IEG Independent Evaluation Group
WORLD BANK | IFC | MIGA

Results and Performance of the World Bank Group 2013

An Independent Evaluation

Volume II: Appendixes

Contents

Volume I: Main Report is available online at https://ieg.worldbankgroup.org/evaluations/rap2013

Beginning with this report, access to the database for the Management Action Record (MAR) is available online at http://ieg.worldbankgroup.org/managementactionrecord. The MAR is no longer appended as a separate volume.

Abbreviations

A2F	Access to Finance
AAA	analytic and advisory activities
AIDS	acquired immune deficiency syndrome
AMS	Agribusiness, Manufacturing, and Services (MIGA)
ARD	Agriculture and Rural Development
AS	IFC Advisory Services
CAS	country assistance strategy
CASCR	Country Assistance Strategy Completion Report
CASPR	Country Assistance Strategy Progress Report
CPE	country program evaluation
CPS	country partnership strategy
CRR	Credit Risk Rating
DOTS	Development Outcome Tracking System
DPL	development policy lending
DPO	development policy operations
E&S	environmental and social
ERRs	economic rates of return
FCS	fragile and conflict-affected states
FDI	foreign direct investment
FY	fiscal year
GDP	gross domestic product
HIV	human immunodeficiency virus
HNP	Health, Nutrition, and Population
HS	highly satisfactory
HU	highly unsatisfactory
IBRD	International Bank for Reconstruction and Development
IC	Investment Climate
ICR	Implementation Completion Report
ICRR	Implementation Completion Report Review
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IICCR	Institutional Investor Country Credit Rating
IL	investment lending
IRMF	Integrated Risk Management Framework
ISR	Implementation Status and Results report
M&E	monitoring and evaluation
MAR	Management Action Record
MAS	Manufacturing, Agribusiness, and Services (IFC)
MIGA	Multilateral Investment Guarantee Agency
MS	moderately satisfactory

MU	moderately unsatisfactory
NHFO	non-honoring of financial obligations
OPCS	Operations Policy and Country Services
PAD	project appraisal document
PCR	Project Completion Report
PER	Project Evaluation Report
PPAR	Project Performance Assessment Review
PPP	purchasing power parity
PPPs	public-private partnerships
PRI	political risk insurance
PSG	Public Sector Governance
PSIA	Poverty and Social Impact Analysis
RAEDO	Risk-Adjusted Expected Development Outcome
RAP	Results and Performance of the World Bank Group
SBA	Sustainable Business Advisory
SIP	Small Investment Program
SOE	state-owned enterprise
TTL	Task Team Leader
XPSR	Expanded Project Supervision Report

All dollar amounts are in U.S. dollars unless otherwise ***indicated****.*

Appendix A
World Bank Group Evaluation Frameworks

This appendix describes select elements of the evaluation systems in the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) that are the basis for this report. They illustrate commonalities as well as differences in evaluation practices across the institutions.

The World Bank, IFC, and MIGA differ in the instruments and approaches they use to achieve development results. Each institution has an evaluation system tailored to its needs. In each organization, the evaluation system comprises different components—self-evaluation, independent evaluation, and validation of self-evaluation (Table A.1).

The independent evaluation function for each institution was established at different times—1973 for the Bank, 1996 for IFC, and 2002 for MIGA—and each has evolved over time to respond to changes in the respective institution. Independent evaluation work is broadly scaled to each institution. For MIGA, the Independent Evaluation Group (IEG) focuses equally on the direct evaluation of guarantee projects as well as validations of self-evaluations. MIGA began to implement self-evaluation of its guarantees in 2010. For the Bank and IFC, IEG conducts validation of self-evaluations, given the mature self-evaluation systems in those institutions.

The project evaluation methodologies and frameworks in the Bank, IFC, and MIGA are consistent with the Good Practice Standards established by the Evaluation Cooperation Group Working Groups for Public Sector Evaluation and Private Sector Evaluation, which aim to harmonize evaluation standards of multilateral development institutions' public and private sector operations.[1] The independent evaluation systems for IFC and MIGA operations are regularly benchmarked against the private sector evaluation standards.

The most recent benchmarking exercise of the evaluation of private sector investment operations was concluded in 2011. IFC and MIGA were benchmarked at 93 percent and 73 percent compliance with the standards, respectively. The standards comprise issues related to the independent evaluation function and to institutional self-evaluation systems (ECG 2012).

Table A.1. Bank Group: Self-Evaluation and Independent Evaluation

	World Bank	IFC	MIGA
MANAGEMENT SYSTEMS			
Self-evaluation			
Results-based monitoring system and supervision status reports for Bank Group operations	Yes (ISR)	Yes, DOTS	Limited (DEIS, E&S monitoring)
Self-evaluation of projects	Yes, ICRs	Yes, XPSRs (managed by IEG)	Yes, (PERs), currently being mainstreamed
Results-based monitoring system for advisory services/AAA	Under development	Yes	NA
Requirement for supervision reports for advisory services/AAA	Yes	Yes	NA
Quality assurance of Bank Group's portfolio			
Quality assessment of lending portfolio	Yes, OPCS	Yes, credit review	Yes, Project Review Committee
INDEPENDENT EVALUATION			
System for reviewing self-evaluations of Bank Group operations	Yes, ICR Reviews	Yes, IEG Evaluative Notes	Yes, IEG Validation Notes
System for reviewing self-evaluations of country evaluations	Yes, CASCR Reviews	Yes, CASCR Reviews	Yes, CASCR Reviews
System for reviewing self-evaluations of advisory services/AAA	Under development	Yes, PCR EvNotes	NA
Independent projects evaluations	Yes, PPARs	Yes, PES	Yes, PERs
Independent country evaluations	Yes, CPEs	Yes, CPEs	Yes, CPEs

Source: IEG review.
Note: AAA = analytic and advisory activities; CASCR = Country Assistance Strategy Completion Report; CPE = country program evaluation; DEIS = Development Effectiveness Indicator System; DOTS = Development Outcome Tracking System; E&S = environmental and social effects monitoring; EvNote = Evaluative Note; IEG = Independent Evaluation Group; ISR = Implementation Status and Results Report; ICR = Implementation Completion and Results Report; NA = not applicable; PCR = Project Completion Report; PER = Project Evaluation Report; PES = Project Evaluation Summary; PPAR = Project Performance Assessment Review; OPCS = Operations Policy and Country Services; XPSR = Expanded Project Supervision Report.

Project Evaluation Frameworks across IEG

Projects are a main Bank Group vehicle for helping achieve development results. Accordingly, IEG focuses in large part on performance at the project level. Project evaluations serve as the building blocks for higher-level sector, thematic, country, global, and corporate evaluations.

The Bank self-evaluates 100 percent of completed investment and development policy operations (DPOs). The findings of self-evaluations are reported in Implementation Completion and Results Reports (ICRs). IEG conducts desk reviews of all ICRs and prepares an ICR Review for each (see Box A.1).

Box A.1. IEG's Review of Implementation Completion and Results Reports

The Implementation Completion and Results Report (ICR) is the main instrument of self-evaluation used by the World Bank for projects it finances. An ICR is prepared at the close of every operation or, in the case of a series of programmatic policy operations, at the end of the series of operations. Once completed, all ICRs are subject to a desk review by IEG. IEG's desk review is largely based on evidence from the ICR itself, but also involves interviewing the last project task team leader. IEG uses the Harmonized Evaluation Criteria adopted by the Bank and IEG for the evaluation of closed projects.

As part of the review process, IEG validates the four project ratings contained in the ICR and adds two further ratings (quality of monitoring and evaluation, and quality of the ICR). These six ratings are defined as follows:

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently.

Risk to development outcome: the risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized).

Bank performance: the extent to which services provided by the Bank ensured quality-at-entry of the operation and supported effective implementation through appropriate supervision, toward the achievement of development outcomes.

Borrower performance: the extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes.

Quality of monitoring and evaluation: the quality of its design, implementation, and utilization.

Quality of the ICR: the quality of the evidence and analysis provided in the ICR, the extent to which lessons are based on evidence and analysis, the results-orientation of the ICR, internal consistency, consistency with Bank ICR guidelines, and conciseness.

Source: IEG.

IFC self-evaluates a random representative sample of projects that reach early operating maturity based on less than 5 percent sampling error associated with estimated development results in the population at the 95 percent confidence level, evaluating 80 projects a year on average. IEG independently desk reviews all self-evaluations (Expanded Project Supervision Reports [XPSRs]), producing an

Evaluative Note on each. In 2005, IFC introduced the Development Outcome Tracking System (DOTS), a monitoring system for all IFC investment operations.

Box A.2. IEG's Ex Post Project Evaluation Methodology for MIGA Projects

IEG uses a standard benchmark-based methodology for its evaluation of MIGA guarantee projects. It rates projects in three dimensions:

Development outcome aims to capture the project's overall impact on a country's economic and social development. It is evaluated across four subdimensions:

Business performance measures the guarantee project's actual and projected financial impact on the project financiers—its lenders and equity investors.

Economic sustainability measures whether the project has contributed to the country's development.

Environmental and social (E&S) effects measure a project's performance in meeting MIGA's environmental and social requirements, as well as its actual E&S impact.

Private sector development impact aims to capture the effects of the project on the development of productive private enterprise beyond the project and relates to MIGA's mandate to enhance the flow of private foreign investment to developing countries.

MIGA's effectiveness captures MIGA's work quality in assessing, underwriting, and monitoring its guarantee projects and the added value MIGA brings to the client or project. It is assessed across three subdimensions:

Strategic relevance refers to the degree of consistency of the guaranteed project with the development priorities of the host country and the Bank's country strategy.

MIGA's role and contribution relates to the benefits or value added that MIGA brings as a development institution. The contribution may be catalytic (in facilitating foreign direct investment in economically sound and sustainable businesses) in encouraging the development of the political risk industry or in conveying additionality.

MIGA's quality of assessment, underwriting, and monitoring assesses the extent to which the project's expected development outcomes were adequately assessed, key material risks were identified and mitigated, whether MIGA's underwriting policies and guidelines were adhered to, and whether MIGA took adequate remedial action if country or project conditions changed subsequent to issuing the guarantee.

Contribution to MIGA's financial results relates to the financial contribution by MIGA of guarantee projects it underwrites (Note: This dimension is currently not rated by IEG or MIGA pending agreement on a suitable methodology).

A four-point rating scale is used: excellent, satisfactory, partly unsatisfactory, and unsatisfactory.

Source: IEG.

IFC self-evaluates a random representative sample of projects that reach early operating maturity based on less than 5 percent sampling error associated with estimated development results in the population at the 95 percent confidence level, evaluating 80 projects a year on average. IEG independently desk reviews all self-

evaluations (XPSRs), producing an Evaluative Note on each. In 2005, IFC introduced the Development Outcome Tracking System (DOTS), a monitoring system for all IFC investment operations.

For MIGA, since inception of the evaluation function, IEG has evaluated a random sample of 50 percent of guarantee projects reaching early operating maturity. Starting in 2010, MIGA began self-evaluation of a sample of operationally mature guarantee projects. IEG and MIGA have jointly developed a validation methodology for self-evaluations similar to IFC's (see Box A.2).

The evaluation systems of all three Bank Group organizations include projects that fail to be fully implemented or are cancelled to avoid systemic bias in the groups of reviewed projects. In the Bank, shorter self-reviews (Notes on Cancelled Operations) are prepared for such projects instead of ICRs. IEG prepares project evaluations for those IFC and MIGA projects that are no longer active.

IFC and MIGA evaluate projects at early operating maturity, defined as generating 18 months of revenues for the company and having at least one set of audited financial statements. Financial sector projects are selected from those that are at least 30 months from final IFC disbursement. These comprise the sampling frame. The average age of evaluated projects is not very different from Bank projects at evaluation, which are evaluated after closure—on average at five years.

COMPARISONS OF THE BANK GROUP'S PROJECT RATING SYSTEMS AT IEG

IEG has an evaluation system tailored to the specific foci, clients, and services of each Bank Group institution. The evaluation of Bank operations uses an objectives-based system. The project-rating systems for IFC and MIGA operations are based on quantitative and qualitative benchmarks rather than on achievement of specific objectives. Given that IEG's methods to evaluate IFC and MIGA operations are both consistent with the harmonized Good Practice Standards of the Evaluation Capacity Group, these two systems are very comparable. A key difference between them is that while the evaluation of IFC operations is based on self-evaluations, the evaluation of MIGA operations relies on both IEG's direct evaluation and self-evaluation.

In each case, the overall project development outcome is a synthesis rather than a numerical average of ratings. Bank and IFC operations are rated based on a six-point scale; MIGA operations on a four-point scale. Elements of the aggregate rating systems differ across the three institutions. IFC summary development outcome ratings exclude project investment returns to IFC as well as IFC performance. IFC views the relevance of project objectives as the responsibility of its staff; relevance is

thus a measure of IFC's own performance or effectiveness (see Box A.3) rather than that of the project, per se. In the evaluation system for Bank operations, however, project relevance is rated separately from Bank performance. The outcome rating considers the extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. In each case, IEG looks at available measures of efficiency, including analysis of cost-effectiveness and other indicators of value for money.

In the IFC and MIGA rating frameworks, IEG gives prominence to the environmental and social (E&S) effects of projects as a separate rating dimension. For IFC and MIGA, an unsatisfactory rating on this dimension would generally result in a less-than-satisfactory synthesis rating for the development outcome. However, for Bank projects, E&S performance is not a separate dimension within the project outcome ratings.

Since 2006 IEG has rated the Bank on the quality of project monitoring and evaluation based on such factors as design, utilization, and dissemination. As for IFC and MIGA operations, IEG does not assess the M&E of individual projects. IEG conducts periodic reviews of the M&E systems of the two institutions. The most recent IEG evaluation of the IFC–MIGA system was conducted in 2012 (IEG 2013).

For Bank-financed projects, borrower performance is rated separately. The borrower is asked to contribute to the completion reports. The performance of cofinanciers and other partners is also assessed. Comments on the draft completion report are sought from the borrower, cofinanciers, and other partners, and the completion report is publicly disclosed. Consistent with the proprietary information on which they are based (client data are subject to confidentiality restrictions), IFC and MIGA do not disclose XPSRs, MIGA Project Evaluation Reports (PERs), or Evaluative or Validation Notes, nor do they share the self-evaluations outside IFC or MIGA. However, the perspectives of investors and other financial stakeholders are routinely gathered as input to the evaluation.

Lessons learned are a common feature of the ICR Reviews, XPSRs, and MIGA[2] PERs. Formats for the lessons are the same in IFC and MIGA,[1] whereas the Bank reports on different aspects. IEG also provides ratings of the quality of Bank ICRs. The ratings are based on factors such as quality of the analysis and strength of the evidence.

Box A.3. IEG's Project Evaluation Methodology for IFC Investment Operations

IEG's project evaluation ratings are based on the XPSR system. Introduced in 1996, the XPSR process first involves a self-evaluation of the project by an IFC investment department, using corporate guidelines. Then the self-assessment and ratings assigned by investment departments are independently verified (or re-rated) by IEG.

The ***development outcome*** rating is a synthesis assessment of the project's results across four development dimensions:

- Project business success measures the project's actual and projected financial impact on the company's financiers, that is, lenders and equity investors. The principal indicator of a project's business performance is its real, after-tax, financial rate of return.
- Economic sustainability evaluates the project's effects on the local economy and the associated benefits and costs that are measured by an economic rate of return.
- Environmental and social effects cover: (i) the project's environmental performance in meeting IFC's requirements (for example, performance standards and relevant E&S guidelines); and (ii) the project's actual environmental impacts, including pollution loads, social, cultural, and community health aspects; labor and working conditions; and workers' health and safety.
- Private sector development impact captures impacts beyond the project and the extent to which the project has contributed to IFC's purpose by spreading the benefits of growth of productive private enterprise.

IFC's ***investment outcome*** rating is an assessment of the gross profit contribution of an IFC loan or equity investment, that is, without taking into account transaction costs or the cost of IFC equity capital.

The assessment of ***IFC work quality*** involves a judgment about the overall quality of IFC's due diligence and value added at each stage of the operation:

- Screening, appraisal, and structuring: assesses the extent to which IFC professionally executed its front-end work toward a sustainable corporate performance standard.
- Supervision and administration: assesses the extent to which IFC has professionally executed its supervision.
- IFC's role and contribution: measures how well IFC fulfilled its role in terms of three basic operating principles: additionality, business principle, and catalytic principle.

For each of the above dimensions, a four-point rating scale is used (excellent, satisfactory, partly unsatisfactory, and unsatisfactory), except for the synthesis development outcome rating, which involves a six-point scale (highly successful, successful, mostly successful, mostly unsuccessful, unsuccessful, and highly unsuccessful). In IEG's binary analysis, high refers to satisfactory or better on the four-point scale and mostly successful or better on the six-point scale.

Source: IEG.

NONLENDING SERVICES

Only IFC has a self-evaluation system for all Advisory Services (AS) operations that are then independently reviewed by IEG. IEG's validations of IFC AS self-evaluations focus on the evaluative substance of Project Completion Reports (PCRs), the sufficiency of the evidence produced, and the adequacy of ratings assigned, largely via desk review. Selective field-based validations have also been conducted. Established in 2008, this remains a young evaluation system for IFC and it uses a results-based approach (see Box A.4). IFC also conducts supplementary external reviews and evaluations of specific projects and programs.

Box A.4. Evaluation System for IFC Advisory Services Operations

At completion of each operation, the advisory service team provides a self-assessment of performance in a PCR. These reports are completed for all advisory services projects, unless they were dropped or terminated. IEG is responsible for the review and validation of completion reports for Advisory Services projects. Advisory services projects are assessed by comparing the results against the stated objectives. The PCR assigns ratings for the following dimensions:

- Strategic relevance: appropriateness of project given conditions, needs, or problems to which it was intended to respond, alignment with country strategies, appropriateness of instrument used.
- Output achievement: immediate project deliverables (products, capital goods, services, or advice).
- Outcome achievement: short- or medium-term changes resulting from the advisory project (positive or negative, intended and unintended).
- Impact achievement: intended longer-term effects of the advisory intervention.
- Efficiency: whether the project costs are reasonable in relation to the potential results.

These ratings are synthesized into a single development effectiveness rating, on a six-point scale from highly successful (overwhelmingly positive development results and virtually no flaws) to highly unsuccessful (negative results and no positive aspects to compensate).

Furthermore, the PCR contains a rating on IFC's role and contribution, which assesses IFC's additionality to the project.

Source: IEG.

The Bank requires a completion summary to be prepared for all analytical and advisory activities normally within six months after management endorsement of the deliverable. IEG does not routinely review this summary. It is currently piloting the review of technical assistance components of projects as part of Project Performance Assessment Reports (PPARs).

COMPARISON OF FIELD-BASED PROJECT-LEVEL EVALUATIONS

IEG has undertaken direct evaluation of MIGA projects randomly selected for independent evaluation. Many of these evaluations involve a field visit. MIGA self-evaluates a growing number of guarantee projects, and mainstreaming is expected to be achieved over several years. Until then, IEG expects to undertake direct project evaluations in parallel with validating MIGA's self-evaluations.

For Bank projects, IEG selects about 20 percent of projects for in-depth assessments (which include field visits) and prepares PPARs. PPARs are typically done several years after project completion. IEG criteria for identifying projects for in-depth reviews include that the project (i) offers good potential for further learning because of particularly good or bad performance; (ii) has an IEG review that differed significantly in its assessment from the self-assessment in the ICR; and (iii) operates in a sector, thematic area, or country soon to be covered in evaluations, where PPARs can provide useful inputs for those evaluation tools.

PPARs are sometimes clustered by issue or topic to reduce their cost and increase their learning impact. These reports rate projects in terms of their outcome (taking into account relevance, efficacy, and efficiency) and risk to development outcome. IEG field reviews of IFC projects do not have clearly defined criteria, but in practice they are frequently undertaken to validate the E&S performance of projects selected for IEG studies and where there are major disagreements on these or other ratings between IFC investment staff and IEG.

Program, Country, and Thematic Evaluations

Project evaluations serve as the building blocks for higher-level evaluations—sector, thematic, country, global, and corporate. Increasingly, such IEG reports reflect findings and lessons across the Bank Group.

COUNTRY-LEVEL EVALUATIONS

All Country Assistance Strategies (CASs) need to include a self-evaluation of the Bank's previous program in the country, called a CAS Completion Report (CASCR). IEG conducts a desk review of the CASCR to validate the self-evaluation and makes its assessment available to the Board for its discussion of the next CAS. If the CAS is

a joint Bank Group document, the CASCR, and IEG's CASCR review, also cover IFC's and MIGA's contributions to CAS objectives and performance. Recently, "enhanced" CASCR reviews have included an IEG visit to the country. Country performance is not the focus of strategy and accountability for IFC, as the clients are private companies, not the country. IEG reflected on this issue in its 2008 *Biennial Report on Operations Evaluation* (IEG 2009).

OTHER AREAS OF EVALUATION

Sector and thematic evaluations examine developments, trends, performance, and experience in a sector, such as agriculture or transportation, or a thematic area, such as climate change or gender. Global partnership programs, which typically represent collective action to achieve common development objectives, are also covered in IEG's evaluation work. The evaluations address global or regional issues that cross national boundaries. IEG also conducts corporate evaluations relating to the Bank, IFC, and MIGA, which can cover corporate instruments and programs, as well as procedures.

References

ECG (Evaluation Cooperation Group). 2012. *Big Book on Evaluation Practice Standards.* Manila: ECG Secretariat.

IEG (Independent Evaluation Group). 2009. *Biennial Report on Operations Evaluation in IFC 2008: Enhancing Monitoring and Evaluation for Better Results.* Washington, DC: World Bank.

_____. 2013. *Biennial Report on Operations Evaluation Assessing the Monitoring and Evaluation Systems of IFC and MIGA.* Washington, DC.

Notes

[1] Revised good practice standards were adopted by the members of the Evaluation Cooperation Group in 2011 (ECG 2012).

[2] In May 2012, IEG introduced an updated lessons retrieval system for IFC's E-LRN that makes available electronically to IFC staff all of the lessons from XPSRs completed since 1996.

Appendix B
Country Program Results

Background

This review is based on Country Assistance Strategy Reviews (CASCRs) by the Independent Evaluation Group (IEG) and country program evaluations (CPEs) for FY06–13, covering countries in all World Bank Group Regions. Country strategies reviewed for this assessment were completed between FY05 and FY12. Out of 138 CASCRs reviewed by IEG during FY06–13, 71 corresponded to International Bank for Reconstruction and Development (IBRD) countries and 65 to International Development Association (IDA), excluding 12 fragile and conflict-affected states (FCS) that were in a separate category.[1]

Regionally, 43 countries were from Africa, 38 from Europe and Central Asia, 28 from Latin America and the Caribbean, 12 from East Asia and the Pacific, nine from South Asia, and eight from the Middle East and North Africa. During FY06–13 IEG also prepared 24 CPEs.[2] The findings in this section are based on aggregate results from CASCR reviews and on evidence from the CPEs that provide more in-depth analyses over longer time periods.

Country Income and Ratings of Country Programs

In this review of country programs, IEG finds that the higher the country income the better the average program rating (Table B.1). In these calculations IEG used a six-point scale for the outcome ratings: from 6 for highly satisfactory (HS) to 1 for highly unsatisfactory (HU).

Table B.1. Income Distribution and Outcome Ratings for Countries in the Sample

Income distribution	Average gross domestic product per capita (US$)	Average outcome rating
Top 10 percent	12,704	3.93
First quartile	9,963	3.85
Second quartile	4,573	3.79
Third quartile	1,861	3.53
Fourth quartile	645	3.42

Source: IEG calculations.

Programs by Region and Class of Lending

For comparative purposes the period under analysis has been divided into two

segments—FY06–09 and FY10–13—in order to have a reasonably robust number of CASCRs for each period. The number of CASCRs by Region and by class of lending (i.e., IBRD, IDA, FCS) did not change significantly between the two periods, except for the East Asia and Pacific Region where the number of CASCR reviews doubled from four to eight between periods. Table B.2 shows a decline between the two periods for all Regions and groups of countries. East Asia and Pacific Region normally has fewer CASCR reviews than the other Regions, and the doubling in number of CASCR reviews did not affect overall results significantly. However, it is also a Region where the average program outcome ratings declined the most (by nearly 17 percent), compared with an average decline in ratings of 7.6 percent between the two periods. Among classes of lending, the average outcome rating for programs in International Development Association (IDA) countries declined by 10 percent between periods, also significantly more than the average for all countries in the sample.

Table B.2. CASCR Reviews by Region, Class of Lending, and Average Rating (six-point scale)

	Number of CASCR reviews (FY06–09)	Average rating	Number of CASCR reviews (FY10–13)	Average rating
Africa	22	3.55	21	3.24
East Asia and Pacific	4	4.50	8	3.75
Europe and Central Asia	21	3.90	17	3.59
Latin America and the Caribbean	13	3.92	15	3.71
Middle East and North Africa	3	3.67	5	3.40
South Asia Region	5	3.80	4	3.50
IBRD	34	3.94	37	3.67
IDA	30	3.69	25	3.32
FCS	4	3.50	8	3.38
Total	68	3.80	70	3.51

COMMON PATTERNS IN PORTFOLIO AND COUNTRY PROGRAMS PERFORMANCE

A few common patterns emerge from observing the average outcome ratings of CASCR (country programs) and ICR reviews (projects) over the two periods (Table B.3). The first thing to notice is that there is virtually no instance in which country program performance declines and portfolio performance improves. The only exception to this pattern is in FCS, where country program performance declines moderately (by 3.4 percent, less than the average for all countries of 7.6 percent) and portfolio performance improves slightly—by 1.4 percent between periods. Africa and the Middle East and North Africa have the lowest ratings in both portfolios (3.7 and 3.5, respectively) and country performance (3.24 and 3.4, respectively). IBRD

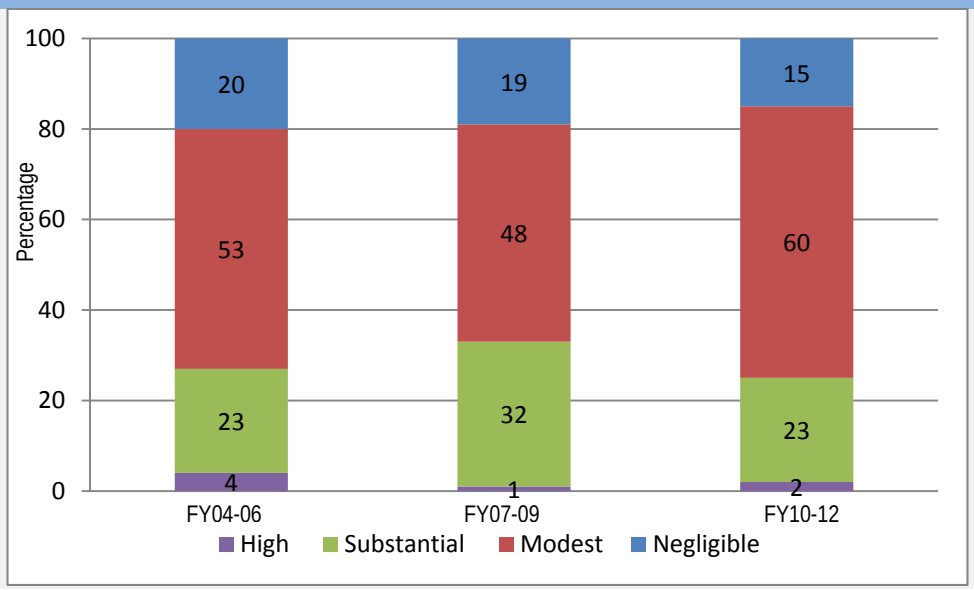
does better than IDA in both country (3.67 versus 3.32) and portfolio performance (4 versus 3.77). The ordering of the decline in performance between periods is the same for country (IBRD by 6.9 percent and IDA by 10 percent) and portfolio performance (IBRD by 7.8 percent and IDA by 10 percent). In both country (-3.4 percent) and portfolio performance (+1.4 percent), the decline in ratings is quite small for FCS (small increase in the case of portfolio)—significantly smaller than average.

Table B.3. Average Ratings of CASCR and ICR Reviews

	CASCR review ratings			ICR review ratings			
	FY06–09 average rating	FY10–13 average rating	Percentage change	FY04–06 (a)	FY07–09 (b)	FY10–12 (c)	Percentage change (c)/(a)
Africa	3.55	3.24	-8.7	3.89	3.85	3.7	-4.9
East Asia and Pacific	4.50	3.75	-16.7	4.46	4.31	4.08	-8.5
Europe and Central Asia	3.90	3.59	-7.9	4.37	4.31	4.02	-8.0
Latin America and the Caribbean	3.92	3.71	-5.4	4.24	4.06	3.92	-7.5
Middle East and North Africa	3.67	3.40	-7.4	4.02	3.68	3.50	-12.9
South Asia Region	3.80	3.50	-7.9	4.22	4.01	3.77	-10.7
IBRD	3.94	3.67	-6.9	4.34	4.15	4	-7.8
IDA	3.69	3.32	-10.0	4.19	4.04	3.77	-10.0
FCS	3.50	3.38	-3.4	3.67	3.84	3.72	+1.4
Total	3.80	3.51	-7.6	4.2	4.06	3.85	-8.3

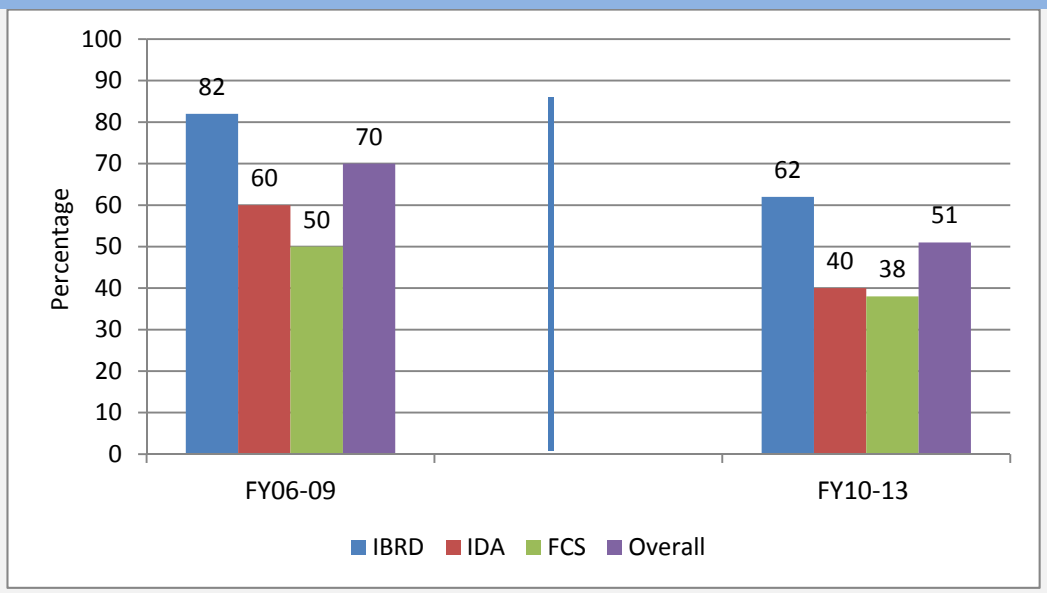
Moreover, the decline in portfolio M&E quality between FY10–12 and FY04–06 is fairly consistent with the decline in the quality of results frameworks in country program performance between FY06–09 and FY10–13. Figure B.1 shows the decline in project M&E quality; note that it goes from high (bottom of the chart) to negligible (top).

Figure B.1. Monitoring and Evaluation Assessment in Portfolio Analysis



Looking at IEG's country program outcome ratings from a binary angle (moderately satisfactory or better [MS+]), a substantial decline is observed across different categories of Bank borrowers between FY06–09 and FY10–13 (Figure B.2).

Figure B.2. Programs Rated Moderately Satisfactory or Better in CASCR Reviews



The average ratings on the six-point scale for each period confirm this picture (Table B.4).

Table B.4. IEG CASCR Review Ratings on Six-Point Scale

	FY06–09	FY10–13
Average rating	3.8	3.51
Standard error	0.085	0.076

Source: IEG calculations.

Although it is fairly clear that the means corresponding to these two samples are significantly different, we conducted a z-statistic test that confirmed that the two means are indeed different.[3] Therefore, the decline in the average rating is statistically significant.

In addition, ratings have concentrated further around the mean in FY10–13 compared to FY06–09. In FY06–09, moderately satisfactory or moderately unsatisfactory ratings accounted for 85 percent of the sample, while in FY10–13 such ratings accounted for 92 percent of the sample. Table B.5 shows ratings from 1 (HU) to 6 (HS). It is noticeable that in the latter period not a single country program was rated HS and only two were rated S.

Table B.5. Average CASCR Review Ratings and Their Frequency, FY06–09 and FY10–13 (six-point scale)

	Frequency	
Rating	FY06–09	FY10–13
1	0	0
2	2	3
3	17	30
4	39	34
5	8	2
6	0	0

The average per capita income of countries in the two periods is very similar.

Ownership, Realism, and Results Frameworks

While country income is an important determinant of ratings, IEG's review has traced key reasons for unsatisfactory outcomes to factors affecting clients across the income scale: insufficient country ownership of Bank strategies, lack of realism of the strategies, and poorly conceived results frameworks. (See Box B.1, Basis for Rating Each Component)

Box B.1. Basis for Rating Each Component

Ownership	Extent to which there were consultations and broad commitment by stakeholders in design of strategy, and extent to which commitment was sustained during program implementation.
Realism	Extent to which program was matched to country capacity, appropriately estimated government commitment, identified appropriate lending targets and outcome objectives, and was selective and prioritized.
Quality of results framework	Extent to which framework included quantified and time-bound targets; an outcome as opposed to an output; and specific, monitorable, adequate, relevant, and timely indicators.

