worse without IFC's support, given the magnitude and persistence of the shocks that they were facing. Consequently, management believes that IFC investments in ECA were among the most resilient, given the challenging environment. Regarding the overall assessment of economic challenges faced by the region related to the review period, management observed that low competitiveness driven by resource intensity (especially energy), poor financial intermediation, inadequate infrastructure, and a poor business-enabling environment also presented challenges to the region in addition to social inclusion, as spelled out in the ECA strategies for the last two years and reviewed by IEG.

In Kazakhstan, IFC responded vigorously with long-term lending targeted at small and medium enterprises (SMEs) to address issues in the financial sector during the 2008 crisis. In the real sector, IFC provided support with advisory services in many sectors of the economy. In parallel, IFC actively explored investment operations in an environment where suitable sponsors were scarce and the economy was dominated by state interests. Many projects did not materialize mostly because of sponsor issues, high leverage, and low competitiveness. Since 2009, IFC has significantly increased investment activities in select sectors, consistent with its strategic priorities. Regarding better coordination on investment climate reform and SME development, management is pleased to share that the joint Trade and Competitiveness Global Practice is enhancing coordination and that all current country strategies in the region are being delivered jointly and explicitly address SME issues.

MIGA Management Comments

Evidence base. Overall, MIGA finds that the Results and Performance (RAP) 2015 report provides a useful analysis of MIGA operations during the review period, based on FY09-14 project evaluations, with a Development Outcome (DO) success rate of 63 percent (35/56). RAP 2014 was based on FY08-13 project evaluations with a DO success rate of 70 percent (30/43). MIGA notes that, while the longer (six-year) accumulation for DO success rate is sensible—given the small number of projects evaluated annually—the DO success rate variations in the yearly RAPs should be viewed in the context of the performance profile of project evaluations that enter and exit the portfolio in the RAP cycle.

Performance of MIGA guarantees. The report notes the performance of MIGA guarantee projects as stable with some weaknesses, particularly in the financial sector. MIGA notes that most of the weakly-performing financial sector projects were in the Europe and Central Asia region and were supported in the wake of the global financial crisis, as MIGA's response to the crisis, in the broader context of the international financial institutions' initiatives. The magnitude and duration of the financial crisis have proved to be greater than expected and have been the main reason for the weak performance of financial sector projects. Many of the MIGA financial sector guarantee projects supported in the ECA Region were also supported by other international financial institutions (IFC, the European Bank for Reconstruction and Development, European Investment Bank), which seems to suggest that macro rather than micro factors were the key drivers of performance.