Source: IEG The Matrix System at Work, 2012

The IEG matrix evaluation had already identified these three aspects—ownership, realism, and results frameworks—of country programs, as factors in need of improvement to enhance the results of country strategies. A simple quantitative assessment strengthens the points made in chapter 2 of this report about these factors. These characteristics are defined as qualitative variables that take values of "0" ("no ownership") or "1" ("ownership"). IEG outcome ratings are then run against these qualitative variables to assess their contribution and to explain the ratings and their overall significance.

In the first regression (Table B.6)—without intercept and where no allowance is made for outside factors, such as the 2008 global financial crisis—all coefficients are significant according to their t-statistic, and the F-statistic value shows that the variables as a whole have a discernible statistical effect on the dependent variable.

Table B.6. Dependent Variable: IEG Outcome Ratings of Country Programs

Independent variables	Ownership	Realism	Results framework
Coefficient	2.44	1.74	1.96
Standard error	0.41	0.457	0.487
t-Statistic	5.91	3.82	4.03

Note: R-square = 0.58; F-statistic = 62.39.

The coefficients in this regression are independent (basically assuming that the other factors do not change). This type of analysis emphasizes whether or not a factor is statistically discernible rather than estimating individual coefficients. Thus the size

of the effect on ratings should not be overemphasized, concentrating rather on the direction and significance of the effect.

As noted before, external factors can affect outcomes significantly, especially if the countries involved go through a crisis. To test the effect of external factors, a dummy variable is added for the crisis after 2008 (0 for "before crisis" and 1 for "after crisis") (Table B.7). This dummy may also capture other factors that changed significantly between FY06–09 and FY10–13.

Table B.7. Dependent Variable: IEG Outcome Ratings of Country Programs

Independent variables	Ownership	Realism	Results framework	Dummy for global crisis
Coefficient	1.74	1.00	2.00	2.17
Standard error	0.356	0.39	0.40	0.28
t-Statistic	4.89	2.56	5.06	7.77

Note: R-square= 0.71; F-statistic= 82.7.

The specification remains robust, with all the coefficients being significant. The coefficient for the dummy is significant based on the t-statistic, and the other coefficients remain significant as well. In particular, both ownership and results frameworks remain highly significant.

In addition, in this sample of country programs the higher the country income, the better the rating, and therefore we include per capita income in the regression to control for this fact (Table B.8). In this simple statistical analysis, after we take into account the impact of income and the crisis on outcome ratings, ownership and results frameworks still remain significant explanatory variables. Realism appears to be less significant as a factor in this equation.

Table B.8. Dependent Variable: IEG Outcome Ratings of Country Programs

Independent variables	Ownership	Realism	Results framework	Crisis dummy	Gross domestic product per capita (US$, thousands PPP)
Coefficient	1.12[a]	0.54	1.55[a]	1.52[a]	0.15[a]
Standard error	0.31	0.34	0.35	0.26	0.02
t-statistic	3.54	1.58	4.40	5.97	7.11

Note: R-square = 0.80;.F-statistic = 101.06.
a. Statistically significant coefficients.

Conclusions from the analysis so far:

- Per capita income is a statistically significant determinant of ratings.

- There were external factors—effects of global financial crisis and others that are not explicit—that appear to have had a persistent effect in FY10–13.
- Even after taking those into account, ownership and results frameworks appear to be strong drivers of ratings. Realism is not a statistically significant driver of ratings over the period FY06–13.
- Results frameworks are the most important driver of ratings both in magnitude and in statistical significance during FY06–13.

DID OWNERSHIP, REALISM, AND RESULTS FRAMEWORKS CHANGE SIGNIFICANTLY?

The frequency of satisfactory ownership appears to not change very much between FY06–09 and FY10–13 (Table B.9). Both realism and satisfactory results frameworks change significantly from FY06–09 to FY10–13, from a frequency of 21 to a frequency of 8. As we saw in the previous section, realism is not a statistically important driver of results. Results frameworks are, and the reduction in frequency of satisfactory frameworks in FY10–13 appears to be, an important driver of the decline in ratings during this period.

Table B.9. Ownership, Realism, and Results Frameworks

	Frequency of satisfactory characteristic	
	FY06–09	FY10–13
Ownership	26	29
Realism	21	8
Results frameworks	21	8
	(n = 68)	(n = 70)

Why did results frameworks decline in quality (as measured by the ratings)? We look at three non-exclusive possibilities: (a) CASs have not changed significantly after the introduction of the more results-oriented framework in FY06; (b) results frameworks have not achieved the results orientation expected by management; and (c) IEG has become tougher in its evaluation of results frameworks.

HAVE CAS DOCUMENTS CHANGED SIGNIFICANTLY?

To assess if CAS documents have changed significantly (at least in their presentation) between FY06–09 AND FY10–13, three cases were examined from different Regions (Albania, Pakistan, and Peru) that had CASs prepared during both periods.

- **Albania.** The World Bank Group country strategy documents for both periods look very similar. In the country partnership strategies matrix though, the one for FY03–05 does not have a clear distinction between what are the Bank's and what are the government's performance indicators.

Therefore the Bank strategy seems enmeshed with the government's which makes it difficult to assess what the Bank's program contribution exactly would be. By contrast, CAS outcomes—and thus what is expected from the World Bank Group—are more clearly specified in the FY06–09 strategy. A drawback from the FY06–09 results matrix is a profusion of milestones (intermediate outcome indicators) that seem more like CAS outcomes or final outcome indicators. Moreover the monitoring arrangements were weak, leading to a weak implementation of the results framework overall.

- **Pakistan.** The FY02–06 strategy is quite well developed at a fairly high level tying the Bank program objectives to country objectives. But the result indicators are mostly qualitative and therefore difficult to monitor. The document for the FY06–09 strategy appears to be more pointed. But the program matrix confuses targeted program outcomes and outcome indicators, and as a result the results framework is weak.
- **Peru.** The World Bank Group country strategy documents for both periods look very similar. The FY03–06 strategy contains a clear statement of the lending program, and a results framework that states clearly the Bank program's performance indicators. The indicators appear to be measurable. The goals of the Bank program are less clear beyond a very general section in the text called "strategic elements of the CAS." At first reading, the government strategy and the Bank strategy seem one and the same. The Bank country strategy seems better designed in the FY07–11 strategy with pillars, goals by pillar, and outcome indicators for the goals. Still the results framework was weak according to the CASCR because "… [T]he World Bank Group strategy was weakly relevant in its design. Some outcomes were not supported by appropriate World Bank Group interventions, while there were loose links between World Bank Group strategy objectives and its interventions for other outcomes."

HAVE RESULTS FRAMEWORKS ACHIEVED THE RESULTS ORIENTATION EXPECTED BY MANAGEMENT?

IEG reviewed 24 CASCRs prepared after the CASCR new guidelines issued by Operations Policy and Country Services (OPCS) in January 2011 to assess if the strategies had moved toward a more results-oriented framework with targeted results that could be monitored appropriately.[4] It found the following:

- Out of 221 program goals in the CASCRs reviewed, there were 46 program goals (21 percent) in the strategies which either had no outcomes or had no

measurable outcomes. Moreover, there were 19 goals (9 percent) that had no outcome indicator to evaluate progress or compliance with the outcome.

- The strategies assessed contained 657 outcome indicators of which 195 (30 percent) were not measured or monitored.
- Of the 462 outcome indicators that were monitored, 44, or nearly 10 percent, did not have either a baseline or a targeted result.
- Of the 418 outcome indicators remaining—with baseline and targeted results—48 were irrelevant to the final goal either because they were measuring something else than the ultimate goal (for example quantity instead of quality) or because their scope of measurement was very limited compared with the scope of the ultimate goal (for example did not cover all the objective or did not have the same geographic coverage as the objective).
- In the end, out of the initial 221 program goals evaluated, 70 (32 percent) could not be measured because they had no associated outcomes, the outcome was not measurable, or the outcome indicator was irrelevant to the ultimate objective.

This IEG assessment of outcomes and outcome indicators suggests that:

- IEG assessments of Bank Group strategies whose outcome indicators do not faithfully represent the targeted program outcomes will systematically differ from self-evaluations. Only in cases with good results frameworks will IEG's assessments and the self-evaluation assessments converge on the ratings of outcomes.
- The assessment of the results frameworks in CASCR reviews for FY06–13 concluded that 79 percent of IBRD programs, 84 percent of IDA programs, and 58 percent of FCS programs had unsatisfactory results frameworks. The review of outcomes and outcome indicators in 24 CASCRs helps explain part of this result, based on the fact that about 30 percent of the targeted outcomes could not be measured.
- Improving results frameworks of country strategies will need to rely on a consistent approach across Regions and countries for CAS preparation. The approach will need to ensure that all program goals are measurable, and with indicators that are relevant to the final goal (measuring the same attribute of the goal—quantity or quality—and having a scope and geographic coverage that is similar to the goal). Quality results frameworks could be a potent management tool for country teams and contribute to improved measured outcomes of country programs.

Both the self-evaluations (CASCRs) and IEG (CASCR Reviews) show a downward trend in outcome ratings (sets of ratings show a downward trend between periods (chapter 2). This decline is real, and not a matter of definitions. Thus if 30 percent of the outcomes in a sample of recent CASCRs could not be measured, there is a significant need for improvement in the design of country assistance strategies in order to achieve the desired development outcomes.

Chapter 2 also shows that there is a disconnect between the ratings self-evaluations (CASCRs) and IEG (CASCR Reviews) that has declined somewhat over time, IEG and OPCS have now agreed on a fully common methodology to assess the achievement of country program outcomes. It is possible that this fully (rather than mostly) common methodology may remove some of the reasons for the disconnect but will not affect the declining trend.

HAS IEG BECOME TOUGHER IN ITS EVALUATION OF RESULTS FRAMEWORKS AND OUTCOMES?

The Bank introduced a strengthened results-oriented framework for CASs in early 2006. The CASCR reviews of these CASs were reviewed by IEG starting around FY09. In the initial stages of the strengthening of results frameworks, a more results-oriented approach and closer monitoring could have been expected to lead to lower ratings of measured performance owing to tighter bench-marking. But this would have been a temporary phenomenon. It was reasonably expected that over time, better M&E and clearer benchmarking would have led to better execution and management of interventions and programs, and to improved measured results. In practice this did not happen, and one of the culprits may be that results frameworks themselves remained weak (as discussed in chapter 2 of this report). The gradual decline of average country program ratings even after the introduction of more results-oriented partnership frameworks with countries mirrors, for example, findings from IEG's transport evaluation that policy changes in the sector did not translate into operational change.

In its reviews of CASCRs IEG has a system of regular internal peer reviews by experienced consultants under the supervision and quality control of dedicated IEG staff. The internal system of peer review works well in correcting any ratings issues that may arise during the IEG review process. Thus—with this consistency control—there is no reason why IEG would have become "tougher" or "weaker" in the FY10–13 period compared to the FY06–09 period. (And in any case, the declining disconnect meant that the ratings for CASCRs have declined somewhat faster than for IEG's CASCR reviews.)

Conclusions from this analysis:

- The presentation of the CAS documents appears to have changed to have a more results-oriented approach in the cases that we reviewed. Still, the results frameworks remained unsatisfactory because the M&E was weak, targeted outcomes were not supported by appropriate interventions, or outcomes of the Bank program were not explicit (with confusion between targeted outcomes and outcome indicators).
- Thus of the initial 221 program goals evaluated by IEG for 24 CASCRs, 70 (32 percent) could not be measured because they had no associated outcomes, the outcome was not measurable, or the outcome indicator was irrelevant to the ultimate objective.
- There are no indicators that IEG reviews could have become tougher or weaker over time. The quantitative analysis in this appendix would have captured that with the dummy for FY10–13. The effect of deficiencies in quality of results frameworks on IEG ratings remains significant even after taking into account the dummy for FY10–13.

UNSATISFACTORY OUTCOME RATINGS DO NOT MEAN POOR BANK PERFORMANCE

Outcomes of country program strategies are determined by the joint impact of the country, the Bank, partners, and exogenous forces. This helps explain why CAS overall outcomes were rated moderately satisfactory or better for 61 percent of the evaluations and Bank performance was rated moderately satisfactory or better for 76 percent of the evaluations— substantially higher but with significant room for further improvement since Bank performance is by definition under Bank control.

As one example, after almost two decades of active engagement in the West Bank and Gaza, little progress was made toward achieving the objectives of the Bank Group program: institutional development is uneven; most infrastructure sectors continue to face technical and political issues; recent economic growth is driven mainly by donor subsidies; and the private sector is weak. The Bank Group, however, made important contributions in identifying obstacles to development, estimating their costs, and promoting the search for reasonable compromises. The moderately unsatisfactory outcome rating was due to issues beyond the Bank's control.

In the Serbia FY08–11 country partnership strategy, the business climate improved marginally, results were modest on regional development, and results were negligible in reducing pollution coming from targeted agricultural activities, strengthening environmental management, enhancing the efficiency in the use of natural resources, and managing environmental and disaster risk. However, the Bank Group had responded creatively to changing local circumstances that resulted

from the global financial crisis by extending a policy based guarantee to leverage additional resources for Serbia. In part, the poor program results had to do with an overly optimistic strategy, but IEG noted poor institutional coordination within the government and other political economy factors beyond the Bank's control as the main factors behind the poor results.

In the Republic of Malawi FY07–10 country partnership strategy, the Bank's assistance helped increase the irrigated area beyond the 2009 target and enabled farmers to adopt various technologies; however, agricultural incentives remained distorted owing to a state marketing board that fixed input and output prices. Moreover, the Bank was not able to increase private sector involvement or diversify the agricultural sector, and agricultural storage facilities were not improved. Some progress was achieved in the transport sector, but neither the business environment nor bottlenecks in the energy sector were addressed properly. Overall IEG rated the outcome of the strategy as moderately unsatisfactory. At the same time, IEG noted that IDA had identified issues relevant for Malawi's development, planned projects appropriately, and that the projects were generally well designed and supervised. Moreover the results chain from interventions to outcomes was clearly articulated in the Bank Group strategy. In IEG's view, weak government capacity and insufficient government ownership and commitment were the main reasons behind the unsatisfactory outcome, in an environment where viable mitigation of these factors was quite difficult.

Notes

[1] Countries defined as "blend" by the World Bank Group were classified either as IBRD or IDA based on the amount of World Bank loans under each category in FY11–13 using a rule of at least 50 percent of lending for the period for that category. The Latin American and Caribbean Region includes a CASCR for a program with the Organization of Eastern Caribbean States, a group of Caribbean islands.
[2] CPEs were prepared during FY06–13 for Afghanistan, Angola, Arab Republic of Egypt, Bangladesh, Cambodia, Georgia, Honduras, Indonesia, Liberia, Malawi, Mali, Mozambique, Nepal, Nigeria, Peru, Republic of Yemen, Senegal, Timor-Leste, Turkey, Uganda, and Ukraine, West Bank and Gaza.
[3] The z-value (2.6) > z-critical (1.96) and the p value (0.004) < 0.05 at 95 percent confidence. With 99 percent confidence the z-critical increases to 2.575, which is still below (although close) to the z-value.
[4] Based on unpublished work prepared by IEG, particularly by Shoghik Hovhannisyan and Jose Luis Dias-Sanchez under the guidance of Jaime Jaramillo-Vallejo.

Appendix C
Classification of Findings by Operational Category

In analyzing the evaluative information pertaining to sectoral and thematic results, the 2013 Results and Performance (RAP) will organize findings from the Independent Evaluation Group (IEG) under several broad areas of World Bank Group operations. The areas to be used were developed from the four core development goals introduced in RAP 2011 and further developed in RAP 2012. The goals were derived by identifying the underlying development goals and priorities that the Bank Group has sought to address through its strategies and operations. RAP 2011 used them as a framework to classify, review, and communicate the effectiveness of operations over time. RAP 2013 will follow the 2012 approach and will use multiple levels of classification in its analyses. Figure C.1 sets out the organizing device for RAP 2013.The project codes to be included in each operational area are also shown.

Figure C.1. Classification of IEG Findings by World Bank Group Operational Category

Bank Group operational areas	World Bank project coding[a]	IFC industry clusters and Advisory Services business line[a]
Expanding economic opportunities	Economic Policy Poverty Reduction Finance and Private Sector Development Public Sector Governance Legal Department (Law and Justice) Agriculture and Rural Development	Manufacturing, Agribusiness, and Services Cluster (without healthcare and education services) Financial Markets Cluster Access to Finance Advisory Services Sustainable Business Advisory Services (corporate governance; linkages; management solutions for small- and medium-scale enterprises) Investment Climate Advisory Services
Building infrastructure for growth	Transport Global Information and Communication Technology Energy and Mining Water Urban Development	Infrastructure and Natural Resources Cluster Public-Private Partnerships Advisory Services
Enhancing human development	Education Health, Nutrition, and Population Social Protection	Health Care and Education Services (investment projects)
Ensuring environmentally and socially sustainable development	Social Development Environment Gender Development	Sustainable Business Advisory Business Line (eco-standards and sustainable supply chain, and sustainable energy market development)

Note: The classification is introduced as a way to organize IEG findings into areas of Bank Group operations. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.
a. Sector board coding was used for World Bank–supported projects. IFC industry cluster classifications and Advisory Service business lines were used for IFC-supported activities. MIGA projects were classified according to their respective institutional sector designations.

Appendix D
World Bank Portfolio Performance

This appendix contains a more detailed analysis of the results and performance of World Bank investment projects, supplementing and deepening the discussion in chapter 2. The appendix provides detailed quantitative analysis that draws largely on the various ratings from IEG ICR Reviews of completed Bank operations; this is complemented by qualitative material from other IEG evaluation reports and in a few places by some other material. Much of the analysis is by exit year, but the appendix also analyzes briefly by year of approval for completed projects.

Development Outcome Ratings by Operation Areas

Overall. Outcomes of investment projects declined from 75 percent in FY07–09 to 69 percent in FY10–12; the fall in outcomes was significant at the 95 percent confidence level Bank-wide. Outcomes fell in three operations areas: Expanding Economic Opportunities; Building Infrastructure for Growth; and Ensuring Environmentally and Socially Sustainable Development. Contrary to the trend, project outcome ratings improved in the operations area of Enhancing Human Development.

Expanding Economic Opportunities. Ratings for this operations area fell from 76 to 67 percent, which was significant at the 90 percent confidence level. Although the decline in project outcomes was not statistically significant in any sector, Agriculture and Rural Development (ARD) had the largest number of projects, and also the largest decline, from 80 to 69 percent. This was followed by Public Sector Governance (PSG), from 68 to 63 percent. Financial and Private Sector Development remained unchanged at 70 percent. The exit cohorts in Economic Policy and Financial Management were less than 10 projects each in both periods of comparison, which did not permit meaningful comparisons (Table D.1).

Building Infrastructure for Growth. This was the only operations area in which the decline in project outcomes from 85 percent in FY07–09 to 72 percent in FY10–12 was statistically significant at the 95 percent confidence level. Among sectors in this operation area, outcomes fell in Transport (from 92 to 73 percent) and Water (85 to 62 percent), both also at the 95 percent confidence level. Outcomes fell in Urban Development and Energy and Mining, but the fall was not statistically significant either at 95 or 90 percent. Outcomes for Global Information and Communications Technology remained unchanged, with cohorts below 10 projects in each three-year period.

The decline in overall Bank project outcomes in FY10–12 reflected the impact of lower performance of infrastructure projects as warned by the 2012 Results and Performance (RAP) report (IEG 2013a: Appendix E): "The declining outcome rating of Bank infrastructure projects requires close monitoring. Given the surge in volume since FY03, its impact on the overall ratings for Bank operations will continue to be substantial." The reasons for the decline in Infrastructure outcomes, especially in Transport and Water, are the same as in other sectors and Bank-wide, and are discussed later. In addition, as the 2012 RAP noted, the difficulties in the Water sector tended to be associated with urban settings, in particular with challenges in planning and implementation; the need to engage with multiple stakeholders, and to be aware of a potentially wide range of vested interests. More generally, the Implementation Completion Report Reviews (ICRRs) both for transport and water urge close attention to the political economy and to greater realism in targets with regard to capacity and continuity in project agencies during implementation. Overall, the Bank tends to do better in helping government agencies construct basic infrastructure and deliver services, but faces more challenges with policy and institutional development, where it appears there is a tendency to ask for too much too soon. Especially in middle-income countries, programs have been more ambitious in focusing on sector policy and capacity issues, including government finance and interagency coordination.

Enhancing Human Development. Ratings for project outcomes in this operations area improved from 62 to 67 percent, which was not statistically significant at either the 95 or 90 percent confidence levels (Table D1). The reason for this improvement was in the better performance of Health, Nutrition, and Population (HNP) sector project exits: between FY07–09 and FY10–12 their outcomes rose from 54 to 71 percent. Outcomes for Education remained unchanged at 63 percent, and for Social Protection fell from 80 to 67 percent, albeit for small cohorts of 30 projects or less. Analysis of the Health, Nutrition, and Population sector results shows that the improvement in FY10–12 was from a particularly low base. Project outcome ratings for FY07–09 fell from 65 percent in FY04–06 to 54 percent in FY07–09 because of a number of HIV/AIDS Multi-Country AIDS Program and Africa Region sector-wide approaches and other Africa Region multisector projects with less than moderately satisfactory outcomes (IEG 2009).

Ensuring Environmentally and Socially Sustainable Development. Project outcomes in this operations area fell from 76 percent in FY07–09 to 68 percent in FY10–12, which was not statistically significant. Outcomes of environment projects fell from 76 to 59 percent, while those of social development projects rose from 76 to 90 percent for small cohorts of less than 20 projects in each of the periods. Changes in results were not significant at the 95 or 90 percent confidence level for any sector.

Table D.1. Development Outcome Ratings by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation areas	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	90	80	74	69
Economic Policy	4	100	9	56
Financial Management	0	0	2	100
Financial and Private Sector Development	33	70	43	70
Public Sector Governance	37	68	43	63
Subtotal*	164	76	171	67
Building Infrastructure for Growth				
Energy and Mining	47	77	32	75
Global Information and Communications Technology	3	100	7	100
Transport**	65	92	41	73
Urban Development	27	78	29	72
Water**	48	85	34	62
Subtotal**	190	85	143	72
Enhancing Human Development				
Education	60	63	64	63
Health, Nutrition, and Population**	69	54	73	71
Social Protection	30	80	27	67
Subtotal	159	62	164	67
Ensuring Environment and Sustainable Development				
Environment	41	76	27	59
Gender and Development	0	0	0	0
Social Development	17	76	10	90
Subtotal	58	76	37	68
Bank-wide**	571	75	515	69
Investment Loans	FY07–09		FY10–12	
Region	Number rated	Percentage MS+	Number rated	Percentage MS+
Africa	130	62	141	61
East Asia and Pacific	93	82	75	77
Europe and Central Asia**	126	86	101	73
Latin America and Caribbean	117	77	99	71
Middle East and North Africa	48	65	36	61
South Asia	56	73	63	68
Other	1	100	0	0
Bank-wide**	571	75	515	69

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

By Region

Europe and Central Asia project outcomes fell from 86 percent in FY07–09 to 73 percent in FY10–12, which was significant at the 95 percent confidence level. The decline in Europe and Central Asia project outcomes reflected in part the closing of seven nonperforming projects in FY10 in an effort to resolve portfolio issues (see the paper by Operations Policy and Country Services, "Delivering Results by Enhancing Our Focus on Quality," December 15, 2012, paragraph 47). These actions resulted in a sharp year to year decline of about 30 percentage points from FY09. Results for all other Regions were not statistically significant: East Asia and Pacific Region, Latin America and the Caribbean

Region, Middle East and North Africa Region, and South Asia project outcomes fell by 4-6 percent, while the Africa Region's results were practically unchanged (62 to 61 percent).

MONITORING AND EVALUATION

Bank-wide. The relationship between quality of monitoring and evaluation (M&E) and project outcomes is well-established (Table D2). Between FY07–09 and FY10–12, M&E quality in investment projects Bank-wide fell from 33 to 25 percent rated high or substantial (significant at the 95 percent confidence level).

By Operations Area. Ratings for M&E fell in all areas of operation. But the only area with a fall significant at the 95 percent confidence level was Building Infrastructure for Growth, from 37 to 26 percent. The other three operations areas recorded declines of 5 percent (Expanding Economic Opportunities; Enhancing Human Development) and 8 percent (Ensuring Environmentally and Socially Sustainable Development).

By Sector. The sectors with statistically significant declines were Water (at the 95 percent confidence interval) and Public Sector Governance (90 percent confidence level). Other sectors with relatively large declines (and exit cohorts), although not statistically significant, were Energy and Mining; Transport; Education; Health, Nutrition and Population; Environment. Contrary to the general trend, Social Protection ratings showed improvement from 30 to 43 percent (also not statistically significant).

By Region. M&E ratings fell most in Latin America and the Caribbean from 41 to 23 percent, and the fall was significant at the 95 percent confidence level (Table D.2). The decline in East Asia and Pacific Region (38 to 24 percent) was significant at the 90 percent confidence level. Declines in South Asia Region (33 to 23 percent) and Africa Region (27 to 22 percent) were not statistically significant. Europe and Central Asia ratings for M&E remained practically unchanged (at 37-36 percent). Middle East and North Africa recorded improvement, statistically significant (at the 90 percent confidence level), from 11 to 25 percent (the Bank-wide average).

Table D.2. Quality of Monitoring and Evaluation Ratings by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation areas	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	87	34	74	35
Economic Policy	4	0	9	22
Financial Management	0	0	2	50
Financial and Private Sector Development	28	25	44	23
Public Sector Governance*	35	40	44	20
Subtotal	154	33	173	28
Building Infrastructure for Growth				
Energy and Mining	43	53	33	45
Global Information and Communications Technology	3	33	7	29
Transport	60	35	41	29
Urban Development	26	23	29	24
Water**	46	30	34	6
Subtotal**	178	37	144	26
Enhancing Human Development				
Education	58	29	65	20
Health, Nutrition, and Population	69	23	73	15
Social Protection	30	30	28	43
Subtotal	157	27	166	22
Ensuring Environment and Sustainable Development				
Environment	39	36	27	26
Gender and Development	0	0	0	0
Social Development	16	44	10	30
Subtotal	55	38	37	27
Bank-wide**	544	33	520	25
Regions	FY07–09		FY10–12	
Africa	124	27	142	22
East Asia and Pacific*	91	38	76	24
Europe and Central Asia	117	37	101	36
Latin America and the Caribbean**	113	41	101	23
Middle East and North Africa*	46	11	36	25
South Asia	52	33	64	23
Other	1	0	0	0
Bank-wide**	544	33	520	25

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

BANK PERFORMANCE RATINGS

By Operations Area

Overall Bank Performance. The decline in project outcome ratings was associated with a fall in Bank Performance ratings to 67 percent moderately satisfactory or better in FY10–12, from 76 percent in FY07–09 (significant at the 95 percent confidence level). Bank performance was rated lower in three out of four areas of operation: Expanding Economic Opportunities; Building Infrastructure for Growth; and Ensuring Environmentally and Socially Sustainable Development. Performance ratings remained unchanged for Enhancing Human Development (Table D3). The decline in performance was significant at the 95 percent confidence level in Building Infrastructure and Growth; and also for Ensuring Environmentally and Socially Sustainable Development. Within these operations areas, three sectors recorded statistically significant declines: Water and Environment (at the 95 percent level of confidence) and Transport (at the 90 percent level of confidence).

Quality at Entry. Among the components of Bank performance, quality at entry fell from 69 to 56 percent between the two periods, which was significant at the 95 percent confidence level (Table D4). Quality at entry ratings declined for every operations area between FY07–09 and FY10–12, most steeply for Building Infrastructure for Growth and Environmental and Sustainable Development—at the 95 percent confidence level in both areas. The fall was also significant for Enhancing Human Development (at the 90 percent confidence level), while the decline in Expanding Economic Opportunities was not statistically significant. The sectors with statistically significant falls were Transport, Water, and Environment (at the 95 percent confidence level) and Energy and Mining (at the 90 percent confidence level).

Quality of Supervision. The decline in the second component of Bank performance—quality of supervision—was smaller, from 82 percent in FY07–09 to 75 percent in FY10–12, which was, nevertheless, statistically significant (at the 95 percent level of confidence). Supervision quality was rated lower in FY10–12 as compared with FY07–09 in three out of four operations areas: Expanding Economic Opportunities; Building Infrastructure for Growth; and Ensuring Environmentally and Socially Sustainable Development. The decline was statistically significant (at the 95 percent confidence level) only for Building Infrastructure for Growth, from 91 to 74 percent, and for the sectors of Transport and Water. Enhancing Human Development recorded a small (statistically not significant) rise in supervision quality because of higher ratings for Health, Nutrition, and Population and for Social Protection as compared with FY07–09 (Table D5).

Table D.3. Bank Performance by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation areas	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	93	74	75	64
Economic Policy	4	25	9	44
Financial Management	0	0	2	100
Financial and Private Sector Development	34	68	44	66
Public Sector Governance	39	72	44	59
Subtotal	170	71	174	63
Building Infrastructure for Growth				
Energy and Mining	47	83	34	76
Global Information and Communications Technology	3	100	7	100
Transport*	65	92	41	78
Urban Development	27	78	29	72
Water**	48	92	34	62
Subtotal**	190	88	145	74
Enhancing Human Development				
Education	63	70	68	65
Health, Nutrition, and Population	70	61	73	70
Social Protection	31	74	28	64
Subtotal	164	67	169	67
Ensuring Environment and Sustainable Development				
Environment**	42	79	28	46
Gender and Development	0	0	0	0
Social Development	17	82	10	100
Subtotal**	59	80	38	61
Bank-wide**	583	76	526	67
Investment Loans	FY07–09		FY10–12	
Region	Number rated	Percentage MS+	Number rated	Percentage MS+
Africa*	131	68	143	57
East Asia and Pacific	93	82	76	76
Europe and Central Asia**	129	87	103	73
Latin America and the Caribbean**	123	82	102	69
Middle East and North Africa	50	52	38	66
South Asia	56	73	64	67
Other	1	0	0	0
Bank-wide**	583	76	526	67

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

By Region

Overall Bank Performance. All Regions had lower ratings for Bank performance in FY10–12 except Middle East and North Africa. Decline in Bank performance ratings was significant in Europe and Central Asia (87 to 73 percent) and Latin America and the Caribbean (82 to 69 percent) at the 95 percent confidence level; and in Africa Region (from 68 to 57 percent) at the 90 percent confidence level. Middle East and North Africa ratings were higher, at 66 percent in FY10–12 than in FY07–09 (at 52 percent); however, the FY07–09 result was particularly low and reflected a sharp fall from FY04–06 (75 percent). Improvement in Middle East and North Africa ratings also reflected better performance on M&E.

Table D.4. Quality-at-Entry Ratings by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation areas	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	93	59	75	55
Economic Policy	4	25	9	33
Financial Management	0	0	2	100
Financial and Private Sector Development	34	53	44	57
Public Sector Governance	39	62	44	45
Subtotal	170	58	174	52
Building Infrastructure for Growth				
Energy and Mining*	47	83	34	65
Global Information and Communications Technology	3	100	7	71
Transport**	65	86	41	66
Urban Development	26	73	29	69
Water**	48	85	34	50
Subtotal**	189	84	145	63
Enhancing Human Development				
Education	63	67	68	53
Health, Nutrition, and Population	70	57	74	55
Social Protection	31	74	28	57
Subtotal*	164	64	170	55
Ensuring Environment and Sustainable Development				
Environment**	42	76	28	36
Gender and Development	0	0	0	0
Social Development*	17	59	10	90
Subtotal**	59	71	38	50
Bank-wide**	582	69	527	56
Investment Loans	FY07–09		FY10–12	
Region	Number rated	Percentage MS+	Number rated	Percentage MS+
Africa	130	57	143	52
East Asia and Pacific**	93	82	76	63
Europe and Central Asia**	129	76	103	61
Latin America and the Caribbean**	123	72	103	52
Middle East and North Africa	50	50	38	58
South Asia**	56	75	64	52
Other	1	0	0	0
Bank-wide**	582	69	527	56

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

Quality at Entry. Ratings were lower in every Region other than Middle East and North Africa. Declines in East Asia and Pacific Region, Europe and Central Asia, Latin America and the Caribbean, and South Asia Region were significant at the 95 percent confidence level. The Africa Region rating for quality at entry declined, but the fall was not statistically significant. The Middle East and North Africa rating was higher than in FY07–09, also not by a statistically significant level.

Quality of Supervision. The decline in quality of supervision was significant in Europe and Central Asia and Latin America and the Caribbean at the 95 percent level. Middle East and North Africa performance ratings for supervision quality improved, from 64 to 73 percent, contrary to the direction of changes in other Regions, although this increase was not statistically significant. Declines in the Africa Region (9 percentage points), East Asia and Pacific Region (2 percentage points), and South Asia Region (4 percentage points) were also not statistically significant (Table D.5).

Table D.5. Quality-of-Supervision Ratings by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation areas	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	92	80	75	71
Economic Policy	4	75	9	67
Financial Management	34	79	43	72
Financial and Private Sector Development	0	0	2	100
Public Sector Governance	39	77	44	77
Subtotal	169	79	173	73
Building Infrastructure for Growth				
Energy and Mining	47	91	34	79
Global Information and Communications Technology	3	100	7	100
Transport**	65	95	41	78
Urban Development	26	77	29	72
Water**	48	92	34	62
Subtotal**	189	91	145	74
Enhancing Human Development				
Education	60	80	66	79
Health, Nutrition, and Population	69	67	73	75
Social Protection	30	77	27	85
Subtotal	159	74	166	78
Ensuring Environment and Sustainable Development				
Environment	42	81	27	74
Gender and Development	0	0	0	0
Social Development	17	88	10	80
Subtotal	59	83	37	76
Bank-wide**	576	82	521	75
Quality of Supervision	FY07–09		FY10–12	
Region	Number rated	Percentage MS+	Number rated	Percentage MS+
Africa	129	73	142	64
East Asia and Pacific	93	85	76	83
Europe and Central Asia**	128	90	102	79
Latin America and the Caribbean**	119	91	101	82
Middle East and North Africa	50	64	37	73
South Asia	56	79	63	75
Other	1	0	0	0
Bank-wide**	576	82	521	75

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

BORROWER PERFORMANCE

Bank-wide. The decline in Borrower Performance ratings from 74 percent in FY07–09 to 67 percent in FY10–12 was significant at the 95 percent confidence level.

By Operations Area. Only Building Infrastructure for Growth, among operations areas, recorded a decline in Borrower Performance which was significant at the 95 percent level of confidence, from 83 to 70 percent. Smaller declines, not statistically significant, were recorded in ratings for Expanding Economic Opportunities (71 to 64 percent) and by Environmental and Sustainable Development (74 to 67 percent). Ratings for Enhancing Human Development rose slightly, from 66 to 68 percent (Table D.6).

Table D.6. Quality of Borrower Performance Ratings by Area of Operation and Region

Investment Loans	FY07–09		FY10–12	
Operation area	Number rated	Percentage MS+	Number rated	Percentage MS+
Expanding Economic Opportunities				
Agriculture and Rural Development	93	74	75	65
Economic Policy	4	50	9	56
Financial Management	0	0	2	100
Financial and Private Sector Development	34	65	44	64
Public Sector Governance	39	69	44	64
Subtotal	170	71	174	64
Building Infrastructure for Growth				
Energy and Mining	47	79	34	68
Global Information and Communications Technology	3	100	7	100
Transport**	65	88	41	68
Urban Development	27	78	29	72
Water	48	81	34	68
Subtotal**	190	83	145	70
Enhancing Human Development				
Education	63	68	68	60
Health, Nutrition, and Population	70	60	73	70
Social Protection	31	77	28	82
Subtotal	164	66	169	68
Ensuring Environment and Sustainable Development				
Environment	42	76	28	61
Gender and Development	0	0	0	0
Social Development	17	82	10	90
Subtotal	59	78	38	68
Bank-wide**	583	74	526	67
Regions	FY07–09		FY10–12	
Africa**	131	68	143	56
East Asia and Pacific	93	81	76	82
Europe and Central Asia	129	82	103	76
Latin America and the Caribbean	123	76	102	70
Middle East and North Africa	50	62	38	55
South Asia	56	64	64	67
Other	1	100	0	0
Bank-wide**	583	74	526	67

Source: IEG data September 30, 2013.
Note: MS+ = moderately satisfactory or better. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

By Sector. The only sector with a statistically significant decline in Borrower Performance ratings was Transport (88 to 68 percent), at the 95 percent level of confidence. Other sectors with relatively large declines (although not statistically significant) were Environment (76 to 61 percent); Water (81 to 68 percent); Energy and Mining (79 to 68 percent); Agriculture and Rural Development (74 to 65 percent) and Education (68 to 60 percent). Borrower Performance ratings were higher in FY10–12 for Health, Nutrition, and Population (60 to 70 percent); and Social Protection (77 to 82 percent). These improvements were not statistically significant.

By Region. Only the Africa Region recorded a statistically significant (at the 95 percent confidence level) decline in Borrower Performance between FY07–09 and FY10–12, from 68 to 56 percent. Europe and Central Asia, Latin America and the Caribbean, and Middle East and North Africa experienced smaller declines of 6-7 percent; East Asia and Pacific Region ratings remained at practically the same level (changing from 81 percent in FY07–09 to 82

percent in FY10–12); and the South Asia Region rating rose slightly, from 64 to 67 percent. Table D7 provides consolidated ratings for Bank investment lending.

Table D.7. Consolidated Ratings of Investment Lending

	FY07–09						FY10–12					
	Outcome percentage MS+	Quality at entry percentage MS+	Quality of supervision percentage MS+	Bank performance percentage MS+	Borrower performance percentage MS+	M&E quality percentage rated substantial+	Outcome percentage MS+	Quality at entry percentage MS+	Quality of supervision percentage MS+	Bank performance percentage MS+	Borrower performance percentage MS+	M&E quality percentage rated substantial+
Expanding Economic Opportunities												
Agriculture and Rural Development	80	59	80	74	74	34	69	55	71	64	65	35
Economic Policy	100	25	75	25	50		56	33	67	44	56	22
Financial Management							*100*	*100*	*100*	*100*	*100*	*50*
Financial and Private Sector Development	70	53	79	68	65	25	70	57	72	66	64	23
Public Sector Governance	68	62	77	72	69	40	63	45	77	59	64	20
Total	76	58	79	71	71	33	67	52	73	63	64	28
Number of projects	164	170	169	170	170	154	171	174	173	174	174	173
Building Infrastructure for Growth												
Energy and Mining	77	83	91	83	79	53	75	65	79	76	68	45
Global Information and Communications Technology	100	100	100	100	100	33	100	71	100	100	100	29
Transport	92	86	95	92	88	35	73	66	78	78	68	29
Urban Development	78	73	77	78	78	23	72	69	72	72	72	24
Water	85	85	92	92	81	30	62	50	62	62	68	6
Total	85	84	91	88	83	37	72	63	74	74	70	26
Number of projects	190	189	189	190	190	178	143	145	145	145	145	144
Enhancing Human Development												
Education	63	67	80	70	68	29	63	53	79	65	60	20
Health, Nutrition, and Population	54	57	67	61	60	23	71	55	75	70	70	15
Social Protection	80	74	77	74	77	30	67	57	85	64	82	43
Total	62	64	74	67	66	27	67	55	78	67	68	22
Number of projects	159	164	159	164	164	157	164	170	166	169	169	166
Environmentally and Socially Sustainable Development												
Environment	76	76	81	79	76	36	59	36	74	46	61	26
Gender and Development												
Social Development	76	59	88	82	82	44	90	90	80	100	90	30
Total	76	71	83	80	78	38	68	50	76	61	68	27
Number of projects rated	58	59	59	59	59	55	37	38	37	38	38	37
By Region												
Africa	62	57	73	68	68	27	61	52	64	57	56	22
East Asia and Pacific	82	82	85	82	81	38	77	63	83	76	82	24
Europe and Central Asia	86	76	90	87	82	37	73	61	79	73	76	36
Latin America and the Caribbean	77	72	91	82	76	41	71	52	82	69	70	23
Middle East and North Africa	65	50	64	52	62	11	61	58	73	66	55	25
South Asia	73	75	79	73	64	33	68	52	75	67	67	23
By FCS												
Fragile Countries (IDA)	64	64	69	67	63	19	66	54	73	66	57	15
Non-Fragile Countries (IDA)	68	68	80	75	71	29	61	50	66	59	59	21
Other Non-Fragile Countries	80	71	85	79	77	37	73	59	80	71	74	30
By Source of Fund												
GEF	73	70	78	73	78	34	62	41	85	56	67	27
IBRD	78	69	84	77	75	37	72	60	77	68	74	27
IDA	73	68	81	76	73	30	67	55	72	66	64	25
MONT	100	100	100	100	75	50	100	50	100	100	100	100
RETF	88	100	100	100	88	43	72	49	78	70	62	8
SPF	62	64	71	64	71	8	69	77	77	77	77	38
Grand Total	75	69	82	76	74	33	69	56	75	67	67	25
Number of Projects	571	582	576	583	583	544	515	527	521	526	526	520

Source: IEG data September 30, 2013.
Note: GEF = Global Environment Facility; MONT = Montreal Protocol; MS+ = moderately satisfactory or better; MS+ = moderately satisfactory or better; RETF = Recipient Executed Trust Fund; SPF = Statebuilding and Peacebuilding Fund. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

Analysis of Decline in Project Outcomes and Bank Performance

Association between Project Outcomes and Bank Performance. There is a strong positive correlation between Bank performance indicators and development outcome ratings for projects closed in FY07–12 (Table D.8). As shown in this table, overall Bank Performance is highly correlated with project development outcomes, at 70 percent. Quality of supervision is even more highly correlated with development outcomes, at 68 percent than quality at entry (59 percent). Caution is needed in interpreting the results, as correlation does not indicate causality. In addition, it is possible that retrospectively evaluators are likely to see projects that produce satisfactory outcomes as having been produced by satisfactory Bank performance.

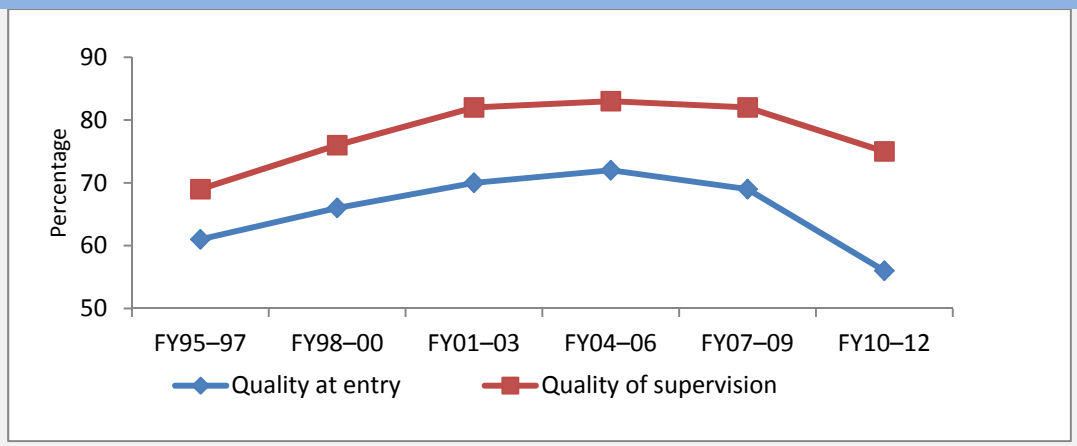
Table D.8. Pairwise Correlation between Bank Performance and Development Outcomes

	Development outcome rating	Quality at entry	Quality of supervision	Overall Bank performance
Development outcomes	1.0000	–	–	–
Quality at entry	0.5930	1.0000	–	–
Quality of supervision	0.6766	0.5690	1.0000	–
Overall Bank performance	0.7046	0.8264	0.7597	1.0000

Source: IEG data September 30, 2013.

Decline in Quality at Entry and Quality of Supervision of Bank Projects. As shown by three-year averages (Figure D.1), the decline in quality of entry has been more drastic than in quality of supervision since FY04–06, and the difference between the two ratings has widened. Quality at entry has been seen as more problematic and declining faster in FY07–12.

Figure D.1. Quality at Entry and Quality of Supervision of Bank Projects by Exit Years (three-year averages)



Source: IEG data September 30, 2013

Outcomes and Bank Performance by Year of Approval. Of the projects closed and evaluated in FY07–12, the largest proportion (52 percent), were approved in FY02–05

(Table D.9a). There was a substantial decline in outcomes and quality at entry for projects approved in this period (Table D.9b). The decline was greatest in FY04–05, as shown by yearly results (Table D.9c). Although there appears to be improvement in project outcomes and Bank performance for FY06 approvals, there is a need to wait for more evaluations for robust data on approvals after FY05.

Table D.9a. Breakdown by Years of Entry of Total Projects Evaluated, FY07–12

	Exit years FY07–09		Exit years FY10–12		Exit years total	
	Percentage	Number of projects	Percentage	Number of projects	Percentage	Number of projects
Approval years before FY02	51	299	9	45	31	344
Approval years FY02–05	45	265	60	317	52	582
Approval years post- FY05	3	19	31	165	17	184
Total	100	583	100	527	100	1,110

Source: IEG data September 30, 2013.

Table D.9b. Ratings for Outcomes and Bank Performance by Approval Year Grouping

	Approval pre-2002	Approval 2002–2005	Approval post-2005	Total
Outcome ratings MS or better	75	69	75	72
Bank performance ratings MS or better	76	69	73	72
Quality at entry ratings MS or better	66	60	66	63
Quality of supervision ratings MS or better	82	77	80	79

Source: IEG data September 30, 2013.
Note: MS = moderately satisfactory.

Table D.9c. Ratings for Outcomes and Bank Performance by Approval Year, FY01–11

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Outcome ratings MS or better	77	73	73	66	63	76	67	74	89
Bank performance Ratings MS or better	79	74	71	68	62	75	69	65	79
Quality at entry ratings MS or better	69	65	61	60	55	74	58	60	67
Quality of supervision Ratings, MS or better	82	79	78	77	73	78	80	74	86
Number of evaluated projects	135	149	160	146	127	76	55	20	24

Source: IEG data September 30, 2013.
Note: MS = moderately satisfactory. The division between FY05 and FY06 is made to show that the number of evaluated projects is lower post-FY05, therefore apparent improvement in ratings for outcomes and Bank Performance of FY06–12 approvals must be viewed with caution until more evaluation results are available.

Effects of Increased Results Focus after FY06

Changes in 2006. In the context of increased results focus by the Bank and its development partners, changes in the methodology of measuring project performance

were introduced by IEG in July 2006 to improve robustness of project design through systematic rating of the quality of M&E in projects. A separate rating for efficiency was also introduced by IEG around the same time. IEG announced, "When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006." Bank management issued new ICR guidelines in the same year, and IEG's decision to downgrade projects without clear evidence of achievement of results was shared with the Bank. It was only in 2010 that 100 percent of projects received M&E ratings from IEG.

Trends according to ICRs and Implementation Completion Report Review (ICRR) on the Six-Point Scale. ICR self-evaluations and IEG ICRRs for IBRD and IDA investment projects have shown a decline in FY07–12. This is shown by calculating the average rating on the -six-point scale according to both ICRs and IEG evaluations (Table D.10). ICRs showed a decline of 7.8 percent between FY04–06 and FY10–12, as compared to 10.1 percent according to ICRRs.

Table D.10. ICR and ICRR Average Ratings for IBRD and IDA Projects (six-point scale)

ICR	Number of projects	Average development outcome rating	Change	Percentage Change
FY04–06	657	4.55	–	–
FY07–09	509	4.41	-0.14	-3.0
FY10–12	465	4.21	-0.20	-4.8
Total decline				-7.8
ICRR	**Number of projects**	**Average development outcome rating**	**Change**	**Percentage Change**
FY04–06	657	4.23	–	–
FY07–09	509	4.05	-0.18	-4.3
FY10–12	436	3.81	-0.23	-5.8
Total decline				-10.1

Source: IEG data September 30, 2013.
Note: Trust Fund finance projects are not included because of incomplete recording in Bank-wide ICRs for projects in this category.
ICRR coverage of FY10–12; number of ICRs according to Bank-wide information up to December 13, 2013.

M&E Ratings and Project Outcomes. Projects rated lower than moderately satisfactory had a significantly lower proportion rated as high or substantial for M&E (Table D.11), showing the difficulties of these projects to show evidence for results and to monitor progress adequately and make corrective decisions during implementation based on evaluation of implementation progress. According to the analysis by Bank management of projects evaluated in FY06–11 ("Delivering Results by Enhancing our Focus on Quality," OPCS, December 15, 2012, appendix D, Table 5 and paragraph 12), more than 90 percent of all projects with M&E rated high and substantial by IEG exited the portfolio with outcomes of moderately satisfactory or better. On the contrary, detailed review by

management (as part of the same analysis of IEG evaluation results) of 256 projects rated lower than moderately satisfactory indicated that M&E design was a problem in about 80 percent of these projects (Table D12).

Table D.11. IEG Percentage of Investment Projects Rated High or Substantial for M&E

	FY07–09	FY10–12	Total
Outcomes MS or better	43	37	40
Outcomes MU or lower	10	8	9

Source: IEG data September 30, 2013.

Table D.12. Quality at Entry, MU- and MS/S Cohorts, FY06–11

	MU- Cohort	MS/S Cohort
	Flagged as problem by IEG (percentage)	Flagged as problem by IEG (percentage)
Design		
Project complexity	23	10
Overambitious	27	11
M&E design	79	69
Other Design Issues[a]	77	38
Analysis		
Technical aspects	22	3
Financial and economic aspects	49	47
Political, economic, and institutional	32	10
Risk assessment and mitigation	43	14
Project readiness		
Readiness (counterpart capacity.)	41	38

Source: "Delivering Results by Enhancing our Focus on Quality," OPCS, December 15, 2012.
Note: MU- = moderately unsatisfactory or less; MS = moderately satisfactory; S = satisfactory or better.
a. According to management's analysis, on many occasions, IEG did not identify the nature of the specific design issues. In some evaluations, the IEG references to design issues have been to issues of project complexity or overambitiousness.

Major Problem Areas in Quality of Supervision in Projects Rated Less Than Moderately Satisfactory. Management's detailed review of IEG evaluations for 256 projects that exited the portfolio in FY06–11 and were rated less than moderately satisfactory concluded that lack of proactivity is the biggest issue in supervision. The analysis pointed to four problems related to supervision: (i) inadequate supervision; (ii) weaknesses in correcting problems with initial M&E design; (iii) lack of appropriate follow-up, sometimes by Bank management, on recommended actions after mid-term project reviews or supervision visits; and (iv) lack of candor and reporting quality. Aspects of supervision quality signaled as problems by IEG in over 20 percent of the moderately unsatisfactory or less (MU-) cohorts are listed in Table D.13, and are compared with the corresponding frequency of noting as a problem for the MS+ cohort.

Table D.13. Quality of Supervision: MU- and MS+ Cohorts, FY06–11

	MU- cohort	MS+ cohort
	Flagged as problem by IEG (percentage)	Flagged as problem by IEG (percentage)
Proactivity		
Inadequate supervision	40	15
M&E implementation	64	43
Appropriateness of follow-up	44	17
Project Related		
Candor and reporting quality	23	2

Source: "Delivering Results by Enhancing our Focus on Quality," OPCS, December 15, 2012.
Note: MU- = moderately unsatisfactory and less; MS+ = moderately satisfactory or better.

Adequacy of Bank Resources

As mentioned in Bank management's analysis (ibid. paragraph 24), on various occasions in recent years, staff have linked the deterioration in quality to the following three particular concerns: (i) lack of financial resources to undertake needed analysis and other crucial preparation work for investment projects; (ii) lack of technical skills and expertise; and (iii) inadequate management attention and weak quality assurance mechanisms.

BUDGET RESOURCES

(a) Management's **detailed analysis of 256 MU- exits** found that lack of preparation was not cited as a problem by either ICRs or IEG evaluations. A similar review of 220 projects with MS+ rated outcomes in FY06–10 did not find references or evidence to indicate that cost of preparation was an issue in explaining ratings.

(b) **Regression analysis** for all projects exiting in FY00-11 did not find a statistically significant impact, although it has a negative sign. The result was also not significant for the shorter FY06–11 period.

(c) **Average preparation and supervision costs** of MU- projects were higher than for all other project outcome categories at exit during FY00-10 in management's analysis (Table D.14). MU- rated projects plausibly presented challenges from early identification phases, and more resources were allocated to prepare and supervise them. As noted by management, the Development Economics Vice-Presidency interpreted the negative correlation between project costs and outcomes as signaling that higher initial costs signal high-risk projects (and probably weak country ownership) that required intensive preparation (Denizer et al. 2013). Management considered that there is no evidence to support the assertion that projects with lower preparation costs had a higher probability at exit of ratings of less than moderately satisfactory in comparison with projects

with higher preparation budgets. In this connection, management cited Jurgen Blum's paper investigating the performance of public sector projects during 1990–2010 and finding that long project preparation times and frequent Bank team turnover predict lower project performance (2012, Draft mimeograph, Public Sector and Governance Group, "Towards Better Understanding Risk in Public Sector Management (PSM) Reform: What Predicts the Success or Failure of World Bank-Supported PSM projects? A review of the World Bank's PSM Portfolio").

(d) **In the FY09–12, there was no commensurate increase in resources allocated for project preparation, and only a slight increase in supervision budget given the flat budget in place**, while there was almost doubling of annual World Bank lending volumes to assist the response of member countries to the global financial crisis. According to management's analysis (ibid. paragraph 26), the cost of project preparation was on a gradual steady decline during FY04–10. Average preparation costs declined consistently from about $556,000 per project in FY06 to $456,000 per project in FY10. The decline is evident in all Regions of the Bank. The resources allocated to economic and sector work also declined during FY06–10 from the Bank budget and from trust funds (Figure D10 of management's analysis)—"a matter of some concern given the earlier finding about the important contribution of analytical work to project outcomes." The slight increase in supervision budget may not have been sufficient for the needs of projects with problems at entry and in implementation, as indicated by the citing of inadequate supervision in 40 percent of the MU- cohorts noted in Table D.13.

Table D.14. Average Preparation and Supervision Costs, FY00-10 (US$ thousands)

Satisfactory and Better		Moderately Satisfactory Only		Moderately Satisfactory and Lower	
Average preparation	Average cumulative spending	Average preparation	Average cumulative spending	Average preparation	Average cumulative spending
483	599	480	654	537	731

Source: "Delivering Results by Enhancing our Focus on Quality," OPCS, December 15, 2012.

SKILLS MIX AND TASK TEAM LEADER EXPERIENCE AND TURNOVER

High task team leader (TTL) turnover, in combination with inadequate TTL experience was cited by management from its analysis of IEG evaluations as a cause of decline in project quality. The detailed management review of IEG evaluations of 256 projects rated less than moderately satisfactory in FY06–10 found the issue of higher TTL turnover to be a factor. Similarly, regression analysis supporting management's analysis found a negative, although small, and statistically significant relationship FY00-10 exits

with a negative impact of lower TTL experience, using a proxy for experience. The impact was also negative and small during FY06–10, but not statistically significant. Meanwhile, for different sectors, in Regions, or Bank-wide, IEG evaluations have found depletion or inadequacy of technical skills at times of expansion of lending, suggesting that this was a factor in weaker technical analysis and eventually less than moderately satisfactory outcomes during FY07–12.

Health, Nutrition, and Population. An IEG evaluation noted in 2009 that the number of HNP projects in the Africa Region increased by 60 percent between the first and the second parts of the decade 1997-2007, but the number of HNP staff affiliated with the Region rose by only 12 percent (IEG 2009: 20). The same report noted that projects in the sector with unsatisfactory outcomes were eight times more likely than those with satisfactory outcomes to cite inadequate technical design. Only 18 percent of acquired immune deficiency syndrome (AIDS) projects and only 27 percent of HNP projects excluding AIDS in the Africa Region had satisfactory outcomes. The lower outcomes of human immunodeficiency virus (HIV)/AIDS projects and other HNP projects in the Africa Region in FY07–09 were a cause of particularly low sector outcomes during this period, from which they recovered in FY10–12.

Agriculture and Rural Development. An IEG evaluation of the World Bank Group response to the global good crisis commented on the decline in the number of technical specialists as an issue (IEG 2013b). There was a 20 percent decline in specialist skills between 2000 and 2006. The decline in technical specialist ranks continued past 2006, along with an overall decline in the number of agricultural staff. The numbers have now stagnated at levels that are almost half the number of specialists compared to FY06, and overall about 20 percent fewer staff. While the numbers of staff were declining and the composition of skills worsening, the volume of lending has been rising steadily. This seems to have adversely affected quality at entry of older projects – quality at entry declined for ARD projects from 74 percent moderately satisfactory or better in FY04–06 to 55 percent in FY10–12.

TTL Track Record. Measures of World Bank project manager quality also matter significantly for the ultimate project outcomes (Denizer et al. 2013). Most of the variation in project outcomes occurs within countries across projects. The paper found highly significant partial correlations between initial and final TTL quality (using as a proxy the TTL's track record, i.e., the outcomes of other projects for which the TTL was responsible) and project outcomes for a sample of 846 projects over 47 countries. The measure of TTL turnover is strongly, significantly, and negatively associated with project outcomes.

The paper also analyzed possible IEG evaluator effects on project outcomes, and found that adding together all the other explanatory variables discussed, the apparently significant effect of evaluator "toughness" vanishes. The paper adds that "Simple analysis of variance suggests that task team leader fixed effects are of comparable importance to country fixed effects in accounting for the variation in project outcomes observed in the data. More specifically, task team leader quality, as proxied by average project outcomes in the rest of a task team leader's portfolio, is strongly significantly correlated with project outcome. …One immediate policy implication of this finding is the importance of internal practices to develop and propagate task manager skills in order to ensure better project outcomes."

N**eed for Further Analysis.** Denizer et al. (2013) do not identify which characteristics of project TTLs are specifically responsible for the variation in average project outcomes across TTLs, and further analysis is called for in this area. It is possible that TTL effects do not reflect TTL effort or qualifications, but rather the process of assignment of projects to TTLs. As the paper notes in concluding, "Quite plausibly also there may be variation in project outcomes associated with differences in managerial quality at higher levels above that of the task manager, for example reflecting the abilities and priorities of the relevant country or regional managers in the World Bank's hierarchy. For lack of systematic data, we have also not studied the role of counterparts in the country in which the project is located. Anecdotally at least, the identity and skill-set of the specific counterpart agency, or even individuals in these agencies, matters a lot for project outcomes as well." The Bank has introduced an accreditation program for new task team leaders with limited time in the Bank.

Management Attention and Adequacy of Quality Assurance

IEG's 2012 report on the matrix system at work found that following the introduction of the matrix in FY97–98, there was a downward trend in project outcomes when measured by years of approval after a peak in 2001 (IEG 2012: xxii–xxvii). There was a declining trend in quality of supervision and quality at entry with the introduction of the matrix. Multiplication of quality control layers for lending increased neither efficiency nor effectiveness in ensuring quality. Accountability for quality became more diffuse, with more cumbersome review procedures. Systems for accountability and quality control were skewed toward avoiding fiduciary and safeguards risks, with more concern for these risks than other aspects of quality. There were insufficient incentives to focus on quality and results, with weak management of peer review processes for quality enhancement during preparation, and sector managers had to cope with an excessive span of control (37 on average, reduced to a maximum of 30 in 2012, as

against 7-15 in comparator external organizations). With rising budget pressures, regional sector units responsible for lending delivery and quality received a decreasing share of regional resources. Rigidity in sector board structures hampered flexibility and subsequent restructuring added to stress arising from inadequate knowledge flows and accountability for quality.

Management's 2012 analysis of IEG evaluations from FY06–12 pointed to proxy indicators such as weak project design, inadequate supervision, including failure to follow up on needed actions, and the apparent issue of sector managers' span of control, to conclude "challenges with the existing quality assurance system in the Bank have contributed to the decline in outcome ratings." Subsequent reforms have focused on improving accountability and processes for quality assurance.

BORROWER PERFORMANCE AND COUNTRY CONDITIONS

Government performance. Management's detailed analysis of IEG evaluations concluded that while borrower performance has an impact on the achievement of project outcomes it has not been a reason for the decline after FY06 (paragraph 33 and Tables D14-16) of the OPCS paper. The main differences between MU- and MS+ rated projects in government performance are:

- Lack of government ownership and commitment was flagged by IEG as a problem in 50 percent of the cohorts of 256 MU- rated projects, and in only 10 percent of the MS+ cohorts of 220 projects.
- Lack of enabling environment was a problem in 22 percent of the MU- projects, and in only 10 percent of the MS+ projects.
- Readiness for implementation was rated a problem in 32 percent of the MU- projects, and in 18 percent of the MS+ projects.
- Resolution of issues was problematic in 23 percent of the MU- projects, and in only 3 percent of the MS+ projects.
- Counterpart funding was inadequate in 20 percent of the MU- projects, but also in 15 percent of the MS+ projects.

Implementing Agency Performance. This was also analyzed as part of management's detailed review of IEG evaluations, with tabulation for commitment, stakeholder relations, and project specific issues. The major divergences between MU- and MS+ cohorts were in:

- Readiness for implementation (52 percent rated as problematic for MU-, as compared to 30 percent for MS+);

- Resolution of issues (27 percent rated as problematic for MU-, compared with 3 percent for MS+);
- Fiduciary and covenant compliance (32 percent rated as problematic for MU-, compared to 15 percent for MS+);
- M&E utilization (64 percent rated as problematic for MU-, as opposed to 41 percent for MS+).

Country conditions. Management's regression analysis, conducted for all projects that exited the portfolio during FY00-11, found a large and positive impact of country conditions as measured by Country Policy and Institutional Assessment (CPIA) ratings on final project outcomes, suggesting that countries with better policies and institutions tend to have a higher probability of delivering projects with satisfactory outcomes (ibid. paragraph 36). Evidently, this puts a higher burden on the design of fitting project complexity and ambition to available capacity and policy constraints, and being realistic in expecting outcomes over the longer-term and a sequence of operations rather than in the time-frame of a single project.

Investment and Noninvestment Grade. Management's review also looked at project performance in investment grade countries and found that, on average, there is a difference of about 10 percentage points in the share of satisfactory outcomes of projects as between investment grade countries and non-investment grade countries, along with a steady decline in the number of operations and net commitments to investment grade countries since peaks in 2004 and 2006.

Effectiveness Delays. Management's analysis of IEG ratings showed a clear link between effectiveness delays and development outcomes, apparently because they indicate underlying issues of lack of readiness for implementation because of unresolved aspects in preparation, lack of government or implementing ownership, or inadequate implementing capacity. This finding was also confirmed by the regression analysis which showed a significant and negative correlation with outcome ratings.

Fragility and conflict. Management's detailed analysis of IEG evaluations concluded that the decline in project outcomes since 2007 cannot be linked to the performance of FCS countries under the current definition of FCS. IEG's evaluation of World Bank Group assistance to low-income fragile and conflict-affected states notes that since FY09, the Bank's portfolio in FCS countries has had better outcome ratings than in other IDA countries (IEG 2014). The relative improvement in outcome ratings for FCS compared to Never FCS holds true both as a percentage of projects, and even more strikingly, by commitment volume. FCS ratings in IDA-only countries are now comparable with Bank-wide ratings, which include the ratings for all IBRD operations.

Impact of the Global Financial Crisis. The global financial crisis, which erupted in 2008, and the impact of subsequent global economic developments have been suggested as a potential factor in explaining the decline in project outcomes. The rationale for this argument lies in the crisis plausibly diverting the attention of authorities from project implementation toward macroeconomic management and reducing fiscal resources that could have co-financed projects financed by the Bank.

Management's analysis of IEG evaluations from FY06–11 did not find strong evidence that the financial crisis had a significant impact on observed project outcomes. There were only limited indirect effects in a few projects, not statistically significant. Analysis of data for counterpart funding, as a proxy indicator to demonstrated problems for the borrower in sharing project costs, does not support the hypothesis of an increase in the number of projects with counterpart funding problems since the start of the crisis (ibid. paragraph 43), at least among the projects exiting the portfolio until FY11 (and also in FY12 according to IEG's analysis of FY12 exits). The number of countries with counterpart funding flags in the system fell from 47 in FY08 to 42 in FY09 and was back at 47 in FY10. The detailed review of 256 projects rated MU- in FY06–11 confirmed that problems related to the global financial crisis were mentioned in IEG evaluations in less than 3 percent of the 476 projects examined. IEG's review for the 2013 RAP of MU-rated projects in FY12 exits confirmed that the frequency of mention of such problems continued around this level.

However, there was a direct negative impact on at least one project (Ukraine Access to Financial Services. In the Romania Transport Sector Restructuring project, the financial crisis in 2009 and related difficulties in borrowing from the international private market led the government to discuss with the Bank significant budgetary support in the form of a development policy loan (DPL), while moving to cancel the $120 million in this project. In addition, the urgency for lending in response to the crisis plausibly affected project preparation negatively in some cases, as with the Ethiopia Fertilizer Support project. Overall, while the global crisis may still impact projects exiting the portfolio in the next three to five years, it cannot be linked to the decline in the most recent project outcomes.

Other Possible Factors

Additional Financing. The Additional Financing policy, introduced in FY04, allowed for provision of additional resources for well performing projects in order to fill a financing gap or scale up benefits. The majority of these projects were also granted extensions of closing dates to complete implementation. As a result, a share of projects considered to be in satisfactory status did not exit the portfolio, as originally scheduled.

The 2012 RAP suggested that this impact on the timing of exits of a group of well performing projects possibly caused a structural break in the data after 2005, so that this factor could have explained part of the decline in project outcomes between FY06–08 and FY09–11.

Subsequent information and analyses from different IEG evaluations, such as of the World Bank Group response to the global food crisis (IEG 2013b) indicated clearly that projects with Additional Financing were not consistently well performing, and substantial additional funding was sometimes given to investment projects and policy operations with problems in performance and eventual outcomes rated less than moderately satisfactory (e.g., the Honduras Financial Sector DPO, the Nigeria Second Health System project, the Brazil Ceará Integrated Water Resources Management project, and the Second Laos Poverty Fund project). A 2013 Bank management study of 77 projects with Additional Financing confirmed that they were not especially well performing. The inaccuracy of project supervision ratings and reporting tended to mask the problems during implementation prior to approval of the Additional Financing, and even consistently restructuring or other measures taken as part of the AF decision did not improve the outcomes to moderately satisfactory or better.

Tables D.15 and D.16 provide more detailed data on portfolio trends and performance for all lending types and development policy operations.

Table D.15. Consolidated Ratings of All Lending Types

	FY07–09						FY10–12					
	Outcome MS+	QAE MS+	QOS MS+	Bank Performance MS+	Borrower Performance MS+	ME Quality Rated Substantial+	Outcome MS+	QAE MS+	QOS MS+	Bank Performance MS+	Borrower Performance MS+	ME Quality Rated Substantial+
Expanding Economic Opportunities												
Agriculture and Rural Development	80	60	80	75	75	35	69	55	71	64	66	35
Economic Policy	90	89	95	88	88	54	78	80	84	80	83	36
Financial Management	100	100	100	100	100		100	100	100	100	100	50
Financial and Private Sector Development	70	63	83	73	65	24	74	60	77	67	69	28
Poverty Reduction	63	79	74	68	74	24	67	67	100	67	67	33
Public Sector Governance	68	65	82	73	69	40	65	51	79	64	68	28
Total	78	70	84	77	75	38	72	62	78	69	71	32
Number of projects rated	269	276	272	276	276	255	244	248	244	248	248	245
Building Infrastructure for Growth												
Energy and Mining	71	80	92	80	73	49	73	63	80	74	66	47
Global Information and Communications Technology	100	100	100	100	100	33	100	71	100	100	100	29
Transport	91	87	96	93	87	35	74	67	79	79	69	31
Urban Development	74	70	80	77	77	25	72	69	72	72	72	24
Water	84	86	92	92	80	30	62	50	62	62	68	6
Total	82	83	92	87	80	36	72	63	75	73	70	27
Number of projects rated	201	200	200	201	201	187	145	147	147	147	147	146
Enhancing Human Development												
Education	63	69	79	70	69	28	64	55	80	66	62	22
Health, Nutrition, and Population	55	58	68	63	61	24	71	55	75	70	70	15
Social Protection	78	71	76	74	74	35	69	64	88	70	82	45
Total	63	65	74	68	67	28	68	57	79	68	69	24
Number of projects rated	175	180	175	180	180	172	172	178	174	177	177	174
Environmentally and Socially Sustainable Development												
Environment	77	77	82	80	77	39	59	36	74	46	61	26
Gender and Development												
Social Development	76	59	88	82	82	44	90	90	80	100	90	30
Total	77	72	84	80	79	40	68	50	76	61	68	27
Number of projects rated	60	61	61	61	61	57	37	38	37	38	38	37
Grand Total	75	72	83	78	75	35	70	60	77	69	70	28
By Region												
Africa	65	63	76	71	70	27	64	56	68	60	60	23
East Asia and Pacific	82	82	85	82	81	39	78	65	83	77	82	25
Europe and Central Asia	85	78	90	86	82	40	76	64	81	75	78	37
Latin American and Caribbean	76	74	92	83	77	46	73	58	84	72	73	29
Middle East and North Africa	65	56	71	58	63	12	60	64	78	68	60	33
South Asia	73	77	80	76	66	36	70	54	76	68	69	25
By FCS												
Fragile Countries (IDA)	69	70	75	72	68	27	67	59	75	69	61	17
Non-Fragile Countries (IDA)	66	71	81	76	71	28	62	51	69	60	61	23
Other Non-Fragile Countries	80	73	86	79	77	39	75	63	81	73	76	34
By Sources of Funding												
GEF	73	70	78	73	78	34	62	41	85	56	67	27
IBRD	78	73	85	78	75	40	75	66	80	72	78	32
IDA	73	72	83	78	74	32	67	57	74	67	65	26
MONT	100	100	100	100	75	50	100	50	100	100	100	100
RAIN												
RETF	88	100	100	100	88	43	73	50	79	71	63	11
SPF	61	63	74	63	68	6	75	81	81	81	81	50
Grand Total	75	72	83	78	75	35	70	60	77	69	70	28
Number of Projects Rated	705	717	708	718	718	671	598	611	602	610	610	602

Source: IEG data September 30, 2013.

Note: FCS = fragile and conflict-affected states; GEF = Global Environment Facility; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; MS+ = moderately satisfactory or better; MONT= Montreal Protocol; QAE = quality at entry; QOS = quality of supervision; RAIN = Rainforest Facility = RETF = Recipient Executed Trust Fund; SPF = Statebuilding and Peacebuilding Fund. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

Table D.16. Consolidated Ratings of Development Policy Operations

	FY07-09						FY10-12					
Development Policy Lending	Outcome % MS+	QAE % MS+	QOS % MS+	Bank Performance % MS+	Borrower Performance % MS+	ME Quality % Rated Substantial+	Outcome % MS+	QAE % MS+	QOS % MS+	Bank Performance % MS+	Borrower Performance % MS+	ME Quality % Rated Substantial+
Expanding Economic Opportunities												
Agriculture and Rural Development	100	100	50	100	100	50	100	100	100	100	100	
Economic Policy	90	93	97	92	90	58	82	88	88	86	88	39
Financial Management	100	100	100	100	100							
Financial and Private Sector Development	71	86	92	86	64	21	90	73	100	73	91	50
Poverty Reduction	63	79	74	68	74	24	67	67	100	67	67	33
Public Sector Governance	70	80	100	80	70	40	78	78	89	89	89	67
Total	81	89	91	86	82	45	82	84	90	84	88	43
Number of projects	105	106	103	106	106	101	73	74	71	74	74	72
Building Infrastructure for Growth												
Energy and Mining		50	100	50					100			100
Global Information Technology												
Transport	50	100	100	100	50	50	100	100	100	100	100	100
Urban Development	50	50	100	75	75	50						
Water		100	100	100								
Total	27	64	100	73	36	22	50	50	100	50	50	100
Number of projects	11	11	11	11	11	9	2	2	2	2	2	2
Enhancing Human Development												
Education	57	86	71	71	71	17	100	100	100	100	100	67
Health, Nutrition and Population	100	100	100	100	100	50						
Social Protection	71	57	71	71	57	57	80	100	100	100	80	60
Total	69	75	75	75	69	40	88	100	100	100	88	63
Number of Projects	16	16	16	16	16	15	8	8	8	8	8	8
Ensuring Environmentally and Socially Sustainable Development												
Environment	100	100	100	100	100	100						
Social Development												
Total	100	100	100	100	100	100						
Number of projects	2	2	2	2	2	2						
By Region												
AFR	71	81	86	81	76	28	79	83	91	83	83	33
EAP	89	89	89	89	89	43	88	88	88	88	88	38
ECA	83	90	90	83	79	52	100	91	100	91	100	56
LCR	74	86	96	86	79	68	86	86	90	90	90	57
MENA	67	83	100	83	67	17	58	83	92	75	75	58
SAR	73	87	87	87	73	47	88	75	88	75	88	38
By FCS												
Fragile Countries (IDA)	86	91	95	86	86	52	71	81	85	81	76	29
Non-Fragile Countries (IDA)	62	81	86	81	68	23	75	67	100	75	83	42
Other Non-Fragile Countries	79	86	90	84	79	51	88	90	92	88	92	55
By Source of Fund												
IBRD	76	88	91	84	79	53	86	89	91	87	91	51
IDA	76	85	91	85	77	39	74	77	91	80	80	34
RETF							100	100	100	100	100	100
SPF	60	60	80	60	60		100	100	100	100	100	100
Grand Total	75	85	90	84	77	43	82	85	91	85	87	46
Number of projects rated	134	135	132	135	135	127	83	84	81	84	84	82

Source: IEG data September 30, 2013.

Note: AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FCS = fragile and conflict-affected state; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; LCR = Latin America and the Caribbean; MENA = Middle East and North Africa; MS+ = moderately satisfactory or better; QAE = quality at entry; QOS = quality of supervision; RETF = Recipient Executed Trust Fund; SAR = South Asia; SPF = Statebuilding and Peacebuilding Fund. The difference in the share of projects rated MS+ between FY07–09 and FY10–12 is statistically significant at the 95 percent confidence interval (**) and 90 percent confidence interval (*).

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Appendix E
Portfolio Performance of IFC and MIGA

IFC's Strategic Framework

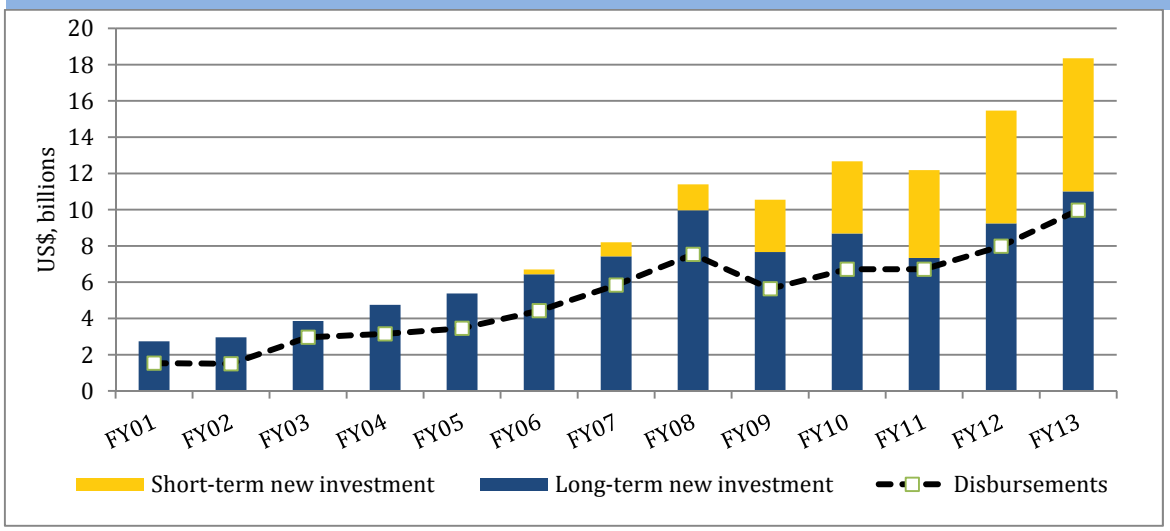
The International Finance Corporation (IFC) has pursued a strategic focus on frontier markets since 2004. IFC's strategic priorities have evolved over the past decade, but the focus on frontier markets has remained consistent, now comprising International Development Association (IDA) countries, fragile and conflict-affected situations, and frontier regions in non-IDA countries (IFC 2004). Additionally, IFC has emphasized addressing constraints to private sector growth in infrastructure, health and education; developing local financial markets; addressing climate change and sustainability; and building long term client relationships with firms in developing countries as are areas of strategic focus (IFC 2013). The following section discusses the implementation of IFC's priorities under its mandate of private sector development in the context of the strategic priorities, through IFC's two main instruments, investment and advisory services.

Portfolio Trends

IFC Investment Operations

Since the start of the global financial crisis in 2008 IFC's investments have risen to historically high levels, mostly driven by short term finance instruments.[1] Having reached a high of $18.3 billion in FY13, the volume of IFC's long- and short-term programs has exceeded in size the annual commitments of the International Bank for Reconstruction and Development (IBRD) or IDA. The overall increase in commitments is almost entirely due to the growth in short term finance instruments, mainly the Global Trade Finance Program (GTFP), a guarantee program to support trade transactions. Thus, while short term finance instruments now account for more than 40 percent of IFC's commitments, up from 12 percent in FY08, traditional long-term investments have changed little since 2008 (Figure E.1). Another measure of IFC's portfolio size, core mobilization[2] from other financiers, grew by 27 percent over the same period, adding about 40 percent to IFC's overall commitments total during FY11–13.

Figure E.1. IFC Long- and Short-Term Commitments (by fiscal year)

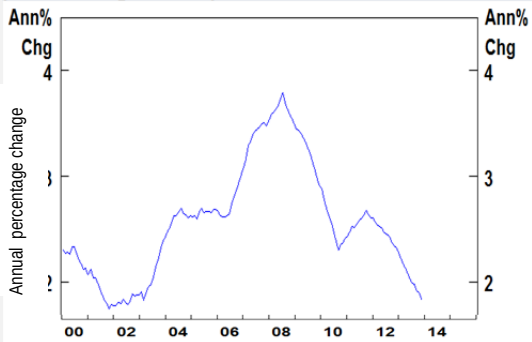


Source: World Bank Group data.

The trend in IFC's long-term finance reflects in part the continuing impacts of the 2008 crisis and its aftermath. Since then, global trade has slumped and is only returning slowly to growth. Commodity prices have declined, and indications are that productivity growth in emerging markets is slowing down (see Figures E.2 and E.3.) Capital inflows increased in the aftermath of the crisis but are now slowing down. All these factors, together with delays in needed reforms, contributed to a slowdown in growth in emerging markets, and higher perceived risks for investments. However, internal IFC factors, such as those related to work quality, staffing, and capital headroom considerations, also likely play a role—as the number of new projects was almost flat in FY11–13 compared with FY08–10.

Figure E.2. Industrial Commodity Price (rebased 2007)

Figure E.3. Emerging Market Productivity (excluding China)

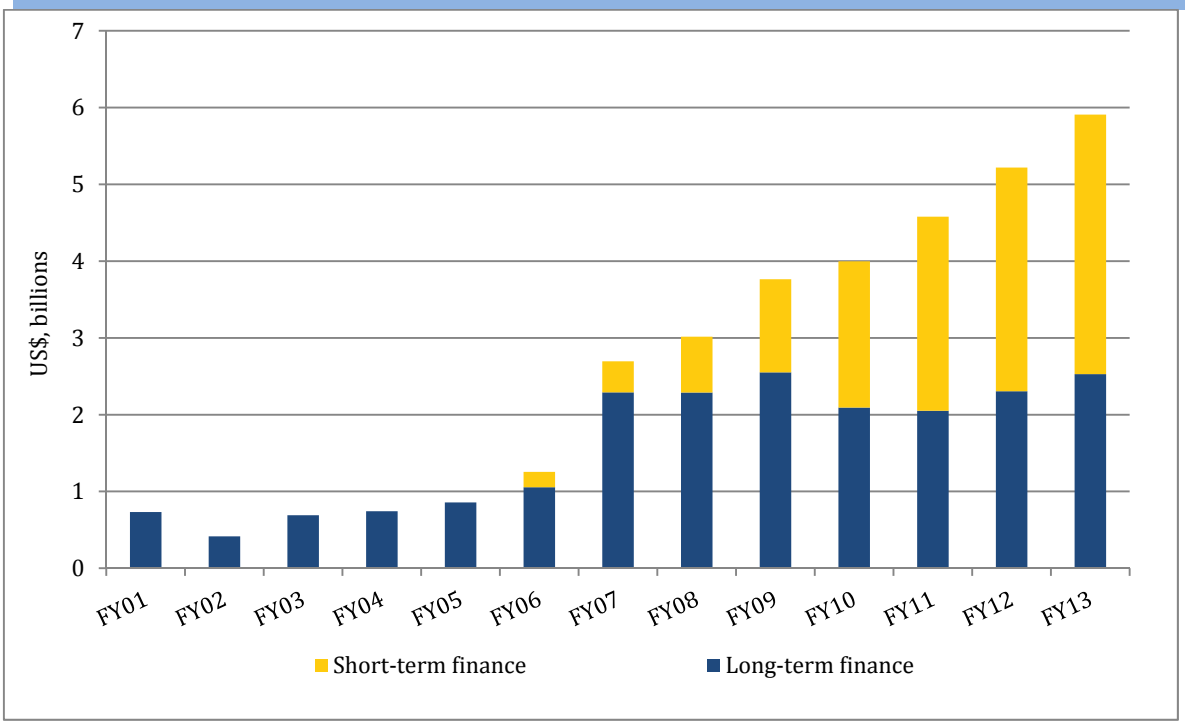


Source: IFC data.

IFC's commitments in IDA-eligible countries have grown at a rapid rate, also driven by short-term finance, while long-term finance has leveled off. IFC's commitments in

IDA increased by 46 percent between FY08–10 and FY11–13, at twice the pace of overall commitments (Figure E.4).[3] The main driver was again short-term finance, which has risen to 57 percent of commitments in IDA countries (FY13). Long-term finance, on the other hand, has fluctuated between $2 billion and $2.5 billion in annual commitments (FY08–13) without a clear trend. The result has been further concentration of IFC's IDA country investments in the financial sector, while the share of real sectors— Infrastructure and Natural Resources as well as Manufacturing, Agribusiness, and Services— has declined. IFC's exposure in IDA countries has risen to 35 percent in FY11–13 (up from 30 percent during FY08–10).

Figure E.4. IFC Commitments in IDA-Eligible Countries (by fiscal year)



Source: World Bank Group data.

IFC's exposure in low-income fragile and conflict-affected states (FCS), which were added to IFC's strategic target areas more recently, has remained small. Commitments in low-income FCS have stayed at about 2 percent of IFC's long-term finance total during the period FY01–12, and have increased in parallel to those in IDA-eligible countries. The increase in FCS mirrors the trend in IFC's overall investments and does not represent a significant shift in IFC's overall portfolio toward FCS, but rather to frontier markets more generally (IEG 2014).

However, in contrast to IDA as a whole, IFC's investments in FCS are highly concentrated in infrastructure. Seventy-eight percent of commitments (60 percent of

projects, FY01–12) were in just three sectors—telecommunications, transportation, and oil, gas, and mining. Conversely, the FCS portfolio is less focused on financial markets. IFC's short-term finance, including the GTFP, originally intended as an instrument for early engagement in high-risk environments, plays a much smaller role in low-income FCS than in other IDA countries (29 percent of commitments from inception of the GTFP in FY06 until FY13).

By sector, IFC commitments are increasingly concentrated in financial markets. The financial markets industry cluster—comprising long- and short-term instruments—experienced the largest increase (by 48 percent) between FY08–10 and FY11–13, and is now by far the largest cluster, accounting for almost two-thirds of total original commitments. The driver is the doubling in volume of short-term finance instruments. By contrast, commitments in the Infrastructure and Natural Resources cluster declined by 19 percent, and now only account for 16 percent of IFC's new commitments (FY11–13)—although the cluster experienced growth in high priority areas such as the Sub-Saharan Africa and Middle East and North Africa Regions. Despite overall growth of investment volumes, the number of operations remained almost flat—higher volumes were mainly due to an increase in the size of financial markets investments.

The increasing focus on financial markets operations means that IFC's business model has decisively moved from direct support to private enterprises to wholesaling through financial intermediaries. The rapid increase in short-term finance commitments has contributed to a major expansion in IFC's wholesale investment operations. As a share of IFC's investment, wholesaling operations account for 58 percent (FY11–13), up from 47 percent in FY08–10. This means that for over half of its investments IFC has no relationship with the underlying borrowers, investees, or beneficiaries, but relies on intermediary bank and non-bank financial institutions to pursue its development strategies. As only one of these institutions' financial backers, the attribution of IFC financing to specific sub-borrowers is rarely possible or meaningful, and its ability to impose additional data reporting and collection requirements on participating institutions is limited. Absent solid attribution and relevant indicators, the evaluability of the development impact of these operations and their contribution to its formal strategic priorities is limited, with attendant implications for IFC's accountability and lessons learned.

The RAP 2012 highlighted the implications of this trend, which is associated with higher efficiency and greater reach in delivering funds, on the one hand, and challenges for measuring results and attributing these to IFC in wholesaling projects, on the other. IEG noted that management had yet to define the right balance between wholesaling and direct support to projects. In addition, it highlighted the need to improve knowledge about the development impact of financial intermediaries and develop indicators that

gauge results beyond the intermediary, among intended beneficiaries of IFC's projects (IEG 2013a).

IFC ADVISORY SERVICES

IFC's advisory services have aimed to provide knowledge, capacity building, and solutions to the private sector and governments in four business lines: Investment Climate (IC), Access to Finance (A2F), Public-Private Partnerships (PPP), and Sustainable Business Advisory (SBA). The strategies for IFC's Advisory Services have consistently emphasized support to IDA-eligible countries, and increasingly shifted toward a more integrated delivery of IFC advisory and investment services. As part of the Bank Group's change process, IFC's advisory services will be aligned with several IFC and Bank departments and global practice groups to seek greater synergies across the World Bank Group.

IFC client facing AS expenditures have grown by 46 percent from $418 million in FY08–10 to $612 million in FY11–13. The number of new projects however has fallen by 10 percent, indicating an increase in project size and more programmatic approaches. In line with its strategy, IFC increased the focus of advisory activities on IDA-eligible countries—66 percent of expenditures in FY11–13, up from 45 percent in FY08–10.

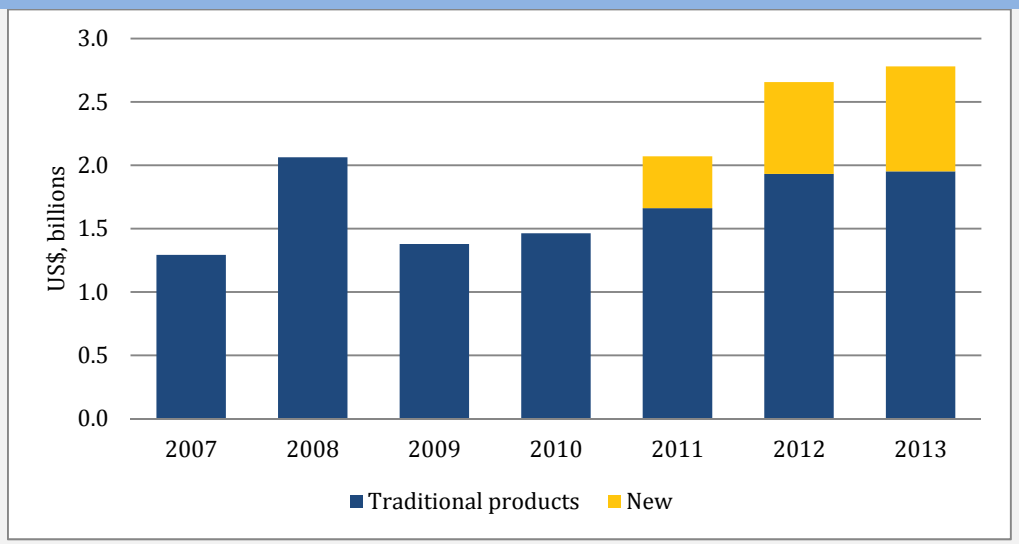
MIGA GUARANTEES

MIGA's strategic priorities have remained fairly stable over the past decade, emphasizing support to investments in IDA-eligible countries, fragile and conflict-affected states (FCS), complex projects (infrastructure and extractive industries), and south-south investments (MIGA 2011).

As a major product innovation, MIGA has begun to offer a new type of guarantee in FY11. MIGA's operational regulations were amended in April 2009 and June 2013, to enable the agency to offer insurance coverage against the risk of non-honoring of financial obligations (NHFO) by a sovereign or sub-sovereign government entity or a state-owned enterprise. Though not unique to the global insurance market, this is a new coverage type for MIGA. It forms part of an updating of its product line intended to meet the changing risk mitigation needs of investors and benefit host countries by facilitating greater lending flows for productive uses, primarily for infrastructure projects with significant developmental benefits. This new product is also consistent with the IEG–MIGA 2008 Annual Report recommendation that MIGA seek innovative ways to utilize its comparative advantage in covering complex projects in the least-developed and highest perceived-risk environments (IEG 2008).[4]

The new coverage has helped achieve a major increase in MIGA's support to IDA and FCS countries. Overall, MIGA's business grew by 57 percent in FY11–13 compared to FY08–10 (Figure E.5). As part of this growth, MIGA's issuance to projects in IDA-eligible countries is now 47 percent of the total (FY11–13)—up from 22 percent in FY08–10. Correspondingly, the share of new guarantee volume in Africa has increased to 31 percent (FY11–13). Driven by several large-scale projects, MIGA's support to FCS has also increased to 22 percent of guarantee issuance (FY11–13).

Figure E.5. MIGA Guarantee Issuance



Source: World Bank Group data.

In addition, MIGA has achieved a major shift in the composition of its portfolio from the financial sector toward infrastructure. Specifically, its guarantee issuance has moved from a heavy concentration in the financial sector whose share of new coverage declined from 70 percent to 20 percent (FY08–10 versus FY11–13). In contrast, the share of infrastructure, driven by the NHFO coverage, increased from 21 percent to 50 percent, in line with MIGA's strategic intentions. This shift was also due to the phasing out of MIGA's strong support to banking institutions in Central and Eastern Europe during the financial crisis, which had led the portfolio to be heavily concentrated in the financial sector in that region.

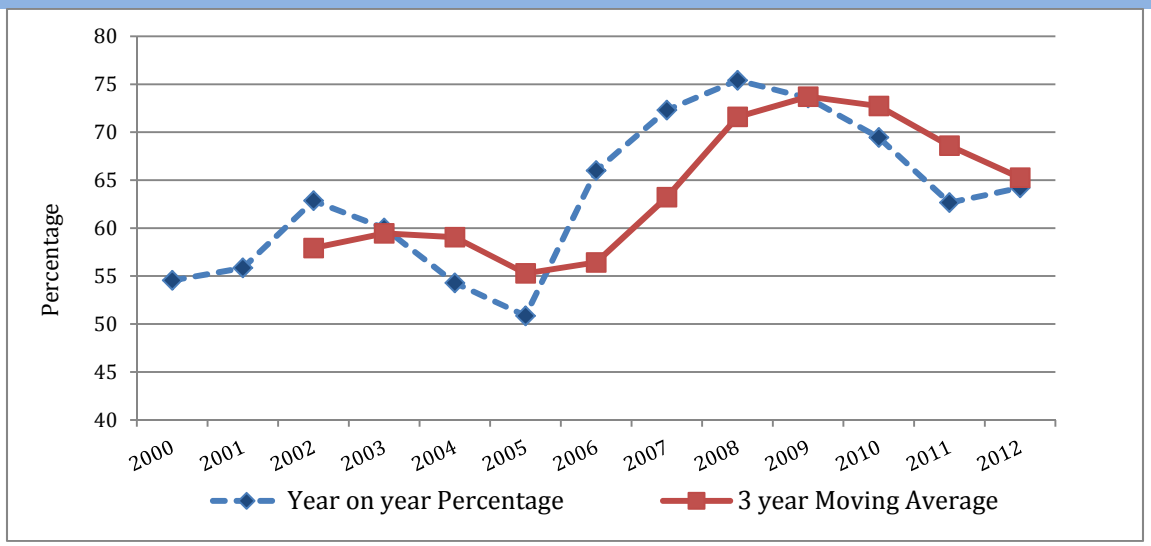
Nevertheless, the new product also creates new challenges for MIGA's business model. While the loans to governments covered by the NHFO coverage are intended for specific projects, the risk MIGA is covering is not associated with these projects, but the payment risk of a sovereign or sub-sovereign obligor. Moreover, the loan proceeds are fungible. In addition, these guarantees will require credit monitoring and dynamic portfolio management to account for the possibility of credit deterioration or rating downgrade for the obligors, and ownership changes for state-owned enterprises.

Performance Trends by Institutions

PERFORMANCE OF IFC INVESTMENT PROJECTS

The development outcome ratings of IFC supported projects have continued to decline from historically high levels.[5] Sixty-five percent of the 236 mature investment operations involving long-term finance evaluated from 2010 to 2012 had development outcome ratings of mostly successful or higher, compared with 74 percent of the 213 operations evaluated in 2007–2009.[6] As shown in Figure E.6, on an annual basis, development outcome ratings of rated projects peaked at 75 percent mostly successful or higher in 2008, prior to the financial crisis and have since fallen to 64 percent for the 2012 cohort. The decline in results has been driven by the lower performance of projects in IDA-eligible countries versus those in IBRD countries, and declining performance in infrastructure and financial markets operations.

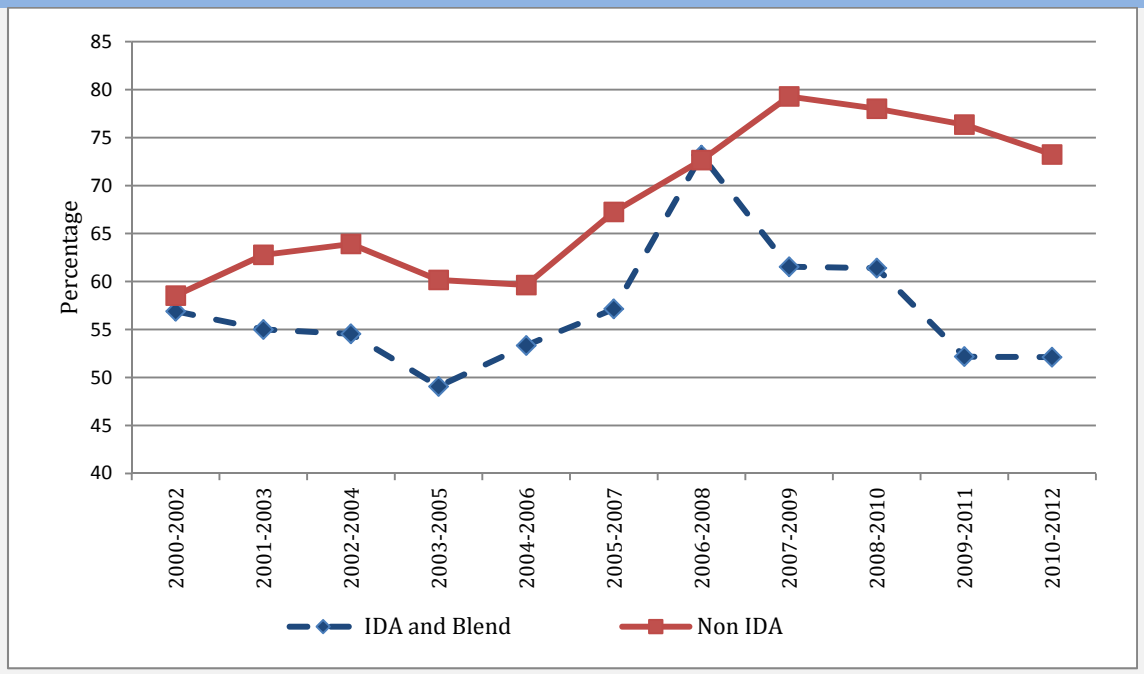
Figure E.6. IFC Development Outcome Ratings: Mostly Successful and Higher



Source: IEG data September 30, 2013.
Note: Results for 2012 include preliminary ratings.

Results in IDA countries remain challenging, while the performance of IFC projects in IBRD countries has remained strong. In spite of the strategic priority given to frontier markets, the gap in development outcome ratings of IFC's investments between IDA (52 percent mostly successful or above ratings in 2010–2012, down from 62 percent in 2007–2009) and non-IDA countries (73 percent) has widened (see Figure E.7). At the same time, the share of IDA projects among the sample of mature investments is rising, relative to non-IDA projects, reflecting IFC's push into frontier markets between FY04 and FY07.

Figure E.7. IFC Development Outcome Ratings: IDA and Non-IDA



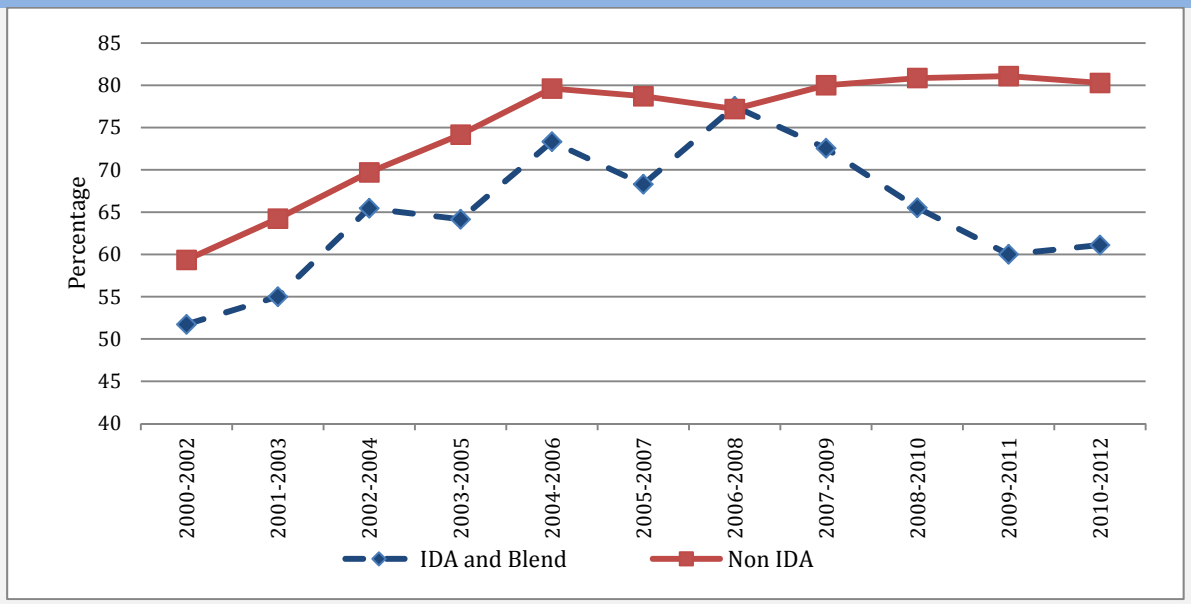
Source: IEG data September 30, 2013.
Note: Results for 2012 include preliminary ratings.

Unlike the experience in the Bank, IFC projects in low-income FCS have had low development outcome ratings (IEG 2014). Based on 26 ex-post evaluations of projects in FCS completed in 2001–2011, the development outcome ratings in FCS were modest (54 percent, or 14 out of 26 with mostly successful and better ratings), and somewhat lower than those in non-FCS countries (59 percent mostly successful or better).

The results in IDA and FCS countries reflect both higher risks and shortcomings in IFC's work quality. The decline in performance in IDA countries reflects higher country, sponsor, and markets risks, which are also reflected in higher required rates of return benchmarks for the projects to achieve positive business success ratings. In other words, projects in riskier markets have to meet higher weighted average costs of capital benchmarks for indicators such as project business success compared with projects in lower risk markets. Evaluated projects in low-income FCS countries showed higher-risk intensity (the presence of more risk factors per project) than in non-FCS IDA countries.

Aside from external risks, a decline in the quality of IFC's work in IDA countries, relative to that in IBRD countries has also contributed to the lower project success rates (see Figure E.8). Comparing projects evaluated in 2007–2009 with those in 2010–2012, positive ratings for IFC's appraisal work quality, which covers screening, appraisal and structuring, slumped from 73 percent to 50 percent. This is important because analysis in chapter 3 of this report indicates that work quality is significantly associated with the likelihood of achieving positive development outcomes.

Figure E.8. IFC Work Quality Ratings: IDA and Non-IDA

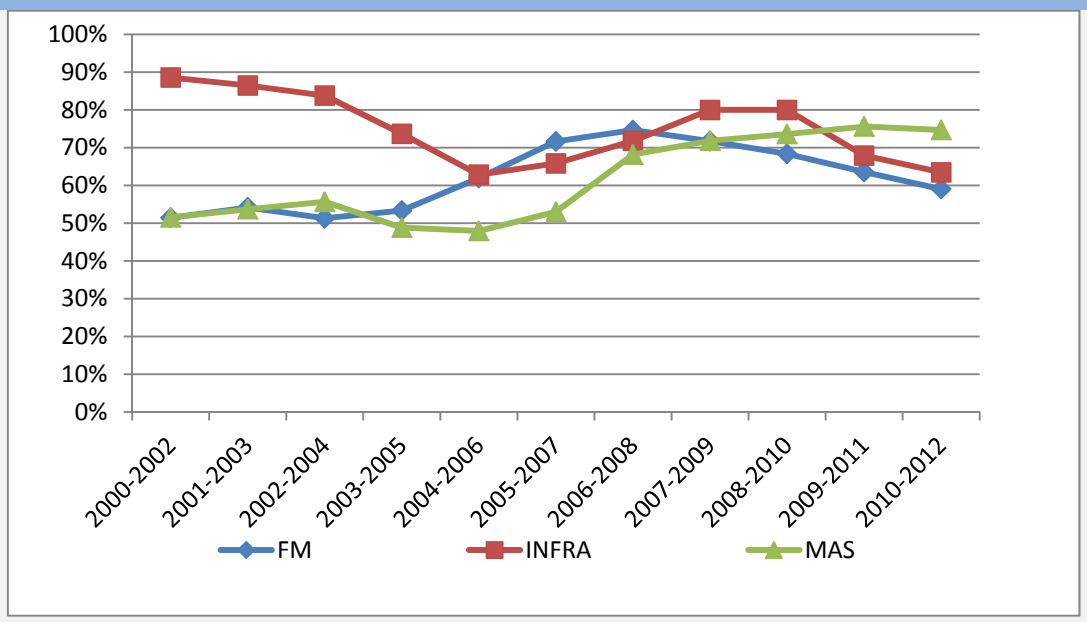


Source: IEG data September 30, 2013.
Note: Results for 2012 include preliminary ratings.

What is driving the decline in work quality? While a full explanation would need to await a comprehensive evaluation of IFC's appraisal process, a review of projects in IDA countries and in two clusters, infrastructure and financial markets, provided some insights.

The infrastructure cluster experienced the steepest decline of any IFC cluster. As shown in Figure E.9, development outcome ratings declined from 80 percent mostly successful or higher in 2007–2009—the highest among the clusters –to 63 percent in 2010–2012. Based on an IEG review of 19 infrastructure cluster projects with Expanded Project Supervision Report (XPSRs) done in 2010–2012, low development outcomes are most frequently associated with the inability of the project to generate enough revenue in the face of strong competition. The decline in the quality of IFC's screening, appraisal, and structuring work, appears to have been associated with reliance on optimistic assumptions about sponsor experience, market conditions, and costs, that left the projects less resilient and able to cope with and adjust to increased competition, regulatory changes, technological changes, and other unexpected shocks—perhaps aggravated by the continuing impacts from the 2008 global crisis mentioned earlier--with the attendant decline in development outcomes.

Figure E.9. Development Outcome Ratings of IFC's Clusters



Note: FM = Financial Market cluster; INFRA = Infrastructure and Natural Resources cluster; MAS = Manufacturing, Agribusiness, and Services cluster.

IFC oil, gas, and mining projects, which showed a decline in performance over recent years, tended to achieve stronger outcomes where they tested uncertain legal and regulatory regimes. In such environments, IFC's support to second-tier companies, development of marginal fields which are not attractive to large corporations, and risk taking in poor, frontier regions provided valuable additionality. As with PPPs, positive outcomes were also found in projects linked to World Bank policy reforms to help mitigate the risk of poor governance affecting outcomes. Sustainability issues tended to be addressed adequately in the environmental area, but there was no sufficient emphasis on social programs beyond the life of the project. Reviewed projects demonstrated a high level of transparency, which enabled monitoring by civil society organizations.

The financial markets cluster, IFC's largest, also experienced a continuing decline in development outcomes, from 72 percent to 59 percent projects rated mostly successful or better in 2010–2012 compared to 2007–2009.[7] Both the financial markets sector and the funds sector (collective investment vehicles) contributed to the decline. This performance was associated with a parallel decline in IFC's appraisal quality, from 71 percent to 60 percent satisfactory or better for the Financial Markets cluster.

IEG's review of 19 evaluated financial market sector projects with XPSRs prepared in 2010–2012 and low development outcomes suggests that, in almost every case, the screening and appraisal of the sponsor was also partially unsatisfactory. In such cases,

IFC's front-end work had often made inadequate provisions for addressing management gaps or underestimated the challenges of transforming a nongovernmental organization into a bank, or launching a new microfinance or small and medium enterprise (SME) credit line, or a greenfield bank in a new country. Much more time than initially expected was required to strengthen management practices and staff skills, and in a few cases to await needed regulatory reforms. In about half such cases, the challenge was aggravated by the impact of the 2008–2009 global financial crisis, which stressed the entities' asset portfolio, leading to a high level of non-performing loans and disappointing business results. In a few cases, the stresses were worsened by the project's use of foreign exchange loans to support retail lending to sub-borrowers reliant on local currency earnings, with the attendant consequences when the global financial crisis led to a devaluation of the local currency.

A review of 11 evaluated funds projects with low development outcomes ratings yielded similar findings (see Box E.1). In the majority of such cases, the global financial crisis made it difficult to attract investors, reduced investment opportunities, and impacted portfolio returns. In a few instances, IFC also underestimated the management capacity requirements and timeframe required to launch a new fund in untested markets. On the other hand, where their partners and sponsors were experienced and strong, IFC's developmental role and contribution to the project were unclear.

Box E.1. IFC's Support to Innovation and Entrepreneurship through Venture Funds

A recent review of venture capital funds supported by IFC, focused on early stage start-ups, found that one in 10 funds was rated satisfactory, underscoring the high-risk nature and failure rate of venture funds. Even though many funds met their objectives of investing in their targeted investee companies, they have had low financial returns, but have supported some innovative and pioneering ventures such as hospital management services and home health care.

IEG's review suggests poor performance of these funds was due to inexperienced fund management and lack of technically experienced investors who could provide technical advice and oversight when it was needed; limited viable investment opportunities; poor selection of investments; lack of multiple rounds of funding; and limited options for firm exit. Key concerns identified include IFC's relatively short-term perspective for these investments, when in reality they tend to be long-term and involve early-stage start-ups that require plenty of attention and technical support during long periods of incubation.

Source: IEG 2013b.

With respect to IFC's short-term finance instruments, IEG found that the GTFP has been relevant to providing trade finance risk mitigation in emerging markets, but its faster recent expansion in lower risk markets requires close monitoring of its

additionality. GTFP, which accounts for 92 percent of IFC's short-term finance, was initially concentrated in high-risk, low-income countries, particularly in Africa, where access to trade finance and alternative risk mitigation instruments is least available. During the 2008 global financial crisis, the GTFP became relevant in much broader markets. However, in the years since the crisis, the program has increasingly generated new business in less risky, higher-income countries where program additionality is less clear. According to IEG case studies, GTFP had high additionality in high-risk and crisis-affected countries. However, in an IEG survey of issuing banks, 44 percent of responses indicated that they have used the program for transactions that the banks would have executed anyway. This picture points to a need for IFC to establish a comprehensive additionality assessment process for the GTFP, with clear measures of the program's additionality (IEG 2013c).

GTFP has been largely effective in helping expand the supply of trade finance and has been useful in connecting emerging market banks with global ones, but its support to IFC's strategic priorities is less clear. The IEG evaluation also points to the need to reconsider the extent to which the GTPF is an appropriate instrument for supporting IFC's strategic priorities of reaching SMEs and supporting critical sectors. While the GTPF has played a useful role in extending IFC's reach to client banks in low-income and fragile countries, the nature of the instrument gives it little influence on the banks' risk appetite and selection of clients. The GTFP is fundamentally demand driven and does not create trade transactions. It facilitates those for which there is already demand. IFC can influence the sector share of the program by communicating preferred sectors to support or by refusing to cover some sectors or products.

GTFP has been profitable, but not to the extent originally expected, according to IEG's evaluation. The program appears to be low risk and consumes a small amount of IFC's capital and is not a main contributor to IFC's bottom line. IEG further concluded that an approach monitoring and evaluating GTFP at the transaction level would be challenging and not meaningful and instead recommended to take a programmatic approach to track a set of relevant indicators to assess the program's relevance, additionality, effectiveness and efficiency (IEG 2013c).

In contrast to the other IFC clusters, the Manufacturing, Agribusiness, and Services (MAS) cluster projects performed strongly (74 percent mostly successful and above), driven by a strong performance of the manufacturing sector, whereas ratings for agriculture and forestry declined.

In regard to environmental and social effects, the performance of IFC investments has been stable in recent years. Environmental and social effects ratings have remained at about the same level: about two-thirds of projects (63 percent) are rated as satisfactory.

Over time, the performance of financial markets projects has improved (70 percent), while that of infrastructure cluster has declined (67 percent, from 87 percent, 2010–2012 versus 2007–2009, respectively). MAS projects have also shown weaker performance, with only half of projects achieving satisfactory ratings for E&S outcomes. Although IEG evaluations point to improvements in IFC's E&S appraisal quality for real-sector projects, supervision quality was not as strong, especially with follow up on inadequate client reporting on actual project performance. IFC has increased staff resources for appraisal and supervision of financial markets projects, which have improved in performance—although the implementation of the client's social and environmental management system was deemed successful in only half of the financial markets projects (IEG 2013d).

Overall, IFC's strategic priorities on frontier areas and sectors, such as infrastructure, agribusiness, health and education, and financial markets, are largely consistent with a poverty focus in that they reflect geographic, sector, and equity aspects that are correlated with enhanced opportunities for the poor. But its strategic focus areas are defined in such broad terms that although they are consistent with a pro-poor orientation, they could more fully exploit the vast potential for poverty reduction in ways that actually enhance opportunities and the impact on the poor (IEG 2011). IEG has concluded that improvements are needed in three areas: First, the priority given to frontier markets needs to lead to investments in more IDA countries than those where they are currently concentrated. Second, IFC investments need to increase in all targeted sectors, rather than mainly in the financial markets where trade finance accounts for most of the expansion of investments. Third, IFC needs to continue to strengthen its partnership and communication with the WB to enhance its poverty focus and results.

At the project level, IFC's projects are designed to contribute to economic growth and may therefore have poverty effects. However, it has been challenging for IFC to incorporate distributional issues in its interventions. Although the majority of IFC projects generated satisfactory economic returns, they did not provide evidence of opportunities for the poor to participate, contribute to, or benefit from the economic activities the projects support. The fact that projects did not articulate or track poverty outcomes does not necessarily mean that they did not contribute to poverty reduction. On the other hand, where projects reflected distributional aspects, targeted the poor, and monitored the results, they were more likely to achieve better poverty outcomes. Projects that paid attention to distribution issues performed as well, if not better than, other projects on development and investment outcomes. This suggests that poverty focus need not come at the expense of financial success. Box E.2 provides lessons from private sector projects with a poverty focus and inclusive business models.

Box E.2. Illustrative Examples of Inclusive Private Sector Investment Projects

The World Bank Group strategy commits the Bank Group to reduce poverty and build shared prosperity through economic growth, inclusion, and sustainability. The strategy defines inclusion as the empowerment of all citizens to participate in, and benefit from the development process, removing barriers against those who are often excluded. *Assessing IFC's Poverty Focus and Results* evaluated to what extent such an inclusive approach had been implemented in IFC's private sector investment, with mixed results (IEG 2011).

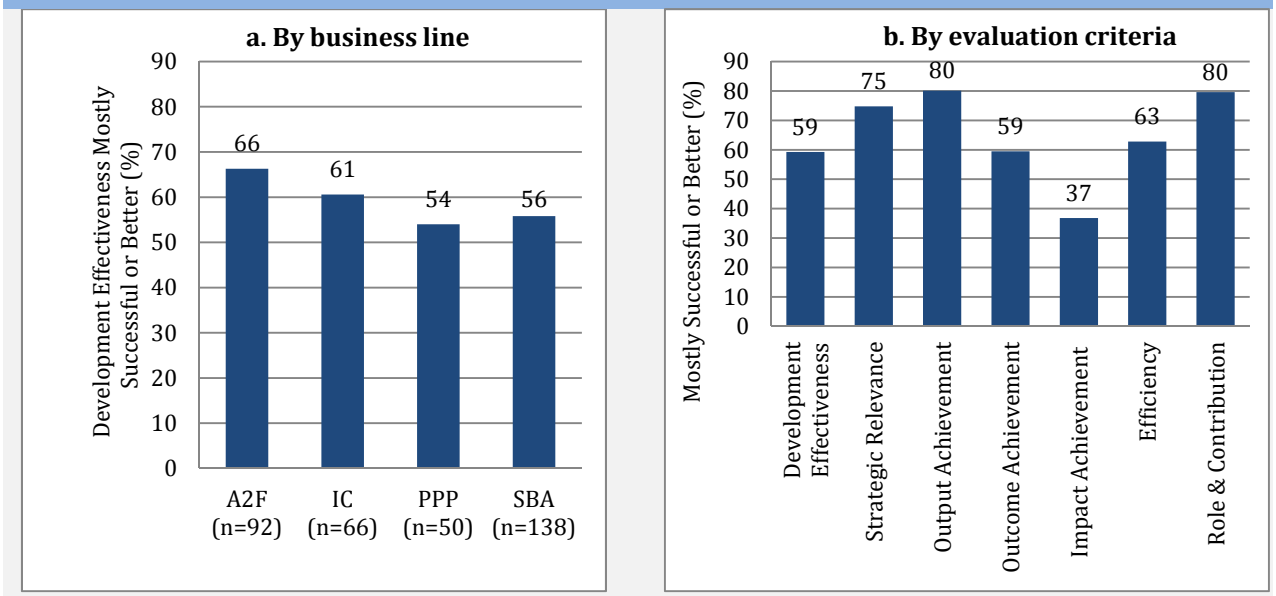
- *Banking:* In a large country in Central Africa, only 0.5 percent of the population had bank accounts because of high fees, a lack of bank branches, and limited banking services to large enterprises and the rich. The rest of the population kept their money at home and only had access to street credit at 50 to 70 percent monthly interest. The IFC-supported bank was the first to open branches in urban commercial and residential neighborhoods where ordinary people lived, and to offer no fee savings accounts. Simply having a secure savings account and access to credit enabled people, including many women, to gain the means and the security to help lift themselves out of poverty.
- *Water:* A project in a major East Asian capital city included the creation of a partnership between an IFC-supported water company and community officials that empowered local community associations to mobilize household savings, plan and implement water supply and sanitation schemes, and collect the monthly user fees. Thanks to a grant from the Global Partnership on Output-Based Aid, communal cost sharing, and other economies, the cost of water supply was reduced by about 60 percent. This allowed a major buy-in on the part of the poor.
- *Forestry:* A farm forestry project in South Asia supplied nursery trees on credit to local farmers to enable them to supply pulpwood to an IFC-supported pulp mill. The project design, however, failed to consider that only middle-to-upper middle-income farmers with a diversity of crops would be able to wait out the multiyear gestation period of the trees before earning any income from their investment. Small farmers, who made up over two-thirds of all participating farmers, were more dependent on generating yearly income, and their livelihood realities led them to cut their trees before they had reached the optimal size, with the unintended result of becoming unable to repay their loan to the pulp mill and increasing their indebtedness.
- *Telecom:* A telecom project in East Africa helped small businesses or individuals in remote villages offer local phone services on a pay-per-use basis in kiosks. The expectation was that farmers would use the service to obtain price information and other market intelligence to enable them to increase their farm incomes and access alternative sources of income. Lack of adequate consultations between the company and potential users, however, failed to elicit that villagers were averse to discuss business matters in public, which led to demand for the service being far lower than expected. Soon after, the demand evaporated altogether following the arrival of mobile phones.

The fundamental lesson emerging from these four case studies is that development projects work better when they are based on a sound and thorough understanding of the microeconomic and cultural conditions prevailing among the people for whom the projects are intended.

PERFORMANCE OF IFC ADVISORY SERVICES

The performance of IFC's Advisory Services has remained just below IFC's target success rate of 65 percent. IEG's development effectiveness ratings of 346 projects closed in FY08–12 indicate that 59 percent of IFC's AS operations for which ratings could be assigned have had a development effectiveness rating of mostly successful or better. IDA and non-IDA countries experienced the same level of performance (60 percent). Africa and the East Asia and Pacific Regions had the lowest effectiveness success rates at just below 50 percent, driven mainly by low results for the Sustainable Business Advisory, whereas Europe and Central Asia, South Asia, and the Latin America and the Caribbean Regions performed best. As shown in Figure E.10, both the ability to assign ratings in evaluation dimensions and the incidence of positive ratings declined from outputs to outcomes and to impacts. Thus, IEG assigned ratings for impact achievement only for 193 projects (or 46 percent of projects), and rated 37 percent of these projects positively. This reflects, to a large extent, the time it takes for project-supported changes in behaviors and policies (outcomes) to produce tangible impacts, which are often not achieved at the time of project closing. This would call for post completion monitoring in select cases to verify outcomes and impacts of the project.[8]

Figure E.10. IFC Advisory Services Success Rates (FY08–12)



Source: IEG data September 30, 2013.
Note: Results for FY12 include preliminary ratings. A2F = Access to Finance, IC = Investment Climate, PPP = Public-Private Partnerships, SBA = Sustainable Business Advisory.

Among business lines, Access to Finance (A2F) was the best performing. Sixty-six percent of projects were rated mostly successful or better for development effectiveness over FY08–12.[9] IEG found that joint A2F Advisory Services and investments targeted

toward extending lending to women were particularly successful, while more broad SME lending and microfinance initiatives performed below the A2F average. Women in Business projects took an innovative approach to help clients develop new financial products for women, and also building women's capacity to present bankable projects. Greenfield microfinance capacity building projects frequently required more time than expected to achieve targeted results given weak absorptive capacity of the microfinance institutions and evolution of the regulatory system.

Public-Private Partnership and Sustainable Business Advisory projects had lower development effectiveness ratings. PPP and SBA projects rated mostly successful and better in about 55 percent of projects. IEG's analysis suggests that PPP projects are more risk intensive (in terms of individual risk factors identified at appraisal) than those in other business lines. Lack of political will of government clients, along with challenging country conditions (social, political, and legal readiness for the PPP transactions), were the main factors affecting projects that performed poorly. As a result of waning client commitment, strategic relevance weakened during implementation. Nevertheless, IFC's additionality was visible in both successful and failed PPP projects. Key elements of additionality were its global knowledge and expertise, and its role as an honest broker.

IFC-supported Public-Private Partnerships performed better when supported by Bank sector reforms, by client commitment and political will, and when implemented by experienced sponsors. A review of PPP advisory and investment projects undertaken by IFC in Africa confirmed the importance of client commitment and political will as top drivers for the success of PPP advisory projects. The presence of World Bank sector reform, strong commitment to the PPP from the government, and sponsors with proven experience supported the success of IFC PPP investments. IFC's nonfinancial additionality, for example, through IFC's technical expertise during due diligence, was as important as financial additionality in PPP investments in Africa.

Sustainable Business Advisory projects showed a significant variation among regions, with Europe and Central Asia and South Asia performing highly, while Sub-Saharan Africa and East Asia and Pacific underperformed. The East Asia and Pacific Region experienced failed projects related to value chains and introduction of environmental, social, and industry standards. Such projects tended to perform poorly mainly due to a lack of market incentives for such standards. In Africa, failed projects are not related to a specific product (after excluding HIV/AIDS in Africa projects, which were phased out by IFC because of low performance, the SBA success rate for the region is still only 25 percent). Projects in Africa had a combination of shortcomings ranging from lack of client commitments or inadequate partner selection to lack of strategic relevance for IFC and ambiguous objectives without properly defined activities and insufficient project planning. In addition, the proportion of projects where ratings could not be verified due

to poor quality monitoring and evaluation systems or completion reports was higher in Africa than for any other region (18 percent).

Investment Climate advisory projects experienced average development effectiveness ratings—61 percent mostly successful or better—even though they were implemented, on average, in higher risk country environments compared with other advisory services business lines. After PPP, IC presents the highest incidence of too early to judge ratings at the impact level. Most IC projects aim to implement legal and regulatory reforms or institutional changes that take time to materialize. Therefore impacts cannot realistically be observed at project completion.

IEG's evaluation of Bank Group support to FCS noted that IC reform was necessary, given the particularly challenging business environment in these countries, but not sufficient for private sector development. The results of Bank Group support for these reforms had been mixed due to weak capacity in FCS to execute and implement reforms, and political and economic issues, among others. Even where reforms were adopted, implementation and application of the law in practice was challenging, requiring sustained implementation support and more realistic time horizons and results frameworks to achieve results. Projects that focused on a few key priority issues and provided hands-on support were found to have a better chance of succeeding (IEG 2014).

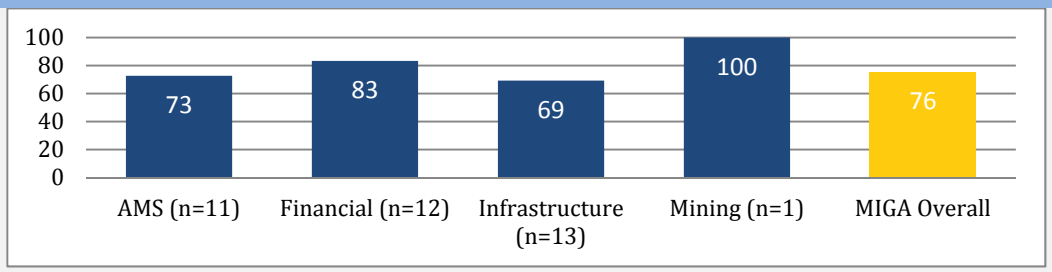
PERFORMANCE OF MIGA GUARANTEES

Evaluated MIGA projects have relatively good development outcome ratings, albeit those in IDA countries and the infrastructure sector performed below average. Of 37 evaluated guarantee projects from FY09–12, 76 percent were rated satisfactory in terms of their overall development outcome (Figure E.11).[10] The success rate was higher for projects in non-IDA countries (85 percent of 20 projects) than in in IDA countries (65 percent of 17 projects). Africa had the largest number of projects, 16 (43 percent of the total) but the lowest share of successful outcomes (56 percent). Among sectors, financial projects had the highest success rate (83 percent), followed the Agribusiness, Manufacturing, and Services (AMS) sector 73 percent) and infrastructure (69 percent**).**

MIGA's Small Investment Program (SIP)[11] has been relevant to support smaller size MAS projects, but operational results in FCS have been low. By number of projects, 73 percent of SIP projects were in the AMS sectors (FY06–12). The program has been relevant in extending MIGA's reach in its strategic priority areas. This was particularly true for FCS countries, which account for one-third of SIP projects. MIGA's early engagement, focus on projects in relevant sectors, and use of an innovative instrument have been relevant to developing SMEs that are typical of FCS economies. But the viability of SIP projects has been challenging, due in part to their location in high-risk

countries and the riskier nature of smaller firms. Projects in FCS countries encountered low demand for their services; poor access to infrastructure; weak management capacity; poor choice of local partners; underestimating constraints and operating costs; and lack of knowledge of local markets.

Figure E.11. MIGA Development Outcomes Ratings (percentage)



Source: IEG data September 30, 2013.
Note: AMS = Agribusiness, Manufacturing, and Services sector.

MIGA offers SIP guarantees at a capped premium, but the costs associated with underwriting and supervising a SIP guarantee can be significant, requiring more intensive support to guarantee holders and follow up supervision of projects sensitive to environmental and social effects. Addressing the effectiveness and costs of the program in FCS will remain a priority for MIGA. Tables E.1 to E.6 provide detailed data on portfolio trends and performance.

Table E.1. Representativeness of the 2010-2012 Net Approvals Population for IFC Investments

	Number of Investments					Value of Investments (US$ millions)				
	2010-2012 XPSRs		2005-2007 NAP		(c) =	2010-2012 XPSRs		2005-2007 NAP		(c) =
	(a)		(b)		(a)/(b)	(a)		(b)		(a)/(b)
	Number	Percentage	Number	Percentage	Percentage	Amount	Percentage	Amount	Percentage	Percentage
	250	100	535	100	47	7,892	100	16,561	100	48
IFC Commitment:										
Mean		-		-	-	31.81	-	30.94	-	
Median		-		-	-	16.64	-	20.00	-	
Investment Size:										
Small	51	20	106	20	48	196	2	400	2	49
Medium	163	65	353	66	46	3,987	51	8,720	53	46
Large	36	14	76	14	47	3,709	47	7,441	45	50
Total	250	100	535	100	47	7,892	100	16,561	100	48
Instruments:										
Equity only	99	40	217	40	46	3,256	41	6,602	40	49
Other	151	60	319	60	47	4,635	59	9,959	60	47
Total	250	100	536	100	47	7,892	100	16,561	100	48
Sectors:										
Financial markets	115	46	247	46	47	3,493	44	7,465	45	47
Nonfinancial markets	135	54	289	54	47	4,399	56	9,096	55	48
Total	250	100	536	100	47	7,892	100	16,561	100	48
Departments:										
Agribusiness	25	10	54	10	46	636	8	1,510	9	42
Global Financial Markets Group	96	38	205	38	47	3,225	41	6,770	41	48
Global Information and Communications Technology	14	6	27	5	52	356	5	790	5	45
Global Manufacturing and Services	41	16	88	16	47	1,307	17	2,593	16	50
Health and Education	10	4	21	4	48	183	2	306	2	60
Infrastructure	23	9	50	9	46	742	9	1,708	10	43
Oil, Gas, Mining, and	23	9	50	9	46	1,190	15	2,219	13	54

	Number of Investments					Value of Investments (US$ millions)				
	2010-2012 XPSRs		2005-2007 NAP		(c) =	2010-2012 XPSRs		2005-2007 NAP		(c) =
	(a)		(b)		(a)/(b)	(a)		(b)		(a)/(b)
	Number	Percentage	Number	Percentage	Percentage	Amount	Percentage	Amount	Percentage	Percentage
	250	100	535	100	47	7,892	100	16,561	100	48
Chemicals										
Private Equity and Investment Funds	18	7	40	7	45	253	3	663	4	38
Total	250	100	535	100	47	7,892	100	16,561	100	48
Regions:										
Sub-Saharan Africa	32	13	70	13	46	744	9	1,684	10	44
East Asia and Pacific	36	14	82	15	44	1,456	18	2,576	16	57
South Asia	27	11	56	10	48	814	10	1,581	10	51
Central and Eastern Europe	38	15	77	14	49	756	10	2,169	13	35
Southern Europe and Central Asia	27	11	58	11	47	1,153	15	2,187	13	53
Latin America and Caribbean	62	25	131	24	47	2,144	27	4,691	28	46
Middle East and North Africa	24	10	53	10	45	811	10	1,605	10	51
World	4	2	8	1	50	14	0	67	0	20
Total	250	100	535	100	47	7,892	100	16,561	100	48
Indicative Performance:										
(i) all investments:[a]										
With loss reserves	7	3	15	3	47	170	2	728	4	23
Without loss reserves	243	97	521	97	47	7,722	98	15,833	96	49
Total	250	100	536	100	47	7,892	100	16,561	100	48
(ii) all investments:[b]										
With write-offs	46	18	101	19	46	1,401	18	2,862	17	49
Without write-offs	204	82	435	81	47	6,491	82	13,700	83	47
Total	250	100	536	100	47	7,892	100	16,561	100	48
Status:										
Active	207	83	441	82	47	6,891	87	14,239	86	48
Closed	43	17	94	18	46	1,000	13	2,322	14	43
Total	250	100	535	100	47	7,892	100	16,561	100	48

a. Amounts with loss reserves are the IFC approved investments that are affected by loss reserves (and not the actual amount reserved).

b. Amounts with write-offs are the IFC approved investments that are affected by write-offs (and not the actual amount written-off).

Table E.2. IFC Investment Commitments, FY08-13

IFC Investments	Number of Investments FY08-10	Total Commitment FY08-10 (US$ millions)	Number of Investments FY11-13	Total Commitment FY11-13 (US$ millions)	Share of Total in Percentage FY08-10	Share of Total in Percentage FY11-13	Growth in Commitment between FY08-10 and FY11-13
By Development Goal							
I. Expanding Economic Opportunities and Strengthening Institutions	859	26,347	830	36,538	73	81	39
II. Building Infrastructure for Growth	257	8,734	302	7,043	24	16	-19
III. Enhancing Human Development	49	965	56	1,520	3	3	57
Global Product Group	2	8	3	59	0	0	
Total	1,167	36,054	1,191	45,159	100	100	25
By Region							
East Asia and the Pacific	154	3,997	183	6,704	11	15	68
Europe and Central Asia	249	7,627	267	8,624	21	19	13
Latin America and the Caribbean	281	8,528	251	10,958	24	24	28
Middle East and North Africa	116	4,268	84	5,077	12	11	19
South Asia	118	3,425	145	3,515	10	8	3
Sub-Saharan Africa	211	5,827	219	8,080	16	18	39
World	38	2,382	42	2,201	7	5	-8
Total	1,167	36,054	1,191	45,159	100	100	25
By Cluster							
Financial Markets	577	19,073	571	28,226	53	63	48
Manufacturing, Agribusiness, and Services (MAS)	331	8,239	315	9,832	23	22	19
Infrastructure and Natural Resources (INFRA)	257	8,734	302	7,043	24	16	-19
Global Product Group	2	8	3	59	0	0	
Total	1,167	36,054	1,191	45,159	100	100	25
By Industry Group							
Financial Markets	363	9,403	414	9,590	26	21	2
Funds	80	2,399	64	1,487	7	3	-38
Trade Finance	134	7,272	93	17,149	20	38	136
Agribusiness and Forestry	109	2,069	100	2,794	6	6	35
Manufacturing	102	3,621	92	3,216	10	7	-11
Consumer and Social Services	113	2,296	112	3,387	6	7	47
Other MAS Sectors	7	252	11	436	1	1	73
Infrastructure	126	5,179	179	4,498	14	10	-13
Telecommunications and Information Technology	57	1,373	58	1,073	4	2	-22
Other INFRA Sectors	9	298	12	342	1	1	15
Oil, Gas, and Mining	65	1,884	53	1,129	5	2	-40
Global Product Group (Climate Business Group/Corporate Strategy Group)	2	8	3	59	0	0	
Total	1,167	36,054	1,191	45,159	100	100	25
By IDA/non-IDA							
IDA	441	10,777	463	15,704	30	35	46
Non-IDA	592	19,613	602	24,063	54	53	23
Region and World	134	5,665	126	5,393	16	12	-5
Total	1,167	36,054	1,191	45,159	100	100	25
By Instrument							
Equity	320	6,189	385	5,554	17	12	-10
Loan	599	23,138	638	35,649	64	79	54
Equity and Loan	72	2,962	42	1,425	8	3	-52
Total	991	32,289	1,065	42,628	98	97	32
By Country's Fragile State							
Fragile situations	104	1,218	71	1,552	3	3	27
Nonfragile	1,063	34,837	1,120	43,607	97	97	25
Total	1,167	36,054	1,191	45,159	100	100	25

Table E.3. IFC Investment Development Outcome and IFC Work Quality Ratings, 2007-2012

IFC Evaluated Investment Project Ratings	Development Outcome Percentage High (3-year rolling averages)		IFC Work Quality Percentage Satisfactory (3-year rolling averages)		IFC Appraisal Work Quality Percentage Satisfactory (3-year rolling averages)		IFC Supervision Work Quality Percentage Satisfactory (3-year rolling averages)		Work Quality: IFC Role and Contribution Percentage Satisfactory (3-year rolling averages)	
	2007-2009	2010-2012	2007-2009	2010-2012	2007-2009	2010-2012	2007-2009	2010-2012	2007-2009	2010-2012
BY DEVELOPMENT GOAL										
I. Expanding Economic Opportunities and Strengthening Institutions	71	65	75	71	72	62	81	85	80	73
II. Building Infrastructure for Growth	80	63	86	81	84	63	86	92	84	73
III. Enhancing Human Development	86	82	86	91	86	82	86	100	100	91
Grand Total	74	65	78	74	75	63	82	87	82	74
BY IBRD/IDA										
IDA and Blend	62	52	73	61	73	50	86	82	82	60
Non-IDA	79	73	80	80	76	69	80	89	81	81
Not applicable	67	57	81	78	76	70	86	91	86	74
Grand Total	74	65	78	74	75	63	82	87	82	74
BY INSTRUMENT TYPE										
Equity	70	51	76	71	70	62	87	91	81	56
Loan	75	71	78	75	77	63	78	86	81	80
Equity and loan	71	70	84	77	74	67	95	87	84	80
Grand Total	74	66	78	74	75	63	82	87	82	74
BY CLUSTER										
Financial Markets (FM)	72	59	75	70	71	60	79	81	80	75
Infrastructure and Natural Resources (INFRA)	80	63	86	81	84	63	86	92	84	73
Manufacturing, Agribusiness, and Services (MAS)	72	75	77	76	73	67	83	92	82	73
Grand Total	74	65	78	74	75	63	82	87	82	74
BY REGION-7										
Sub-Saharan Africa	58	50	78	69	72	52	83	79	78	72
East Asia and Pacific	65	65	66	71	66	59	79	85	76	68
Europe and Central Asia	73	63	82	73	76	65	79	89	83	76
Latin America and the Caribbean	86	74	82	83	82	74	84	86	84	83
Middle East and North Africa	64	71	79	83	79	71	71	96	79	79
South Asia	80	64	73	64	73	48	100	88	80	56
World	75	50	100	50	50	50	100	100	100	50
Grand Total	74	65	78	74	75	63	82	87	82	74
BY INDUSTRY GROUP CLASSIFICATION										
Agribusiness and Forestry	77	67	78	70	70	61	87	94	91	67
Consumer and Social Services	73	78	82	83	77	83	86	94	77	83
Financial Markets	72	64	71	71	68	60	77	81	78	75
Funds	72	35	89	65	83	65	89	82	89	71
Infrastructure	96	74	100	85	96	74	87	96	91	74
Manufacturing	69	88	73	80	73	68	77	88	77	76
Oil, Gas, and Mining	80	58	100	92	100	75	100	83	90	92
Other FM Sectors	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other INFRA Sectors	100	N/A	50	N/A	50	N/A	100	N/A	100	N/A
Other MAS sectors	0	33	N/A	67	N/A	33	N/A	100	N/A	67
Telecommunications and Information Technology	53	46	60	62	60	31	73	92	67	54
Grand Total	74	65	78	74	75	63	82	87	82	74

Table E. 4. IFC Advisory Services Performance Summary, FY08-12 (percentage)

	Number	Development Effectiveness	Strategic Relevance	Output Achievement	Outcome Achievement	Impact Achievement	IFC Role and Contribution
By Region							
East Asia and the Pacific	59	47	68	80	48	27	75
Europe and Central Asia	61	77	82	97	80	57	90
Latin America and the Caribbean	64	67	79	85	63	56	84
Middle East and North Africa	68	61	71	76	63	11	81
South Asia	50	74	80	86	72	55	88
Sub-Saharan Africa	102	48	74	71	47	26	74
World	16	30	67	53	38	20	47
Total	420	59	75	80	59	37	80
By IDA/non-IDA							
IDA	209	60	74	81	61	37	82
Non-IDA	162	60	75	82	58	38	81
Region and World	49	54	77	72	58	25	66
Total	420	59	75	80	59	37	80
By Business Line							
A2F	112	66	76	82	66	49	74
IC	91	61	74	83	58	36	92
PPP	57	54	72	67	55	14	88
SBA	160	56	75	82	58	35	74
Unknown							
Total	420	59	75	80	59	37	80
By Country's Fragile state							
Always FCS (IDA)	21	50	60	70	59	11	85
Transitional FCS (IDA)	29	58	68	82	60	42	86
Non- FCS (IDA)	85	56	81	78	54	41	80
IBRD and Blend	285	61	75	81	61	37	78
Total	420	59	75	80	59	37	80
By Pillar							
Building infrastructure for growth	57	144	72	67	55	14	88
Ensuring environmentally and socially sustainable development	35	173	74	91	61	31	80
Expanding economic opportunities	328	178	75	81	60	41	78
Total	420	59	75	80	59	37	80

Note: Of the 420 projects of IFC advisory services activities closed in FY08-12 in IEG's sample, IEG was able to assign development effectiveness ratings to 346 (or 82 percent of the total).

Table E.5. MIGA Guarantee Issuance, FY08-13 (maximum aggregate liability)

MIGA	Number of MIGA Projects FY08-10	Total Guarantee FY08-10 (US$ millions)	Number of MIGA Projects FY11-13	Total Guarantee FY11-13 (US$ millions)	Share of Total in percentage FY08-10	Share of Total in percentage FY11-13	Growth in number of Projects in percentage FY08-10 and FY11-13	Growth in guarantee in percentage between FY08-10 and FY11-13
By Region								
Asia	7	138	11	1,625	3	21	57	1,079
ECA	32	3,555	33	2,643	72	34	3	-26
LAC	7	211	6	442	4	6	-14	110
MENA	4	431	7	613	9	8	75	42
Africa	30	572	38	2,393	12	31	27	319
Total	80	4,906	95	7,717	100	100	19	57
By IDA/non-IDA								
IDA	41	1,103	52	3,651	22	47	27	231
Non-IDA	39	3,803	43	4,066	78	53	10	7
Total	80	4,906	95	7,717	100	100	19	57
By Country Risk (historical)								
High risk	31	935	32	1,928	19	25	3	106
Medium risk	19	1,073	29	2,786	22	36	53	160
Low risk	23	1,927	22	2,524	39	33	-4	31
Not rated	7	972	12	478	20	6	71	-51
Total	80	4,906	95	7,717	100	100	19	57
By Country's Fragile State								
Fragile Situations	12	504	14	1,659	10	21	17!	229
Nonfragile Situations	65	4,402	81	6,058	90	79	25	38
Total	80	4,906	95	7,717	100	100	19	57
By Sector								
AMS	25	233	49	1,335	5	17	96	473
Infrastructure	17	1,009	22	3,839	21	50	29	281
Financial	37	3,439	19	1,564	70	20	-49	-55
Oil, Gas, and Mining	1	225	5	979	5	13	400	335
Total	80	4,906	95	7,717	100	100	19	57

Note: 'Fragile situations' reflects the definition of FCS adopted by IEG's *report World Bank Group Assistance to Low Income Fragile and Conflict-Affected States* (2013).

Table E.6. MIGA Project Evaluation Reports Included in RAP 2013

Evaluation Year	ID	Project Enterprise	Sector	Country	Region	Approval FY
FY09	5035	Barclays Bank of Ghana, Ltd	Financial	Ghana	AFR	2006
FY09	6251	Meridian Development, Ltd	AMS	Ghana	AFR	2006
FY09	4386	Cotecna Destination Inspection, Ltd	AMS	Nigeria	AFR	2006
FY09	4906	Manaksia India Nigeria, Ltd (MINL)	AMS	Nigeria	AFR	2005
FY09	6725	SGS Scanning Nigeria, Ltd	AMS	Nigeria	AFR	2006
FY10	5054	Anvil Mining Congo, SARL	Oil, Gas, Mining	Dem. Rep. of Congo	AFR	2005
FY10	6572	PT MTU Detroit Diesel Indonesia	AMS	Indonesia	Asia	2006
FY10	4597	Hydelec BPA Madagascar	Infrastructure	Madagascar	AFR	2008
FY10	1810	Manila North Tollways Corporation	Infrastructure	Philippines	Asia	2002
FY10	4912	HVB Bank Romania	Financial	Romania	ECA	2004
FY10	7207	Commercial Bank Delta Credit CJSC	Financial	Russian Federation	ECA	2007
FY10	7583	ZAO UniCredit Bank Russia	Financial	Russian Federation	ECA	2009
FY10	6246	JSBC Raiffeisen Bank Ukraine	Financial	Ukraine	ECA	2005
FY10	5764	Shenzhen Water Co, Ltd	Infrastructure	China	Asia	2006
FY11	6044	Raiffeisen Leasing d.o.o. Croatia (*)	Financial	Croatia	ECA	2005
FY11	6991	Banco Rabobank International Brasil S.A.	Financial	Brazil	LAC	2005
FY11	6919	Aarti Steel (Nigeria) Limited	AMS	Nigeria	AFR	2007
FY11	6153	Vila do Conde Transmissora de Energia, Ltd.	Infrastructure	Brazil	LAC	2007
FY11	6589	Areeba/MTN Afghanistan LLC (*)	Infrastructure	Afghanistan	Asia	2007
FY11	7171	Botnia S.A.	AMS	Uruguay	LAC	2007
FY11	6353	Termoguayas Generation S.A.	Infrastructure	Ecuador	LAC	2007
FY11	6057	The Societe Cotonniere du Gourma S.A.	AMS	Burkina Faso	AFR	2005
FY11	7212	Orange Bissau S.A.	Infrastructure	Guinea-Bissau	AFR	2008
FY11	7147	Congo Equipment SPRL	AMS	Dem. Rep. of Congo	AFR	2008
FY11	5180	ENSER S.A.E.	Infrastructure	Egypt	AFR	2005
FY11	5694	Priorbank JSC Minsk	Financial	Belarus	ECA	2005
FY11	4597	Hydelec Sahanivotry Madagascar S.A.	Infrastructure	Madagascar	AFR	2008
FY11	5165	Trade and Development Bank	Financial	Mongolia	Asia	2006
FY12	7213	Orange Centrafrique S.A.	Infrastructure	Central African Republic	AFR	2008
FY12	7555	Chongqing Water Group Co., Ltd	Infrastructure	China	Asia	2009
FY12	6157	Porto Primavera	Infrastructure	Brazil	LAC	2009
FY12	7598	Cotecna Inspection SA, Senegal Branch	AMS	Senegal	AFR	2009
FY12	6167	Societe Burkinabe de Promotion Hoteliere	AMS	Burkina Faso	AFR	2007
FY12	7135	Autopistas del Sol S.A.	Infrastructure	Costa Rica	LAC	2008
FY12	7933	KBC Bank - Absolut Bank	Financial	Russian Federation	ECA	2009
FY12	7980	Unicredit Bank Hungary Zrt. (BACH)	Financial	Hungary	ECA	2009
FY12	8060	Unicredit Bank Serbia JSC	Financial	Serbia	ECA	2009

AMS = Agribusiness, Manufacturing and Services sector

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Notes

[1] Short-Term Finance (STF) operations are defined on the basis of their short maturity (less than five years) and revolving nature. They include all Trade Finance (TF) operations (92 percent of all STF commitments) plus warehouse receipt financing, receivable financing, factoring, etc. operations in the manufacturing (2 percent), financial markets (3 percent), consumer and social services (3 percent), and agribusiness and forestry sectors (0.3 percent).
[2] Core mobilization is financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources.
[3] IEG's analysis of IFC commitments in IDA-eligible countries excludes regional and global projects, some of which may cover IDA countries.
[4] Reviewing and, if necessary, adapting MIGA's product range in view of the needs of its clients and changed circumstances in the PRI industry was previously recommended by IEG (IEG 2009).
[5] As discussed in chapter 4 of the main report, outcome ratings of IFC investments (and MIGA guarantees) are not directly comparable with those of Bank operations, given that the former are assessed both against market benchmarks and achievement of objectives.
[6] This decline is statistically significant at the 90 percent confidence interval.
[7] Ratings from IFC's Development Outcome Tracking System (DOTS), covering all active companies in IFC's portfolio, show a success rate of 70 percent for the financial markets sector as of FY13. However, there is a significant variance between DOTS and IEG XPSR ratings for the same cohorts of projects. For example, in 2011 development outcomes ratings in DOTS were mostly successful and above for 78.1 percent of projects, compared with IEG's 67.2 percent for the same sample of projects (64 projects were rated by both systems).
[8] IFC has launched an AS post-implementation monitoring system to obtain better information on the sustainability of AS interventions and later-stage outcomes and impacts.
[9] This compares with an overall IFC average of 37percent Advisory Services and Investment Services linkage, with SBA at 46 percent, PPP at 8 percent, and IC at 3 percent.
[10] Including 15 self-evaluations of guarantees prepared by MIGA since FY10, validated by IEG; 22 project evaluation reports done by IEG.
[11] The SIP is a special facility to process eligible guarantees of up to $10 million.

Appendix F
Risk and Results

This appendix contains details of the method, empirical data, and record of results that were obtained in the analysis of risks and results within the World Bank Group. It supplies the evidence for the observations and conclusions that are discussed in the main text of chapter 3. It provides an overview of the risk management architecture in the three Bank Group agencies. The analytical section of the appendix divides into two parts: Part A deals with the World Bank and Part B with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

Risk Management Architecture

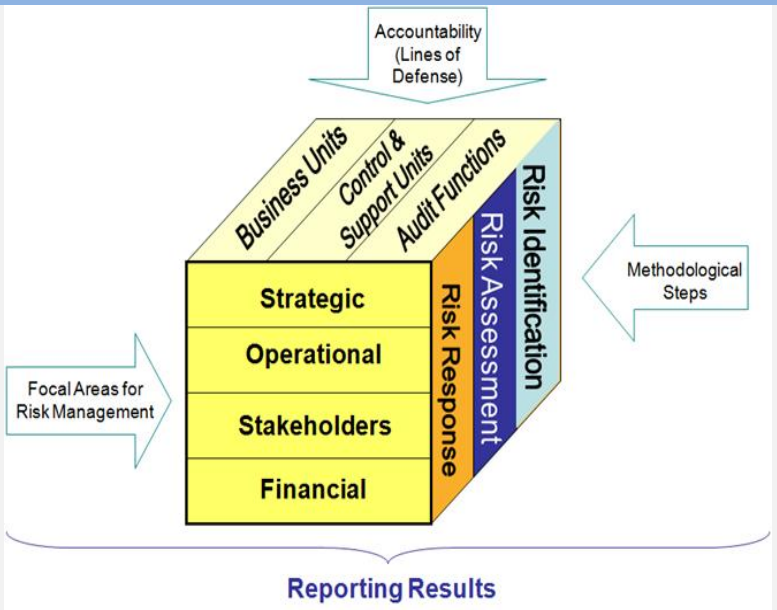
The Bank Group has an essentially federal structure of risk management, with each agency having its own structure, and complementarities that support the Group as a whole. Each agency has systems that track risks at the entity, country, and project levels but there are distinct differences between the agencies as to how this is done, and as to how project-level operational risk translates into corporate risk at the agency level. The Bank is a sovereign lender, mainly concerned with development impact whose overall financial standing is largely independent of the financial outcome of its projects; the IFC is concerned with development impact, but is also a profit center whose financial standing is linked directly to its project investments and loans. MIGA is a guarantee agency mainly concerned with country-level political and other risks whose focus is not on individual project risk ratings.

The Bank itself has a highly articulated risk management and internal controls structure, built around its adoption (in 1995) of the Committee of Sponsoring Organizations of the Treadway Commission framework, and its (later) adjunct Integrated Risk Management Framework (IRMF) (see Figure F.1). The Bank has achieved best practice standards of annual financial reporting under these frameworks, and it has conducted periodic reviews of its internal controls. As part of its apex system the Bank also has appointed a Chief Risk Officer and continues to present to the Board an annual Integrated Risk Management Report (IRMR), currently in its fourth edition. The IRMR (a confidential document) assesses 42 risk factors, based on a Bank-wide survey of operational and service units and is the Bank's principal apex risk management instrument.

There are presently two Presidential Change Working Groups appointed by management and working under close coordination with the Senior Vice President for Change Management: Client Impact and Results; and Risk and Accountability. These groups are exploring the scope for possibly shifting the Bank's risk focus away from what is seen as a risk avoidance and compliance culture, to a more client-focused and solutions-based "smart risk" approach which could lead to some changes in the how the IRMF is conceived and applied. Nevertheless, as shown in Figure F.1, its four major risk focal areas (Corporate and Strategic Risk; Financial Risk; Stakeholder Risk; and Operational Risk) continue to be useful to reporting on Bank risk issues and the Independent Evaluation Group (IEG) has studies in each of these areas which have informed the writing of this chapter.

Managing Risk in the IFC and MIGA. IFC's and MIGA's approaches to risk management derive from their development mandates and the need to manage financial risk. IFC has stated that prudent risk management enables it to play a countercyclical role, and to allocate resources to investments in high risk markets. Both IFC and MIGA have underpinned their risk management strategy with a capital adequacy framework (since FY07) based on an economic capital framework. More recently, IFC and MIGA have further aligned their overall risk frameworks with the Bank Group wide IRMF.

Figure F.1. Depiction of the Bank's Present Integrated Risk Management Frameworks



Highlights from the Statistical Analysis

PART A: THE WORLD BANK

Purpose, Scope, and Approach

Purpose. The purpose of this analysis—focused on operations risk— was to explore the evidence which could throw light on the extent to which the treatment of risk in Bank financed investment projects and policy lending operations was a factor in the performance outcome of those projects. This evidence is important to the deliberations currently underway in the Bank Group, where key risk management tools are being reformed and where new approaches to risk management are being considered, within the context of increased emphasis on project results monitoring.

Scope and Sample. The scope of the analysis was limited to a random sample of investment loans and development policy lending (DPL) operations whose Implementation Completion Reports (ICRs) had been reviewed by IEG in the past two years, and whose project appraisal documents (PADs) were readily available and complete as to risk ratings data. From a potential universe of 598 projects and 200 DPL programs, whose IEG completion reviews were written during FY11–13, a sample was drawn and data extracted from 200 investment lending (IL) projects and 30 DPLs. For the IL projects, the data for risk ratings were taken from the PADs found in the Operations Portal and were organized into the four risk categories: high; substantial; moderate; and low.[1] The data for outcomes was found from the IEG ICR database, using the IEG ratings (as opposed to the self-ratings in the ICRs) and organized into the six categories of outcome: highly satisfactory; satisfactory; moderately satisfactory; moderately unsatisfactory; unsatisfactory; and highly unsatisfactory. For the DPL loans there are no risk ratings, but risk types and categories were examined, and outcome ratings are recorded, which gave a basis for broad comparison with IL projects.

Use of Economic Rates of Return. It should be emphasized that, for IL projects, the measures of project results did NOT involve compilation of data for the economic rates of return (ERRs) planned or achieved in projects (although a separate analysis was done on the small share of projects for which ERRs had been recorded in the PADs or ICRs). This does not mean that the data used to measure outcomes were exclusive of ERRs, because in some portion of the projects (about 30+ percent in this sample) where ERRs were in fact calculated, the IEG outcome ratings for the projects no doubt included some reference to the ERR actually achieved. There is no doubt that using ERRs as a measure of outcomes can add important insights into the risk-reward relationships in projects where ERRs are actually estimated ex ante and calculated ex post, but given the relatively minor share of projects for which this is the case it was decided for the

present analysis to base the project outcomes on the composite six-tier IEG outcomes ratings.

Risk Concepts. An additional issue relating to the project sample had to be confronted, in that only in a minority of cases did the project documents record residual risk (i.e., the assessed risk to a project after taking into account risk mitigation measures) as being different from project risk (or initial risk); in most cases (77 percent of the total), even though mitigation measures are often listed and discussed, the PAD showed only project risk, leaving open a range of possibilities as to why: maybe the analysis was not taken far enough? Maybe it was thought that project risk and residual risk were the same (some PADs which showed residual risk did not show project risk)? Maybe the project staff thought they were reflecting post-mitigation risk but did not use the correct terminology? Ideally, it would have been best to have a project sample comprised entirely of residual risks, but the reality is that this applied to less than a quarter of the total sample (46 projects out of 200). Despite the acknowledged imperfection, a decision was therefore made to amalgamate the sample, lumping both sets of data into one. To test whether this approach would have biased the results, separate tests were also conducted on the sample of 154 project risk cases and the 46 residual risk projects. There was little difference in the major findings between the two groups, though the residual risk group had slightly lower-risk ratings overall, as would be expected.

Analytical Approach. The approach was to posit a principal hypothesis (A)—that risk levels in projects (at entry) are systematically related to their outcomes—and to posit a series of sub-hypotheses in variation of this, namely: (B) that low-risk projects tend to have better outcomes than higher-risk projects, or vice versa; and (C) that higher-risk projects have greater variability in outcomes. The method was to conduct a combination of correlations, simple regressions and quadrant analysis in order to test these hypotheses. To reduce both sets of data to a common basis they were first quantified: for risk ratings by giving the four categories numeric weights from 1 to 4; for outcomes by doing the same across the six outcome categories with weights from 1 to 6. The data are displayed in summary tables, regression coefficients, bar charts, and quadrant spread sheets. Similar analysis was conducted separately for investment loans and DPL operations, and for disaggregated groupings by country groups and major sectors.

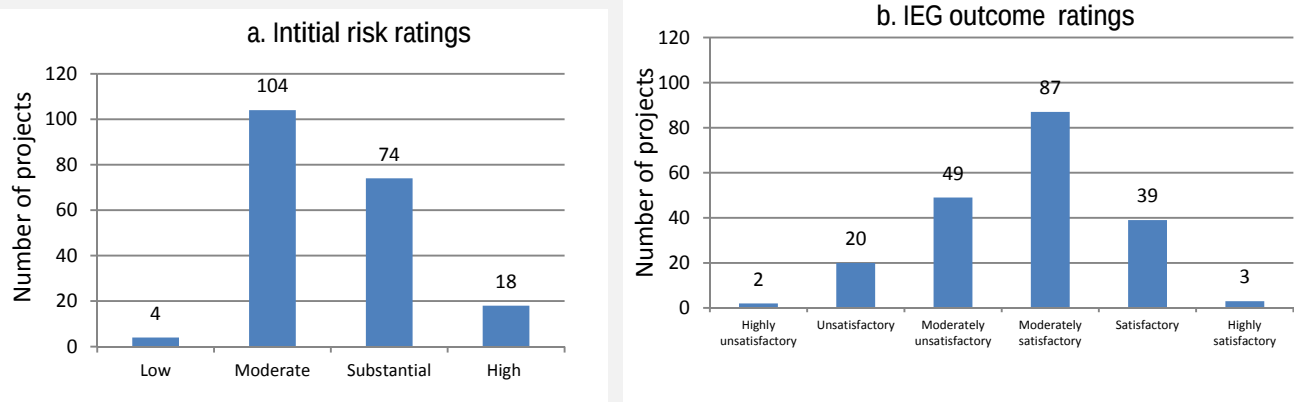
As an extension of the at-entry analysis for investment loans, data were also collected from Implementation Status and Results (ISRs) reports to show risk management practices during project implementation. In this case the principal hypothesis tested was: projects which show dynamic risk management during their implementation (measured by the frequency of risk rating changes through the life of the project) have better outcomes.

Findings

Investment Loans, Hypothesis A. That risk ratings reflect a systematic relationship to project outcomes.

At-Entry Risk and Outcomes. A first window on what the data from IL projects would reveal was found by recording the incidence of both risk and outcomes ratings within each of the four categories of (at-entry) risk and six categories of outcomes (Figure F.2). It is evident that both sets of data are heavily clustered around the center of the range: for risks 89 percent of the sample was clustered into substantial (37 percent) and moderate risk (52 percent), while only 9 percent was high risk and 1 percent low risk. Similarly in the case of outcomes the bulk of projects (79 percent) are rated to have been moderately satisfactory or better, with only 21 percent moderately unsatisfactory or worse. The number of projects rated highly satisfactory (3) or highly unsatisfactory (2) are a very small share of the total. In this sense there is little statistical reason to expect that regression lines plotted through the scatter plot of the two sets of data would show any marked trend, and the regression results confirmed this. To this extent it does not appear as if risk levels in projects are a major determinant of their outcomes, though clearly they are a relevant factor. Hypothesis A, therefore, cannot be rejected on this evidence but is only loosely confirmed, given that middle-order risk ratings associated with middle-order outcome ratings; in itself this does not suggest a direction for the association.

Figure F.2. The Distribution of Risk and Outcome Ratings in the Sample of 200 Investment Lending Projects



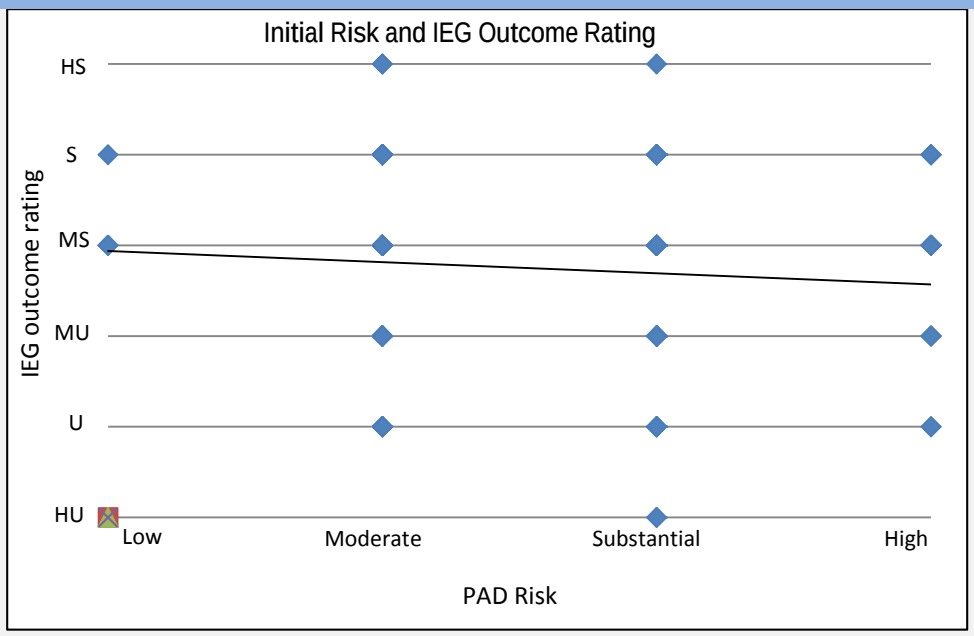
Source: IEG calculations using data from Business Warehouse and the IEG database.

Hypothesis B. Lower-risk rated projects tend to have better outcomes. A theory to support this hypothesis might be that, with fewer moving parts—in the sense of there

being factors that can interfere with the achievement of project development objectives — it is intuitively plausible that such projects are less impeded by such factors and therefore achieve their objectives more often.

Regression Analysis. If the hypothesis were to be sustained, on the basis of data displayed from lower risk to higher risk left to right on the horizontal axis, the slope of the curve would need to be negative. To test this, a simple regression was run, based on both project numbers and again on the value of project commitments, to establish the direction of the association. The risk ratings found in the PADs and the IEG outcome ratings (from ICRRs) were mapped in a scatter plot, and a line was fitted to the data. Figure F.3 shows, for project numbers, a fitted curve with a slight negative slope. This confirms the expectation that the heavy concentration of data around the central categories will flatten the regression line. However, the direction of the line, however gentle, tends to support the hypothesis that lower-risk projects tend to have better outcomes. The slope of the line indicates that on average a one unit increase in risk rating would result in a reduction in the outcome ratings, as measured by ICRR ratings, of close to 0.12. However, these results are not statistically significant and the r-squared value (0.007) is very low, further emphasizing the tentative nature of the relationship.

Figure F.3. Regression Analysis Correlating PAD Risk Ratings and IEG Outcome Ratings

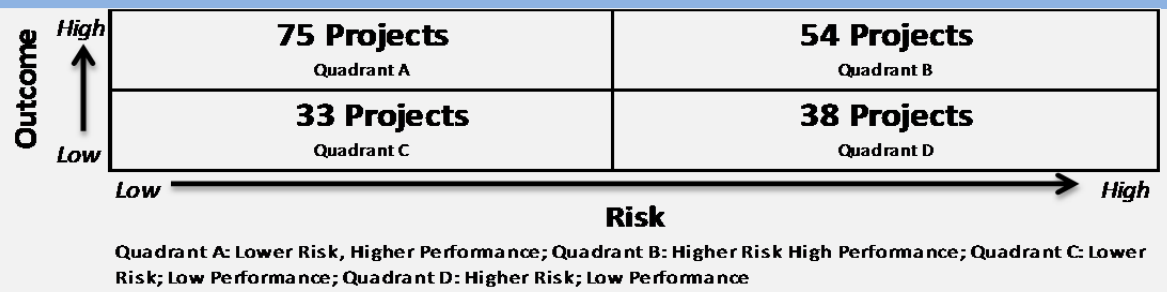


Source: IEG estimates based on Bank-wide data for risk ratings and IEG ICRRs for outcome data (FY11–13).
Note: $y = -0.1226x + 4.0601$ $R^2 = 0.0076$

Quadrant Analysis. To gain further insight into the data the same evidence was displayed in a quadrant format in which projects were grouped into four groups, showing lower risk and higher risk, and lower-performance and higher-performance

ratings, as shown in Figure F.4. It is evident that the bulk of projects (125 out of 200 or 65 percent) are in quadrants A and B, with performance ratings of moderately satisfactory or better; of these, however, 75 projects were in the lower-risk quadrant A with 54 in the higher-risk quadrant B. This simply repeats what the regression line had already revealed, namely that lower-risk projects tend to have better outcomes than higher-risk projects. Based on the data in this sample, this finding can be expressed as a probability of achieving high performance: projects whose risks were rated moderate or low at entry (i.e., projects contained in quadrants A and C) would appear to have 69 percent probability of achieving outcomes of moderately satisfactory or better, compared to 59 for those projects rated substantial or high risk (quadrants B and D). This simply repeats in the finding in a different format, somewhat more graphically than the regression curve, showing that lower-risk projects appear to have slightly better outcomes, but, again the relationship is not statistically significant.

Figure F.4. Quadrant Analysis of Risks and Outcomes by Number of Projects (n = 200)



Source: IEG estimates based on Bank-wide data for risks and IEG ICRRs for outcomes.

Quadrant Analysis by Project Values. The same quadrant analysis was conducted based on the value of project loan size rather than the number of projects. This analysis shows even more strongly than did the number of projects that lower-risk projects have better outcomes. The results indicate a much higher proportion of projects were found in quadrant A (47 percent compared to 38 percent). The suggestion is that larger projects are less risky and do better.

Figure F.5. Quadrant Analysis of Risk and Outcomes by Size of Loan Commitment (n = 200)

Source: IEG estimates based on Bank-wide data for risks and IEG ICRRs for outcomes.

Statistical Significance. A Chi-square test of independence was conducted on the quadrant analysis in order to determine whether the risk and outcome variables are independent, that is, unrelated (Table F.1). Data was first tabulated into actual and expected tables (based on how a "balanced" table should look if we assume that two variables are independent).[2] A Chi-squared test was then performed in order to test the following hypotheses: H_o, there is no relationship between risk and outcome; H_a: There is a relationship between risk and outcome. The test was performed in Excel and resulted in a p-value of 0.11.[3] We fail to reject the null hypothesis at the 10 percent confidence level.

Table F.1. Statistical Significance of the Quadrant Analysis (chi-squared test)

Actual Crosstab (n = 200)				Expected Cross Tab (n = 200)			
	Low risk	High risk	Totals		Low risk	High risk	Totals
MS or better	75	54	129	MS or better	69.66	59.34	129
MU or less	33	38	71	MU or less	38.34	32.66	71
Totals	108	92	200	Totals	108	92	200

Source: IEG calculations.

Technically, the finding of no statistically significant relationship between risk and results could imply either that project staff have devised such effective risk mitigation measures that even residual risk has been diluted so that no relationship persists between these risk and project results; or that project staff are so lax at identifying project risk that no relationship exists between at-entry risk and final results. Neither of these explanations seems plausible. The first because only a small minority of projects (less than a quarter) contained highly articulated risk mitigations and ratings of residual risk; the second because, even with the quality deficiencies that are evident in the risk treatments, there are systematic treatment of project risks in every PAD. A much more likely source of explanation would seem to stem from the fact that the way risks and results are measured statistically—using lumpy, four- and six-part ratings—does not provide for sufficient granularity of data to permit meaningful regression analysis. The fact that in IFC's similar analysis the regression showed statistically significant results certainly adds credence to this explanation.

ERR Analysis. Despite the disclaimer given earlier to the effect that project outcomes were measured by outcome ratings, which may or may not include reference to ERRs, but were not based directly on ERRs, some analysis was also conducted on ERR for those projects which listed ERR estimates or calculations. It was found that from the total sample of 200 projects 56 projects showed ERR estimates in the PAD, while at closing, 63 projects had calculations of actual ERRs achieved during the project life. These two groups do not exactly overlap, but taken together they do show that it is only a minority of projects that feature ERRs. A hypothesis was posited similar to

Hypothesis B above, namely that, as measured by ERRs, lower-risk projects (having fewer or less serious factors that could interfere with the attainment of project objectives) would likely on average have higher returns than higher-risk projects. In fact the results found the opposite: based on a project value-weighted sample of ERRs, it was found that the average ERRs for the projects rated lower risk (M and L) was 23.7 percent; whereas the average for higher-risk projects (S and H) was 36.7 percent. This suggests that, at least for projects of a kind where cost benefits can be calculated (infrastructure, productive projects) and bearing in mind the same lack of statistical significance that pertains in general to these risk-results relationships, there is evidence to support the seeking of higher ERR returns by accepting greater risk in projects.

Risk Aversion. Evidence from the present analysis runs somewhat against the notion that the Bank is risk averse in its choice of projects. There is a perception in some quarters in the Bank that the Bank is somewhat risk-averse in its projects posture, and there is an explicit assumption to this effect underlying the management's present considerations to adopt a more "smart risk" strategy, less compliant with what is seen as a general risk aversion in projects. One benefit of the risk-results analysis conducted for this RAP chapter has been to gather data which can be used to test the validity of these perceptions. In fact, the data tend to show that the Bank may be less risk-averse than commonly thought. For example, when viewing the distribution of risk ratings (by numbers of projects) in the 200 project sample (see Figure F.5 above) it is clear that almost half of all the projects (92 out of 200, or 46 percent) were rated substantial or high risk, which suggests that the Bank quite frequently does tackle higher-risk projects. The finding is reversed, however, when tested by project value rather than number of projects: by project value only 29 percent of the sample was rated H/S risk, implying that the Bank's larger projects are less risky. (There are other forms of risk aversion which can be observed, for example in procurement where the use of country thresholds are often highly risk-averse, as is the fact that a greater number of project contracts are subjected to prior review than may be warranted by their risks, which is a drag on procurement efficiency).

Hypothesis C. *Higher-risk rated projects have more variable outcomes.*

Standard Deviation Analysis. Based on the quantification device already mentioned above (risk categories were weighted 1-4; outcome ratings were rated 1-6) the observed outcomes could be represented by a numerical average for each risk category. Table F.2 shows the average quantified outcome found for each category of risk, again showing that the highest outcomes were in the lower-risk categories. The table also shows the standard deviation around the mean outcomes, to test hypothesis C, that higher-risk projects would have more variable outcomes. The evidence for this is mixed and

appears not to give strong support to the hypothesis. While true that the standard deviation (SD) (0.94) is higher for high-risk projects and lower (0.50) for low- risk projects, the highest SD (0.95) is in fact found in the moderate risk group. Also, the evidence has to be read with caution because of the very small number of projects in the high and low risk categories.

Table F.2. Mean and Standard Deviation of Outcome Ratings by Initial Risk[4]

		PAD Risk Rating			
IEG Outcome Rating		High	Substantial	Moderate	Low
	Count	18	74	104	4
	Average	3.7	3.6	3.8	4.25
	Standard Dev.	0.94	1.00	0.95	0.50

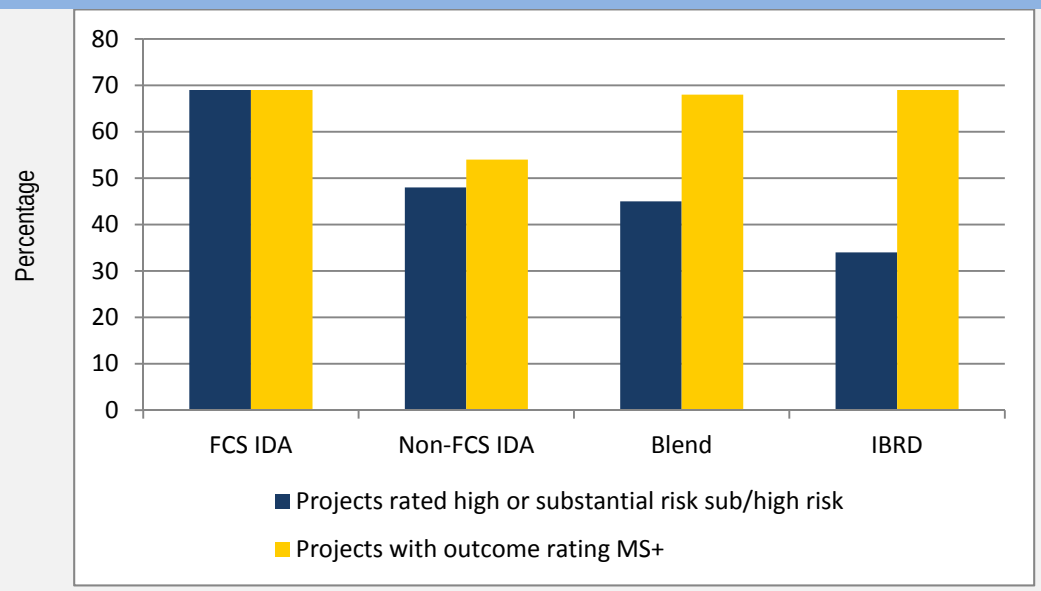
Source: IEG calculations.

This risk-results analysis was also conducted across the four major country groupings found in Bank operations (International Bank for Reconstruction and Development [IBRD] countries, blend countries, fragile and conflict-affected states [FCS], and non-FCS) and also by major sector groupings (Expanding Economic Opportunity, Building Infrastructure for Growth, Enhancing Human Development and Ensuring Environmentally and Socially Sustainable Development).

Country Groupings. What emerges is that the four groups have quite differentiated overall risk ratings (see Figure F.6). As may be expected, projects in the sample from IBRD and Blend countries have generally lower-risk ratings, (only 34 percent and 45 percent of projects in IBRD and Blend countries respectively are rated substantial or high risk) while those from IDA countries have significantly higher risks (48 percent substantial or high risk), with the highest being the projects in IDA FCS (69 percent). In terms of outcomes, always bearing in mind the lack of statistical significance of the analysis, what is evident from these findings is that for IBRD and Blend countries the hypothesis is supported that lower-risk rated projects tend to have better outcomes, since the projects in these countries have all been rated 69 percent moderately satisfactory or better (MS+). This is just short of the Bank target of 70 percent MS+ for these countries. Projects in the second country grouping, and most particularly those in FCS, appear to conform to the hypothesis that higher-risk projects tend to have better outcomes; the outcome ratings in projects in the FCS sample were the same (69 percent MS+) as those for the Bank and slightly better than those for Blend countries, even though the risk ratings for these projects were much higher. There may be lessons to be learned from these results, both intrinsically in terms of the budget allocations, intensity of supervision, and Bank processing procedures in FCS as well as in terms of possible confirmation of the Bank's new approaches to a smart risk strategy. This suggests that more risk be accepted in the hope of improved outcomes. By contrast, for projects in the

non-FCS IDA countries, the opposite is suggested: Risks are greater than for IBRD and Blend countries, yet results are rated significantly lower, with only 54 percent MS+. This analysis does not itself provide explanations for these findings and outcomes, making this an agenda outcome for further examination.

Figure F.6. Risk-Results Outcomes by Country Groupings



Source: IEG Calculations

Comparison between Economic Sectors. It is operationally relevant to examine whether there are significant differences in the risk-result relationship between different sectors, so the project data from the sample were also grouped by major sector. The four-sector taxonomy was used, showing Expanding Economic Opportunity; Building Infrastructure and Growth; Enhancing Human Development; and Ensuring Environmentally and Socially Sustainable Development. Regression lines were fitted and showed some differences between sectors: in three out of the four groups, (Expanding Opportunity, Building Infrastructure, and E&S Sustainability) less risky projects have generally better outcomes; in the sector Enhancing Human Development the line has a positive slope, implying that more risky projects have tended to have better outcomes, but statistical significance was still not strong in any case. Quadrant analysis, displayed in Table F.3, showed the differences and mixed results more clearly: Human Development comprised the riskiest projects (56 percent S-H) but had outcomes (62 percent MS+) only slightly less than the mean of 65 percent; Sustainable Development had the least risky projects (29 percent S-H) and the highest outcome results (79 percent MS+) but the sample size is too small to be representative; Expanding Economic Opportunity (40 percent S-H) and Building Infrastructure (44 percent S-H) had lower risks, but the former had power outcome ratings (59 percent

MS+), while the latter had much higher outcomes (71 percent MS+). Again, the results are mixed but, if anything, suggest that lower-risk projects have better outcomes.

Table F.3. Correlations between Risk Levels and Outcome Ratings by Sector Groups

Sector group	Risk (percentage S-H)	Outcome (percentage MS+)
Expanding Economic Opportunity (n = 58)	40	59
Building Infrastructure for Growth (n = 55)	44	71
Enhancing Human Development (n = 73)	56	62
E&S Sustainable Development (n = 14)	29	79

Source: IEG calculations.
Note: S =Substantial, H = High.

Risk Management during Project Implementation. Evidence was also assembled from project Implementation Status and Results Reports to show the extent to which project staff had used them as a risk management tool. The evidence is not strong:

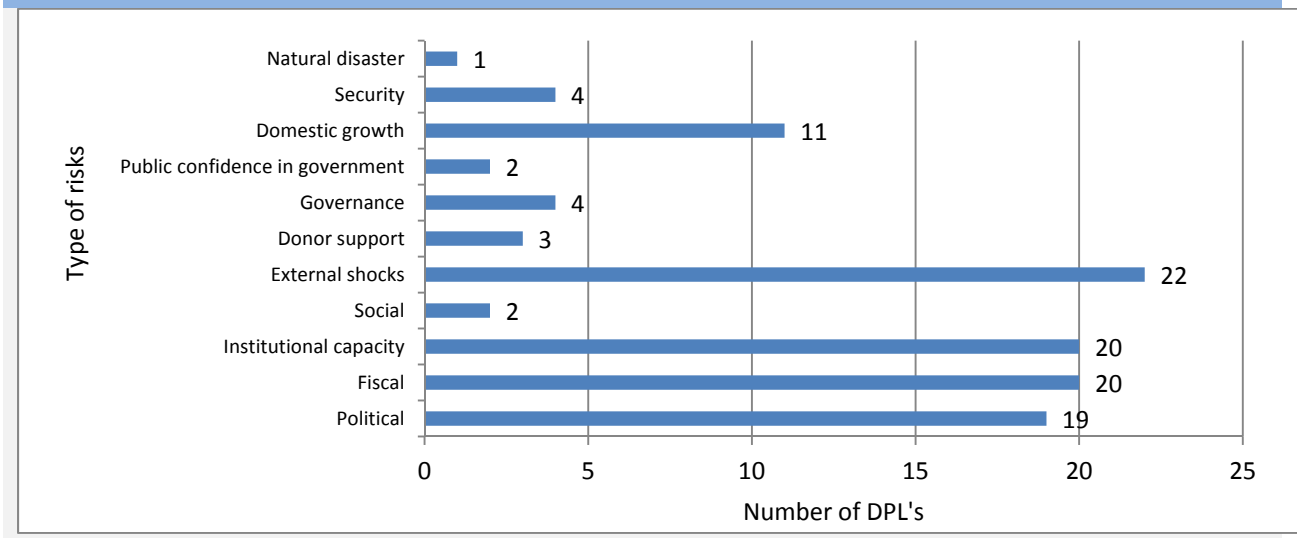
- From the total sample of 200 ISRs 51 (26 percent) had no risk ratings at all contained in the ISRs; of these projects 73 percent were rated with substantial project risk or higher;
- Of those ISRs in which risk ratings were recorded (149 out of the 200 sample) the ratings were changed during implementation in only a minority of cases; 123 projects (83 percent of the sample) did not record any changes in risk ratings, 21 projects (14 percent) showed one change in rating, with three projects (3 percent) showing two changes and only one project had three changes.

Development Policy Lending. Program risks in DPL loans are clearly different from project risks in ILs, and data were collected to show this. Figure F.7 shows the data from the sample of 30 DPLs of the types of risk that were found in the Program Document for these projects. It is evident that the range of risk items (11 in total) spanned a fairly broad range of topics, but in six out of the 11 items (Natural Disasters; Security; Confidence in Government; Governance; Donor Support; Social Risk) there were only four programs or less that considered that item. Overall, therefore, DPL risk treatment appears to have been clustered around a fairly narrow group of risks, of which External Shocks (22 out of 30) was the most frequent, with four other economic or institutional risk factors (Institutional Capacity (20); Fiscal Risk (20); Political Risk (19); and Domestic Growth (11).

DPL Outcomes. Given the lack of systematic risk ratings in DPL program documents it is not possible to conduct exactly symmetrical analysis of the risk side of the equation between ILs and DPL samples. However, some indication of risk can be gleaned from the ICRR reports which do (in most cases) record the Risk to Development Outcomes,

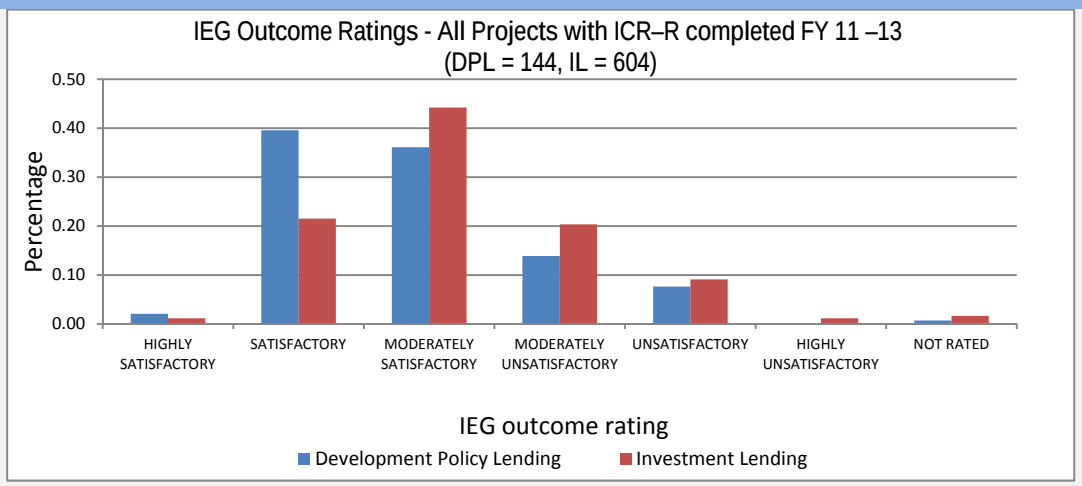
as a comment at closure on the likely sustainability of program achievements (see Figure F.8). Evidently DPLs have a greater share of projects than do ILs in each risk category except low, implying that DPLs were seen as slightly riskier than ILs overall. On the outcomes side (Figure F.8) direct comparisons between the two forms of lending show that the DPL sample achieved slightly higher proportions of programs with MS+ than did investment loans.

Figure F.7. Risk Items Identified in the Program Documents for 30 DPLs



Source: Business Warehouse data.

Figure F.8. Comparison of Outcome Ratings between Investment Loans and DPL Loans



Source: IEG calculations.

Part B: IFC and MIGA

IFC INVESTMENTS

IFC's risk management practice is aligned with the Bank Group's Integrated Risk Management Framework (IRMF) and based on the principle of balancing of risk, development impact and reward. IFC's risk appetite is the amount and type of risk IFC is willing to take or tolerate in pursuit of its objectives and is defined by self-imposed constraints and drivers. IFC translates its risk appetite into risk limits, policies, procedures and directives and it measures, monitors and assesses its risk profile to ensure appropriate action when its risk profile surpasses its risk appetite.[5] IFC's capacity to take risks is restricted by its capital base. It faces constraints such as maintaining its AAA rating, a manageable exposure to "stress events," managing liquidity and funding risk, and meeting development goals.

IFC's risk management framework focuses on four risk areas: strategic, operational, financial, and stakeholder risks. IFC's key risks include strategic risks (i.e., the consequences of not achieving its development mission), operational (related to processes, staffing and systems), financial (related to credit or market related events) and stakeholder risk (risk that relationships with clients and other stakeholders are adversely affected).

The main instruments in IFC's risk management framework include (i) the Credit Risk Rating (CRR) system, (ii) Environmental and Social Risk Management, and (iii) partner integrity due diligence. CRRs summarize the credit health of individual investments, and in aggregated form, are used as an indicator of the overall health and quality of IFC's portfolio. IFC integrates Environmental and Social Risk Management throughout its investment cycle and aims to help clients identify, avoid and address environmental and social risks. IFC conducts an E&S assessment for each project based on the 2006 Policy on Social and Environmental Sustainability (revised in 2012) and its Environmental and Social Review Procedure. These documents describe the roles and responsibilities of IFC and its client companies at appraisal and supervision.

Since client selection is one of the most important steps in the appraisal/due diligence process, IFC's due diligence must assure the integrity of IFC's potential partners and the absence of unethical or illegal practices. IFC addresses corporate governance risks by assessing its clients' commitment to, and implementation of, good corporate governance regimes as part of the investment process.

IFC ADVISORY SERVICES

IFC has recently enhanced the risk framework for its Advisory Services. The system, revised in 2012, classifies AS project risks into five areas: (i) IFC internal risks, (ii) client

or stakeholder risks, (iii) risks external to IFC, (iv) environmental and social risks, and (v) conflict of interest risks. These risk factors and possible mitigants are assessed during project appraisal, and monitored throughout the projects' life through approval, supervision and completion reports. The framework provides a consistent approach to risk identification, and allows officers to assess their significance and likelihood of occurrence. In addition, IFC conducts partner due diligence and AS-specific environmental and social reviews.

MIGA

MIGA's dual mandate as a development institution and a financially self-sustaining guarantee agency is at the core of its approach to risk management. The main risks faced by MIGA are insurance risks (risks arising from its portfolio of insured projects), credit risk (especially related to reinsurance counterparty credit risk), as well as other types such as interest rate and exchange rate risks, operational (including internal controls) and legal risks.

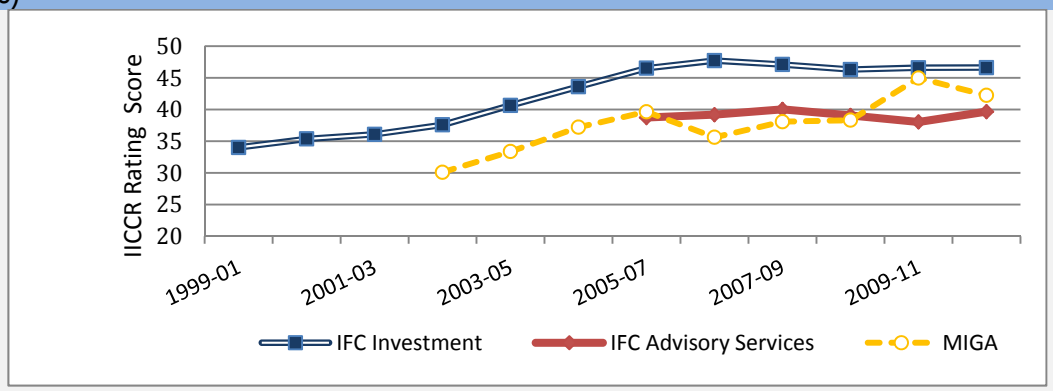
Drawing on processes for assessment of country and project risk, MIGA's key management risk system is its economic capital framework, which is used for determining capital adequacy, pricing, provisioning, and portfolio management. Economic capital models are used to determine the minimum amount of capital an organization needs to hold to sustain larger than expected losses with a high degree of certainty. The model is a tool for MIGA's capital adequacy, for portfolio management (to set risk-weighted exposure limits and manage exposures through reinsurance), for risk-based pricing of MIGA guarantees, and for provisioning. The model is thus the key and integrating element of MIGA's portfolio risk management. It is complemented by other project and portfolio risk processes such as country and project risk assessment and mitigation as part of MIGA's underwriting of political risks.[6]

While these approaches aim to provide an integrated view of the risks to MIGA from its portfolio of insured projects, they reveal little about the relationship between risk and development results of MIGA projects in their host countries. MIGA has identified several key performance indicators (KPIs) that aim to capture its achievement of its priorities, but these are mainly at the level of outputs (e.g., volume of guarantees, gross portfolio in IDA countries). It has more recently introduced the Development Effectiveness Indicator System, which once fully implemented is expected to provide project level information on development results.

Determinants of Project Success in IFC's Investment Portfolio

To explore the extent to which IFC's risk monitoring system could be used to obtain better development results, the following section examines several dimensions of the relationship between risks and outcomes for IFC investments. It builds and expands on work done previously on the concept of a Risk-Adjusted Expected Development Outcome (RAEDO).[7] Figure F.9 below illustrates the differences in country risk levels between IFC investments, MIGA guarantees and IFC Advisory Services based on IICCR scores at the time of new project approvals (note that lower scores correspond to higher risk). Not surprisingly, MIGA has operated in a higher risk environment compared with IFC investments. IFC's AS have also been deployed in more risky environments than its investments. Among business lines, investment climate advisory projects were undertaken in the higher risk countries.

Figure F.9. Average Country Risk of IFC and MIGA portfolios, 1999–2012 (three-year rolling average)



Note: Based on Institutional Investor Country Credit Ratings (IICCR) scores (which range from 0-100). Higher scores represent lower risk

Impact of External Risks

In the world of finance, there is always a trade-off between risk and return, and adjusting performance for risk is essential for making business decisions and assessing the investment portfolio. Financial theorists and practitioners distinguish between the following main types of risks: (i) country risk: the risk of loss on cross-border exposure due to government actions; (ii) credit risk: the risk of loss due to a borrower's default; (iii) business risks: the risks arising from uncertainties in the revenues and expenditures of a business associated with general industry trends, technological or regulatory changes; (iv) market risks: the risk of possible losses arising from changes in the market due to fluctuating or changing interest rates, foreign exchange rates, share prices and prices in general.

IFC has developed its own rigorous risk measurement system to manage its financial performance. The centerpiece is its Credit Risk Rating (CRR), which measures the

credit risk of an investee company. The rating provides an indication of the probability of default or asset impairment of the investees. The system provides a numeric score computed by aggregating the ratings of various risk factors. Its projection reliability is regularly tested against the actual frequency of default events, and periodically benchmarked against the similar ratings provided by established agencies such as S&P, Moody's and Fitch. It is one of the most important inputs into IFC's investment decisions, as the ratings are used to compute pricing, economic capital allocation, as well as to detect early warning signs of client companies.

Investment officers are responsible for assigning ratings for each indicator that the CRR system needs to generate the overall risk score. For new investments, IFC's credit officer has to sign off on the initial CRR as a part of the clearance process. Currently, IFC uses three different risk templates (for the "Real" Sector, Banks, and Funds) that reflect the risks influencing the credit outcomes. The CRR is designed to reflect the above-mentioned main types of risks: country risk indicators (assigned by IFC's economics department), business risk indicators (such as profitability), and market risk indicators (such as the company's competitive position), as well as indicators of the inherent characteristics of the investee company (such as management quality and corporate governance).

IEG analyzed all component indicators in IFC's Credit Risk Rating (CRR) system to identify the risk factors associated with the projects' development outcomes as determined by the Expanded Project Supervision Report (XPSR). Among the eight risk indicators for real sector projects and 12 risk indicators for banks, IEG identified the following as being significantly associated with development success: [8] (i) management quality, (ii) profit margin (for real sector projects), and (iii) quality of corporate governance (for financial institutions) . In addition, the analysis used changes in IICCR scores between appraisal and evaluation as a measure for country risk.[9]

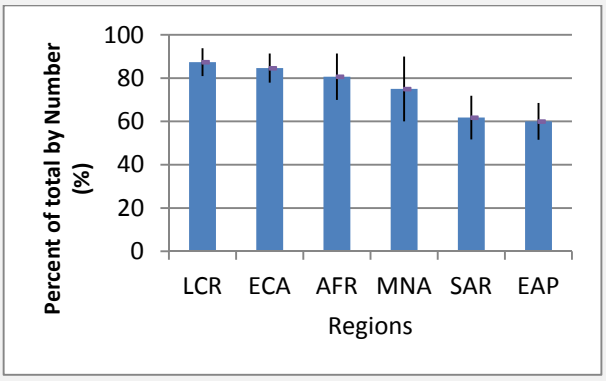
Overall, IEG's statistical analysis confirmed that, as expected, for projects where IFC staff had assigned low risk ratings to these core external factors at appraisal, there was a good chance that the development outcome of the project would be mostly satisfactory or better. Conversely, projects for which these factors had been given high risk ratings tended to have lower development outcomes. As will be discussed below, these relationships are statistically significant and can be used to explore the implications of hypothetical changes in each of the factors, as well as internal factors such as IFC's work quality.

Figure F.10 shows the distribution of various core external risk factors by region, as bars indicating percentage of high quality management, high profit margin and positive

changes in country risk indicators (i.e., scored as "low" risks). For example, projects in East Asia and Pacific feature relatively lower quality management and weaker profitability, with the attendant higher risks to project development outcomes, while the country risks are improving at a relatively rapid rate, so the risk to outcomes is lower. In Africa, on the other hand, projects are on average associated with higher management quality and average profit margins, with the attendant lower risks to development outcomes, while the country risks are barely improving, so the risk to outcomes is higher. The influence of these core external risk factors is suggested by the fact that, as shown in Figure F.10 projects with two core external risk factors scored as "high"[10] had a success rate of about 25 percent, while projects with none of the core external risk factors scored as "high" achieved a success rate of 80 percent.

Figure F.101. External Risk Factors and Their Influence on Development Outcomes

a. Management quality high



b. Profit margin high

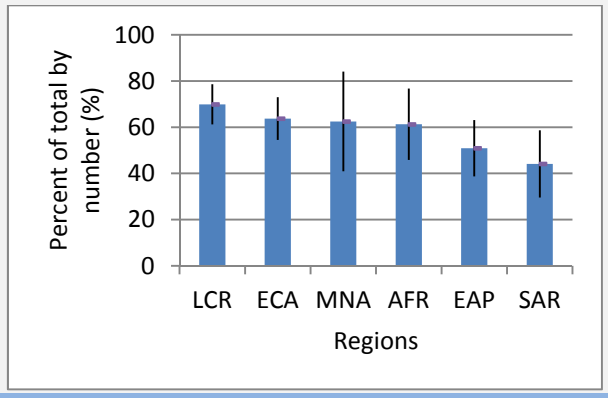
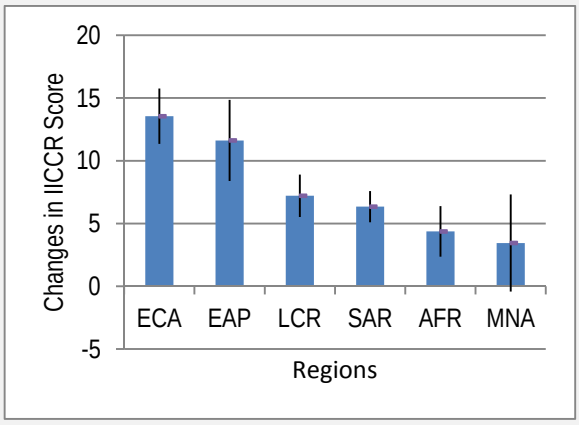
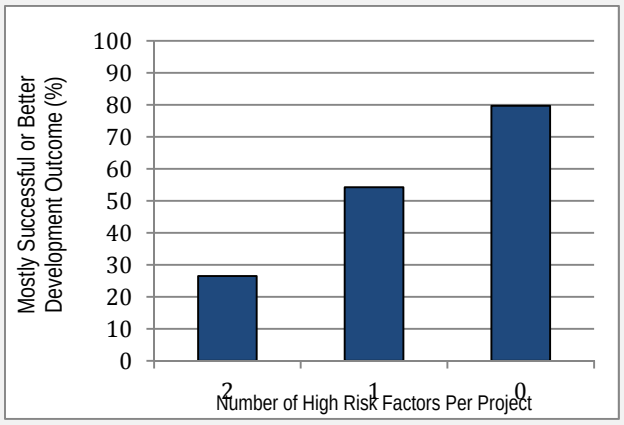


Figure F.10 (continued)

c. IICCR Score change between approval and evaluation



d. Risk intensity and outcome

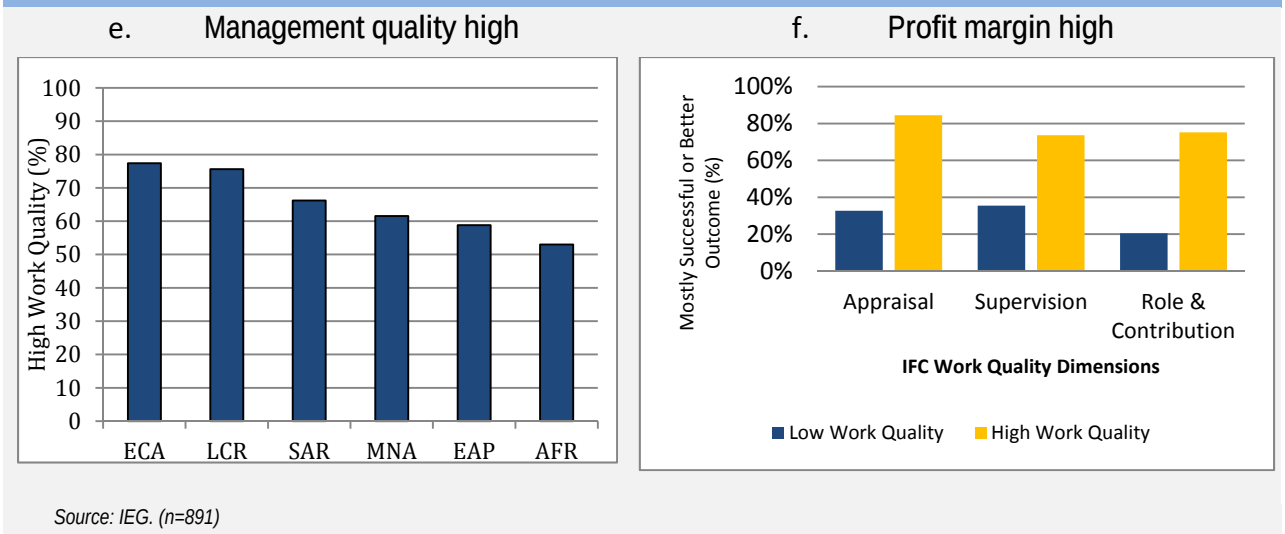


Source: IEG. (n=396 real sector) Lines indicate confidence intervals (95%)

Impact of IFC's Work Quality

Notwithstanding the external risks, IFC-controllable work quality factors can act as mitigants to achieve development results. IEG's XPSR ratings can be used to explore the extent to which IFC work quality can impact project outcomes. Three components of work quality were considered: (i) quality of screening, appraisal and structuring, (ii) quality of supervision and administration, and (iii) IFC role and contribution (additionality). For this analysis IEG condensed its standard four-point work quality ratings[11] scale into a binary score: high or low.[12] As shown in Figure F. 11 a below, Europe and Central Asia and Latin America and the Caribbean are the Regions with the highest average work quality ratings, followed by South Asia and Middle East and North Africa.

Figure F.11. Work Quality by Region and Their Influence on Development Outcomes



Source: IEG. (n=891)

Figure F. 11 b shows how IFC's work quality factors are associated with portfolio-level development outcome success rates. It suggests that better work quality is associated with projects that achieved better development results,[13] and that the quality of appraisal (screening, appraisal and structuring) has a somewhat greater impact than the quality of supervision and of IFC's role and contribution. Thus, for example, 85 percent of projects with "high" quality of appraisal had a mostly successful or better development outcome, while 74 percent of projects with "high" quality of supervision achieved mostly successful or better outcomes.

Portfolio-Level Risks and Returns

Investors normally build investment portfolios in accordance with their own risk tolerance and investment return objectives. Thus, higher risk is accepted in exchange of higher return and the portfolio is constructed with diverse assets so that losses from some parts of the portfolio can be compensated by higher returns from other parts. Therefore, it is important to assess the return at the overall portfolio level rather than the performance of single asset in the pool.

To test the hypothesis that IFC's higher risk projects may offer higher rewards, IEG analyzed the distribution of ex-post ERRs relative to the risk intensity of projects. The analysis found that on average, low risk projects tended to have higher ERRs than high risk projects. Specifically, as shown on Table F. 4, projects with none of the two core external risk factors scored as "high" had an average ERR of 21 percent (with a high of 116 percent and a low of 5 percent), while projects with both external factors scored as "high" averaged an ERR of only 6 percent (with 30 percent of projects having a negative ERR, and 35 percent with ERRs below the "Satisfactory" rating threshold of 10 percent). Even when weighted by the investment commitment amount, the average of projects with two "high" risk factors was much lower. **In other words, IFC's high risk investments do not seem to be capturing opportunities for high returns. The higher failure rate of the high risk projects is not being compensated by a few high performers that could outweigh the failures**.

Table F.4. Economic Rates of Return (ERR) by Risk Intensity

	Average ERR (%)	Min / Max ERR (%)	Standard deviation	ERR per $ commitment (%)
Zero high risk factor	20.73	-5.01 / 116	17.15	16.06
One high risk factor	13.76	-12.8 / 62.4	11.75	9.5
Two high risk factors	6.34	-9 / 36	10.10	5.68
Entire portfolio	17.14	-12.8 / 116	15.98	13.10

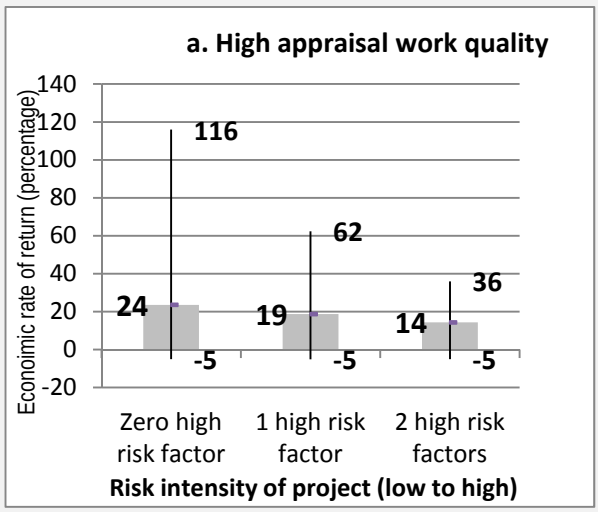
Source: IEG (n=686)
(Zero high risk factor= no external factor scored as "high" risk, One high risk factor= one external factor (management quality OR profit margin) scored as "high" risk, Two high risk factors= two external factors (management quality AND profit margin) scored as "high" risk

On the other hand, the findings suggest that work quality can make a big difference on the economic contribution of the projects. The projects with "high" (satisfactory or better) appraisal work quality has resulted in average project ERRs of 22 percent, with even with high risk projects (with 2 core external factors scored as "high") above the acceptable threshold of 10 percent, while "low" appraisal work quality is associated with average ERR's have been about 9 percent, below the threshold of 10 percent, with only the average of low risk projects exceeding the acceptable threshold. This is shown in Figure F. 12 below, which summarizes the analysis for the quality of appraisal, with

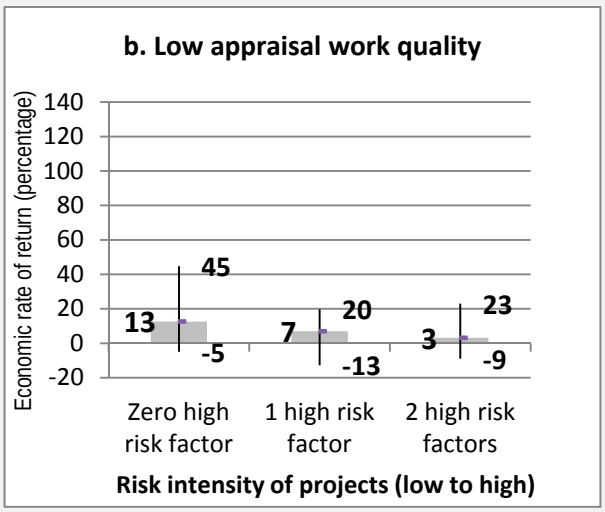
the thick bars showing the average ERRs, and the thin bars showing the high and low ends, for high risk intensity (those with two external factors scored as "high" risk), medium (one "high" risk) and low risk (no "high" risk factors) projects, by appraisal work quality. Specifically, if appraisal work quality was high, projects with higher risk intensity (those with two external factors scored as "high" risk) achieved an average ERR of 14 percent, while if appraisal work was less than satisfactory, such risky projects performed poorly, with an average ERR only 3 percent. **Thus, under any risk scenario, the pool of projects with high appraisal work quality managed to capture greater maximum returns compared to the portfolio of projects with low appraisal work quality.**

Figure F.12. Project Economic Rates of Return by IFC Work Quality and Risk Intensity

g. Management quality high



h. Profit margin high



Note: BAR - Average ERR, Line - Minimum and Maximum ERR
Source: IEG (648 projects with ERR)
Note: BAR - Average ERR, Line - Minimum and Maximum ERR
Source: IEG (648 projects with ERR)
IFC's Screening, Appraisal and Structuring (SAS)

To explore the implications of hypothetical changes in external and internal risks factors on the development success of IFC investments, IEG has updated a regression model used in previous RAPs. In a first step, the approach is to estimate the sensitivity of development outcome to each of the factors separately and develop a RAEDO benchmark, solely based on external risks. In a second step, the RAEDO benchmark is applied to explore the potential impact of internal IFC work quality factors (which are under IFC's control). In a third step, the model is used to simulate the likely future outcomes of projects approved in recent years based on their external risks and alternative work quality scenarios. This exercise uses the entire set of IFC project

evaluations (XPSRs) for projects approved between 1998 and 2008 (and evaluated from 2003 to 2012).

Regression Results: A linear regression model was specified based on the concept that the development outcome of a project is a function of two sets of factors: external (CRR risk factors and changes in the IICCR score) and internal (IEG ratings of IFC work quality) while noting possible interactions between them:

Development Outcome $_I$ = f (External Factors $_I$, IFC-controllable factors $_I$) + ε_I

As shown on Table F. 5 the regression (using the maximum likelihood approach) indicates that the association between external risk factors, IFC's internal work quality factors, and development outcome ratings is statistically significant for both the real sector portfolio and the banking sector portfolio.[14] In light of the potential for endogeneity between the dependent and explanatory variables, a statistical test was carried out which concluded that the variables are exogenous (see Annex 1 to this Appendix). On this basis, the sensitivity of each of the external and internal factors on development outcomes can be calculated by adding marginal effects along the 6-point scale of the development outcome ratings, which are shown in Table F. 6.

Table F. 5. Regression Results

Ordered Probit Estimation - Real Sector		Ordered Probit Estimation - Banks	
Variables	Coefficients	Variables	Coefficients
Management	0.707***	Management	0.729**
Quality	[0.163]	Quality	[0.309]
Profit Margin	0.706***	Corporate	0.645**
	[0.134]	Governance	[0.257]
Screening	1.032***	Screening	0.707***
	[0.147]		[0.219]
Supervision	0.323**	Supervision	0.405*
	[0.157]		[0.219]
IFC Role	0.748***	IFC Role	1.090***
	[0.151]		[0.256]
IICCR change	0.007	IICCR change	0.033***
	[0.006]		[0.010]
Observations	375	Observations	161
*** p<0.01, ** p<0.05, * p<0.1		*** p<0.01, ** p<0.05, * p<0.1	

Source: IEG

The estimated sensitivity for each of the factors, assuming that the values of the remaining variables are set at their averages, is shown in Figure 13 for both the real sector portfolio and the banking sector portfolio. **Among external factors, the outcomes are most sensitive to the client's management quality. In addition, the outcome of real sector projects is sensitive to the profit margin, while for bank sector projects, the outcome is sensitive to the quality of corporate governance.** Changes in country risk (measured by changes in IICCR) are only significant for the banking sector portfolio, indicating the systemic risks associated with the sector, but by themselves did not having strong marginal effects on the development outcome. These findings point

to the important role that IFC's advisory services could play in improving the client companies' management quality and strengthening banks' corporate governance.

Among internal factors, the development success of real sector projects is most sensitive to IFC's work quality at screening and appraisal, while that of projects with banks is most sensitive to IFC's role and contribution (additionality). Thus, for example, if for a specific real sector project, IFC's "role and contribution"(additionality) could hypothetically be raised from "low" to "high," the likelihood of the project's successful development outcome is projected to increase by about 28 percentage points (with a 99 percent confidence interval from 20-34 percent). For a banking sector project, the same hypothetical improvement in the quality of IFC's role and contribution would increase the likelihood of a successful outcome by about 39 percentage points (with a 99 percent confidence interval from 27-52 percent).

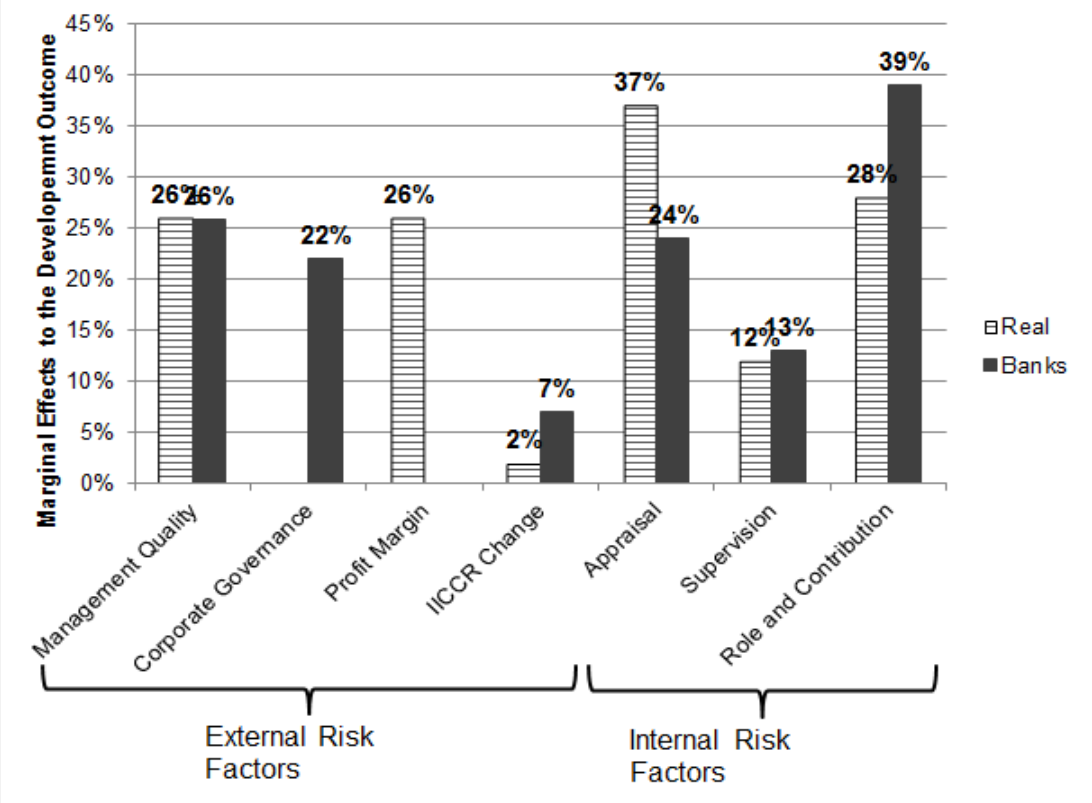
Table F. 6. Marginal Effects and Statistical Significance

Real Sector						
	HU	U	MU	MS	S	HS
Management Quality	-0.012	-0.123	-0.128	0.025	0.206	0.032
p-value	0.05	0.00	0.00	0.24	0.00	0.00
Profit Margin	-0.008	-0.105	-0.136	-0.005	0.211	0.043
p-value	0.04	0.00	0.00	0.73	0.00	0.00
IICCR Change	0.000	-0.001	-0.001	0.000	0.002	0.000
p-value	0.33	0.28	0.28	0.42	0.28	0.29
Screening	-0.018	-0.174	-0.180	0.025	0.293	0.054
p-value	0.02	0.00	0.00	0.25	0.00	0.00
Supervision	-0.004	-0.051	-0.063	0.003	0.098	0.017
p-value	0.19	0.08	0.04	0.79	0.04	0.02
IFC Role	-0.012	-0.130	-0.135	0.025	0.217	0.035
p-value	0.04	0.00	0.00	0.22	0.00	0.00
Banks						
	HU	U	MU	MS	S	HS
Management Quality	-0.003	-0.086	-0.171	0.027	0.208	0.024
p-value	0.46	0.12	0.02	0.56	0.01	0.03
Corporate Governance	-0.002	-0.067	-0.153	0.006	0.191	0.025
p-value	0.45	0.09	0.01	0.83	0.01	0.03
IICCR Change	0.000	-0.002	-0.008	-0.002	0.010	0.002
p-value	0.44	0.02	0.00	0.15	0.00	0.02
Screening	-0.002	-0.067	-0.167	-0.008	0.212	0.032
p-value	0.43	0.03	0.00	0.75	0.00	0.02
Supervision	-0.001	-0.036	-0.097	-0.008	0.124	0.018
p-value	0.50	0.15	0.07	0.62	0.06	0.07
IFC Role	-0.007	-0.143	-0.239	0.060	0.294	0.035
p-value	0.35	0.01	0.00	0.25	0.00	0.01

Source: IEG

On this basis, given a set of portfolio-specific external risk factors the model can be used to estimate the hypothetical impact of alternative work quality scenarios. In very general terms, IEG's statistical analysis suggests that the impact of improved work quality will be greater for real sector projects than for financial sector projects. The impact will also be stronger in higher risk countries and regions. These findings spotlight potential areas where greater attention and resources to internal work quality could be expected to yield the best results in terms of improved development outcomes.

Figure F.13. Marginal Contribution of Lowering Risks and Improved Work Quality on Development Outcome Success Rates



Source: IEG.(n= 375 real sector projects, 161 financial institutions with XPSRs)
Marginal effects of change from high risk to low risk (for risk categories), Low work quality to high work quality (Internal risk factors) IICCR Changes based on average change of 7 points improvement in IICCR score.

Risk and Results in IFC Advisory Services

To better understand the relationship between risks and results, IEG analyzed the risks and results for 289 IFC Advisory Services (AS) projects completed from 2008-2011 that have been rated for overall development effectiveness. IFC Advisory Services are regularly expected to encounter external risks -- negative perceptions of affected

communities or other parties, market/economic and political factors, and environmental hazards over which IFC does not have full control. In addition, as the analysis of investment project XPSRs indicated that work quality is a strong determinant of the projects' development outcome, IEG also assessed the work quality of the AS projects' design and implementation.

THE IMPACT OF INTERNAL RISK FACTORS – WORK QUALITY IN PROJECT DESIGN AND IMPLEMENTATION

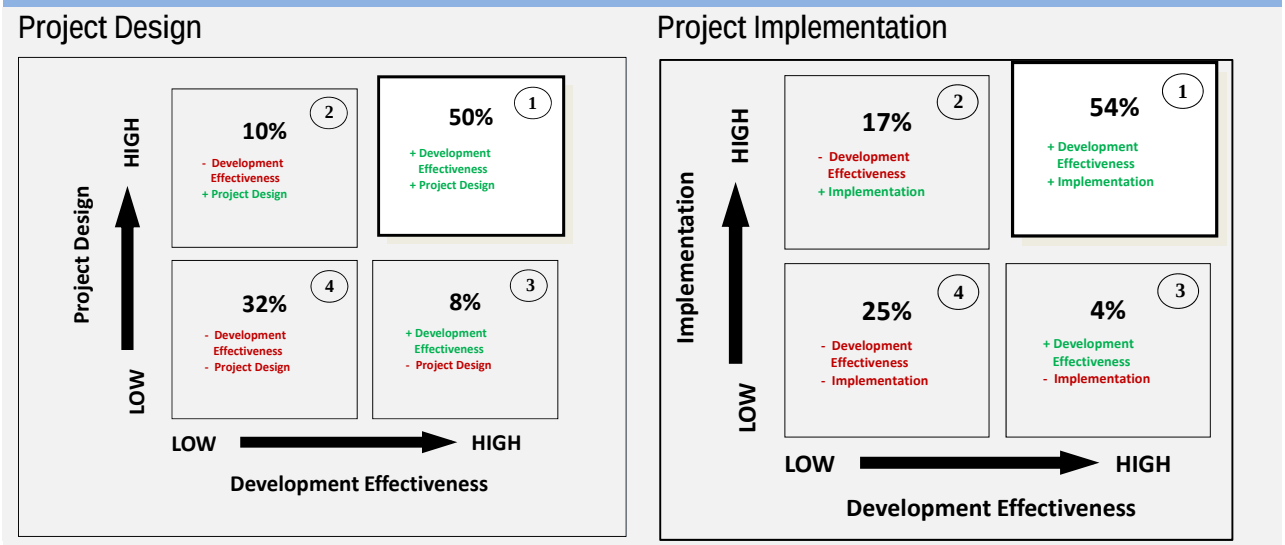
IEG has systematically evaluated the work quality of IFC's Advisory Services projects since 2007 (IEG 2008). The work quality rating is intended to reflect the strengths and weaknesses of IFC's work at two stages: (i) project preparation and design and (ii) project implementation, independently from the project's achievement of development results. The RAP uses IEG's work quality assessments to analyze the impact of IFC's internal risk factors on project outcomes. (See Annex 2 for this Appendix for details of the AS work quality assessment process and rating criteria.)

IEG's AS *design work quality* rating is based on the assessment of several design areas such as appropriate mix of project activities, identification of committed counterparts, needs assessment, and tailoring of projects to local conditions. Similarly, the rating for *project implementation work quality* was based on analysis of factors such as engagement with clients and stakeholders, work of consultants, and project management methods.

Based on comparing the AS projects' work quality and development effectiveness ratings, an association was found between high work quality in project design and success in development outcome. As shown in Figure F. 14, only 60 percent of projects (173 out of 289) completed in FY08-FY11 with a development effectiveness rating scored high (i.e., ratings of "excellent" or "satisfactory") on project design. However, of those projects that scored high, 84 percent (145 out of 173) went on to achieve positive development effectiveness. Meanwhile, projects scoring low on project design (i.e., ratings of "partly unsatisfactory" or "unsatisfactory") achieved success only 21 percent of the time (24 projects with development effectiveness success out of 116 projects with low project design work quality).

A similar impact on results was found with respect to the quality of project implementation. As shown in Figure F. 14 above, of the 71 percent of projects with a high rating for project implementation, fully 77 percent achieved positive development effectiveness. Thus, up to a certain degree, project teams are able to make corrections or change course during implementation even for some projects with weak initial design.

Figure F.14. IFC Work Quality Influencing Development Effectiveness



Source: IEG, based on 289 Advisory Services PCRs with IEG ratings of Work Quality

RISK IDENTIFICATION AND MITIGATION IN ADVISORY SERVICES PROJECTS

IEG conducted a detailed review of projects assessed as strong in risk identification through IEG's validation of the IFC Project Completion Reports (PCR) (32 projects out of the 289 projects closed in FY08-FY11). These projects were approved before the current Advisory Services risk framework was adopted, so that there was less systematic process of risk identification – reflecting relatively small number of projects as identified as strong in risk identification. For these projects, the risks identified in the PDS Approval document were compared to results achieved and risks encountered as noted in the projects' PCR and IEG's Evaluative Notes. This review found that even when IFC had successfully identified key external risks, its success in mitigating these risks has been mixed – in part due to the nature of the risk, but also depending on project effort and the strength of both client/stakeholder commitment and their relationship with IFC. Some external risks could not be overcome and IFC appropriately either terminated the project or sought to achieve secondary objectives with the remaining resources. However, there were some cases in which significant external risks were identified and encountered, yet the projects were able to achieve their objectives anyway because, for example, they had a high-level 'champion' to keep the project relevant.

THE IMPACT OF IFC'S FY12 MANDATORY RISK FRAMEWORK

The enhanced mandatory risk framework for Advisory Services projects from FY12 has had a major impact, including: (i) the use of a consistent structure and terminology, (ii) the provision of a list of possible risks to consider, rather than forcing AS project teams

to characterize risks in their own words, (iii) the assignment of impact and likelihood ratings for each identified risk, and (iv) the enhancement of risk identification, simply through its existence in the AS Portal.

The median number of risks identified in projects approved in FY12-FY13 has been triple that in projects closed in FY08-FY11. The use of a structured risk framework carries its own risks, however. The existence of the framework itself may have increased the burden on project officers to fill additional forms for business processing. Moreover, simply increasing the quantity and consistency of risks identified does not necessarily translate into higher quality risk identification, nor does it necessarily translate into improved risk mitigation. While the framework provides the basis for both of these improvements, it will only be an effective risk mitigation tool if it is actively used and updated throughout the project lifecycle. Furthermore, a larger number of identified risks could improve project design by encouraging the proactive management of these risks, such as through proper scoping of projects as well as sequencing of activities.

IFC may also want to introduce greater granularity in some risk categories, especially for those with a high incidence of "other" risks being selected. For example, in the category of "client or stakeholder risks," 38 percent of identified risks are classified as "other," and in the category (cluster) of "stakeholder relations and perceptions," "other" was selected in 85 percent of cases.

Finally, it is important to recognize that the risk framework on its own is simply a tool for identifying and acknowledging risk. The framework in its current state is not designed or equipped to promote, reward, or even assign responsibility (apart from workflow approval) for risk taking. And whereas IFC management has indicated a desire for taking greater risks, the framework does not incentivize (and may even provide a disincentive) for IFC staff to seek out or engage in higher risk projects.

Risk and Results in MIGA's Portfolio

How do MIGA's project outcomes relate to the perceived riskiness of projects? Do higher risk projects tend to have better performance outcomes, or is there a greater variability in their outcomes? There are several challenges in addressing these questions. First, there is no clear project risk measurement system in MIGA. Although MIGA assesses projects' viability at appraisal stage, MIGA's focus is on the political risks it insures, underpinned by a thorough country risk assessment, and assessment of projects risks and risk mitigants for each proposed guarantee. By contrast, IFC, as a

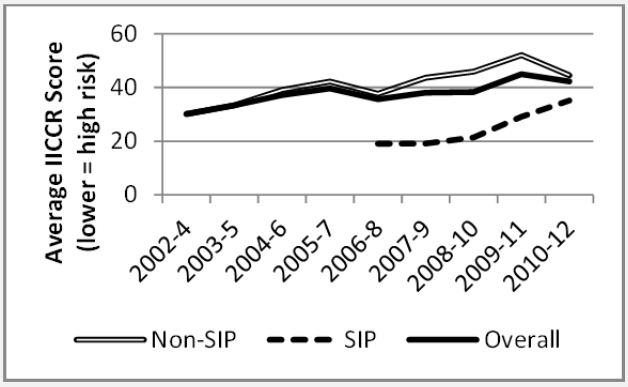
financier, considers various aspects of commercial risks in its decision making as well as performance measurement.

Because of the political risk product offered by MIGA, its portfolio is concentrated in higher risk countries, especially its Small Investment Program (SIP). As shown in Figure F. 15, on average, SIP projects tend be in higher risk countries, as reflected in their IICCR ratings of less than 30 (note that a higher IICCR score indicates lower country risk). This is consistent with the intended purpose of the program: SIP projects are expected to be located in countries that have not attracted substantial foreign direct investment (FDI) or where PRI providers have little presence. MIGA's regular guarantees, on average, tend to be located in medium-risk countries.

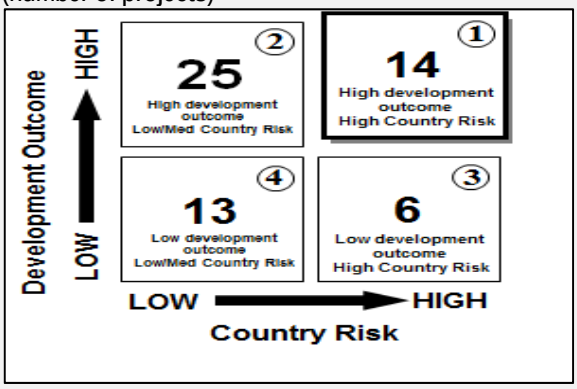
Based on IEG's analysis, there is no significant relationship between country risk levels or changes in country risk and MIGA's development results. In high risk countries (as measured by IICCR at the time of issuance of the guarantee), the Development Outcome success rate was 70 percent, while in low or medium risk countries, the rate was 66 percent. Similarly, projects experiencing an improvement in country risk categories between the time of approval and evaluation had a 79 percent success rate compared with a rate of 65 percent for projects that remained in the same risk category during their implementation. However, because of the small number of observations (58), the difference between the two success rates is not statistically significant, and other variables may play a more dominant role.

Figure F.15. Risks and Results of MIGA Projects Figure

i. Country Risk Scores of MIGA Project



j. Country Risk and Development Outcome (number of projects)



Source: IEG.

Separately, based on IEG's review of seven SIP projects for which information was available, country conditions such as location in fragile, conflict-affected countries (FCS) influenced the poor performance of the projects. Furthermore, risk factors such as soundness of sponsors' experience, quality of management, and realistic assumptions in

business plans, were observed in the unsuccessful projects. Nevertheless, lack of ex-post data on performance for majority of SIP projects made it difficult to determine interactions between various risk factors and development results. Moreover, lack of project follow-up in its business model made difficult for MIGA to proactively engage during the implementation period to monitor and manage risks.

The introduction of MIGA's non-honoring of (sovereign) financial obligations (NHFO) coverage in FY10 has implications for the risk profile of MIGA's portfolio, and the type of risk assessment and monitoring required. MIGA recognizes that the NHFO coverage has a higher risk profile than its traditional political risk insurance coverage since it insures against payment default for any reason rather than only for more narrowly-defined risks, such as currency convertibility. By contrast, NHFO covers default by the ultimate obligor on its payment obligation, without an arbitral process. Thus, NHFO coverage can only be issued in cases where the payment obligation is unconditional, meaning not conditioned on project implementation, performance or any other legally binding conditionality. Moreover, the trigger for a claim event is nonpayment by the sovereign, sub-sovereign, or state-owned enterprise (SOE) for any reason and is not connected to the specified project. While the covered loans are intended for specific projects, MIGA is not covering risks associated with a project, and the loan proceeds are fungible. Finally, risk profiles in projects may vary, requiring more rigorous credit assessment and credit monitoring and dynamic portfolio management to account for the possibility of credit deterioration or rating downgrade for obligors, ownership changes for SOEs, and risks due to fiscal deterioration.

Conclusions

Risk taking is fundamental for IFC's development mandate. But while higher risk projects have a lower chance of success, better work quality is associated with better development outcomes for IFC's investments and advisory services projects. The association between external risks, IFC's work quality and development outcomes were found to be statistically significant and used to build a model to assess the extent to which IFC's development outcomes can be improved through greater attention to internal work quality. The statistical analysis found that real sector projects were more sensitive than financial sector projects to improvements in IFC's work quality. The effect was stronger in higher risk countries and regions. These findings spotlight areas where greater attention to internal work quality could be expected to yield the greatest results in terms of improved development outcomes.

The expansion of IFC's advisory services risk framework from FY12 has led to a much improved and systematic identification and consideration of risks at the project design stage, which should lead to improved risk management in future. However, the framework in its current state is not designed or equipped to promote, reward, or even assign responsibility of risk taking, although IFC management has indicated a desire for taking greater risks for better outcomes, in line with its strategic priorities.

MIGA's focus is on the political risks it insures. Its portfolio performance shows no significant association between country risk levels and development results. Within the MIGA portfolio, its Small Investment Program (SIP) projects tend to be in higher risk countries, in contrast to MIGA's regular guarantee program which is concentrated in medium risk countries. The expansion of MIGA's product range to cover non-honoring of financial obligations has significant implications for the risk profile of MIGA's portfolio and capital utilization, and requires enhanced assessment and monitoring efforts of such guarantees.

Annex 1: Endogeneity Test for RAEDO Model

One potential problem with the estimation of the proposed Risk Adjusted Expected Development Outcome model is the endogeneity of the exogenous/explanatory variables (work quality ratings) with respect to the endogenous/ dependent variable (the development outcome rating). There could be three possible sources of endogeneity: simultaneous causality, omitted variables, and measurement error. I.e., there is a possibility that the project's development outcome (DO) rating may have influenced the work quality ratings, that the endogenous and exogenous variables may have been jointly influenced by a missing factor, or that these variables may have been measured with error, so that the estimation of the model coefficients without correction would be biased (inconsistent). To test for the existence of endogeneity and correct this potential problem, an instrumental variables approach was used.

As a first, step, three instrumental variables were created for each of the three IFC work quality variables (appraisal, supervision, and role). Instrumental variables have to satisfy two criteria: (i) they have to be correlated with the endogenous variable, and (ii) they cannot be part of the DO equation (exclusion restriction). On this basis, the following instruments for each IFC work quality variable were created:

1. **Instrument-1:** Average IFC work quality in the sector (real sector, banking sector) by country;
2. **Instrument-2:** Average IFC work quality in the Regional departments;

3. **Instrument-3:** Average IFC work quality in the sub-sector of activity (10 sub-sectors) by country.

For each project the instruments (averages) exclude the value of the underlying project. This is expected to eliminate the effect of *DO* on the instrument (the exclusion restriction).

The second step was the test of the null hypothesis that the instruments are valid, i.e., they meet the exclusion restriction. The results, using the Sargan over identification restriction test indicate that the null hypothesis is not rejected for each of the three work quality variables, as shown below.

Table F.7. Over identification restriction test - Statistics and p-values

Variable	Real	Banks
Screening	0.77	0.01
	[0.68]	[0.99]
Supervision	0.55	0.02
	[0.76]	[0.96]
Role	3.57	0.06
	[0.17]	[0.93]
p-values in brackets		

The final step was to test the null hypothesis that the work quality variables are exogenous. The results, using the Hausman test, indicate that the null hypothesis was not rejected for both the real and banking sector models and for all three work quality variables. This result provides confidence that the regression results shown on Tables F. 5 and F. 6 are unbiased, without a need to correct for endogeneity.

Annex 2: IEG's Work Quality Assessment for IFC Advisory Services Projects

IEG first systematically evaluated Advisory Services projects, including the assessment of IFC's work quality, in 2007 (IEG 2008). With IFC's formal introduction of self-evaluation through Project Completion Reports (PCRs) for its advisory services projects in 2008, IEG's focused on the validation of self-evaluation, and continued to assess AS work quality for analytical purposes even though this dimension is not covered in the PCR framework. IEG's recent evaluation of IFC's monitoring and evaluation system recommended that IFC include a work quality assessment in the PCRs, in line with the World Bank Group's other self-evaluations products, such as ICRs and XPSRs (IEG 2013). IFC management agreed with this recommendation.

IEG's AS work quality rating reflects the strengths and weaknesses of IFC's work at two stages: (i) project preparation and design and (ii) project implementation, independently from the project's achievement of development results. IFC's Project Preparation and Design work quality dimension refers to the extent to which IFC

identified, appraised, prepared, and designed the AS project prior to project implementation, such that it was most likely to achieve planned development effectiveness results, in line with IFC's operating policies and procedures. The evaluator takes account of the operational, sector, and country context in weighing the relative importance of each criterion as it affects project results. Assessments are based on examination of AS documentation (including the Board paper for joint AS/IS initiatives) with consideration of all factors relevant to IFC's preparation and design of the project up until the point the project's implementation commenced.[15]

Similarly, quality of project implementation refers to the extent to which IFC proactively identified and resolved threats to the achievement of relevant development results, keeping in mind attribution—what was plausibly attributable to the IFC AS project versus other factors. This rating reflects evaluation of the extent to which IFC has professionally executed its implementation and supervisory work (all efforts after launch of project implementation) in relation to the AS project. The evaluator takes account of the operational, sector, and country context in weighing the relative importance of each criterion as it affects project development results. Evidence comes from an examination of AS documentation throughout the project cycle considering all factors related to implementation.[16]

Finally, IEG's ratings scale for rating IFC's Advisory Services project work quality is as follows:

- Excellent: IFC work could serve as a best-practice example with no shortcomings.
- Satisfactory: IFC work was of generally acceptable performance with no material shortfalls.
- Partly Unsatisfactory: There was a material shortfall at least in one important area.
- Unsatisfactory: There were material shortfalls in several areas OR a glaring mistake or omission bordering on negligence in at least one important area.

References

IEG (Independent Evaluation Group). 2008. *IFC Advisory Services in Eastern Europe and Central Asia: An Independent Evaluation of the Private Enterprise Partnership Program*. Washington, DC: World Bank.

_____. 2012. *Results and Performance of the World Bank Group 2011.* Washington, DC: World Bank.

_____. 2013. *IEG's Biennial Report on Operations Evaluation (BROE): Assessing the Monitoring and Evaluation Systems of IFC and MIGA*. Washington, DC: World Bank.

Notes

[1] There was also a need to differentiate rated risks in the sense that some PADs listed initial risk, others residual risk (after accounting for mitigation measures).
[2] The expected crosstab was calculated using the following formula for each cell:
(total of row i)* (total of column j)/200 (overall total).
[3] The chi-square coefficient calculated was 2.05.
[4] Outcome ratings are given on a six-point scale. The following numeric conversion was used for the analysis: highly unsatisfactory = 1; unsatisfactory = 2; moderately unsatisfactory = 3; moderately satisfactory = 4; satisfactory = 5; highly satisfactory = 6.

[5] Source: IFC Integrated Risk Management Review, March 2011

[6] AC2012-0055: MIGA's FY12 Review of Guarantee Portfolio, Risk Management and Capital Adequacy.

[7] IEG. Results and Performance of the World Bank Group 2011. Appendix E.

[8] The final CRR score was not used in this analysis, as it is adjusted by credit enhancement (such as financial guarantee from sponsoring companies), not reflecting the riskiness of underlying investments. Real sector risks are: market situation, management quality, profit margin, debt service history, debt service strength, Security and support arrangements and profit trend. For banks, risks are: regulatory environment, sector structure, internal organization, management quality, corporate governance, earnings, capital, loan assets, investment in securities, liquidity and foreign exchange open exposure. The CRR model excludes some possible factors, such as whether the client is a new client or a repeat client, IFC sector experience, and project size, that are in some way highly correlated with factors that are already included in the model. For this analysis, IEG has condensed the CRR component ratings for these factors into a binary score: "high risk" or "low risk."

[9] Previously, IEG found that the improvement of countries' business environment, rather than absolute level of IICCR score, is positively associated with projects success.

[10] Other than changes in the country risk indicators, which are continuous variables.

[11] Since the work quality ratings are assigned at ex post evaluation, there is a concern of endogeneity, that is, ratings are influenced by the observation of the outcome. For example, XPSR authors may identify negative work quality aspects when they face projects with less than satisfactory outcome. The test attached at the end of this Appendix found such endogeneity are not observed.

[12] "High" combines Excellent and Satisfactory; and "Low" combines Partly Unsatisfactory and Unsatisfactory.

[13] Binary differences are statistically significant at 95% confidence.

[14] The coefficients were not found to be significant for the portfolio of IFC's funds (collective investment vehicles) projects, which have therefore been excluded from further analysis.
[15] Factors for assessment of design work quality include:

(a) Appropriate mix of components or activities needed to achieve intended objectives. Did the project's components/activities give a clear picture of what specific activities would be undertaken to achieve the project objectives? Were there any gaps in activities that constrained the project form achieving objectives, or superfluous activities not in line with the achievement of objectives?

(b) Proper market or needs assessment. To what extent did the team adequately identify the market gap or failure or the problem that the AS project was to address? Is there strong evidence-based rationale to do the project? Did project preparation and analytical work sufficiently assess the appropriateness of project rationale and design? If the project did not conduct analytical work, did it

rely on previous interventions or other assessments, and were these sufficient? Were the necessary pre-conditions in place in order to support the project, including supportive economic, market, and institutional conditions and policies (market readiness, investor interests, legislation, regulatory, etc.)? To what extent did the team identify other providers of assistance prior to project commencement to ensure that efforts were not duplicative or contradictory and were well sequenced?

(c) Identification of appropriate and highly committed counterpart / partner, given the objectives. Was an appropriate and committed counterpart/partner selected for this project, given the objectives and market context? Consider client conditions, capacity (client's political capacity, absorptive capacity, financial capacity), as well as its commitment to project objectives. To what extent was the client involved early on in project preparation and design?

(d) Project design took a phased or programmatic approach (i.e., well-sequenced advisory services interventions aimed at having impact beyond the direct clients, at the sector level). Was the project design of deliverables well sequenced, e.g. were activities and/or components properly (logically) phased and/or sequenced in order to achieve intended project objectives?, and

(e) Promotion of local ownership of the project. Were the right stakeholders identified and to what extent was coordination with stakeholders appropriate and sufficient? Where relevant, assess the extent to which the team assessed key stakeholders' commitment to project objectives, their incentives and their constraints' (financial, political)? Did the team involve relevant stakeholders at all stages of project preparation?

[16] Factors for assessment of implementation work quality include:
(a) Results-based approach to project management (focus on Development Impact). In assessing this, consider the extent to which IFC responded proactively and with flexibility to adjust for changing local and client conditions to ensure the project was on track to achieving development results? Were surveys and/or interim evaluation assessments used to feedback into project management to enhance performance? To what extent did IFC take advantage of opportunities and surpass development impact expectations? To what extent did teams have to work to overcome project design shortcomings in order to achieved expected development objectives?

(b) Proactive client engagement and follow up. Examine the extent to which IFC proactively maintained relations with clients to keep them engaged and committed, which is important to achieving project results. Efforts to achieve cost-recovery targets from clients should also be considered.

(c) Encouraged project ownership by keeping local stakeholder engaged; examine the extent to which IFC proactively engaged and followed up with local relevant project stakeholders.

(d) Adequacy of attention to sustainability. Sustainability of AS project-induced changes and practices is critical for achieving sustainable development results. What measures were taken to enhance the prospects of sustainability beyond the life of the AS project during project implementation (e.g., ensuring sustainable exit strategy)?; and

(e) Effective coordination with other donors, where relevant.

Appendix G
Management Action Record

Evaluations prepared by the Independent Evaluation Group (IEG) contain recommendations to Bank Group management intended to "help improve the development effectiveness of the World Bank Group's programs and activities, and their responsiveness to member countries' needs and concerns."[1] Bank Group institutions have taken significant strides to strengthen the focus on results while improving their development effectiveness. Learning from best practices and knowledge gained from evaluations can help the Bank Group achieve this goal. The Management Action Record (MAR), which has tracked adoption of IEG recommendations, serves as a tool for Bank Group's accountability and learning.

IEG and Bank Group management continue to strengthen the MAR process through its reform (which has been underway since 2011), by bringing clarity to expectations regarding what constitutes adoption and by including actions and timelines for the implementation of each recommendation. As part of this reform, IEG and Bank Group management led the effort in developing a user-friendly system for tracking the MAR recommendations for consistency across three institutions. This tool was launched in April 2013 and was utilized in this year's annual MAR follow-ups. The central repository houses IEG's findings, recommendations, detailed action plans, annual follow-ups, ratings, implementation status, and allows management and the Committee on Development Effectiveness to access Bank Groups' progress of adoption on all of IEG's recommendations.[2]

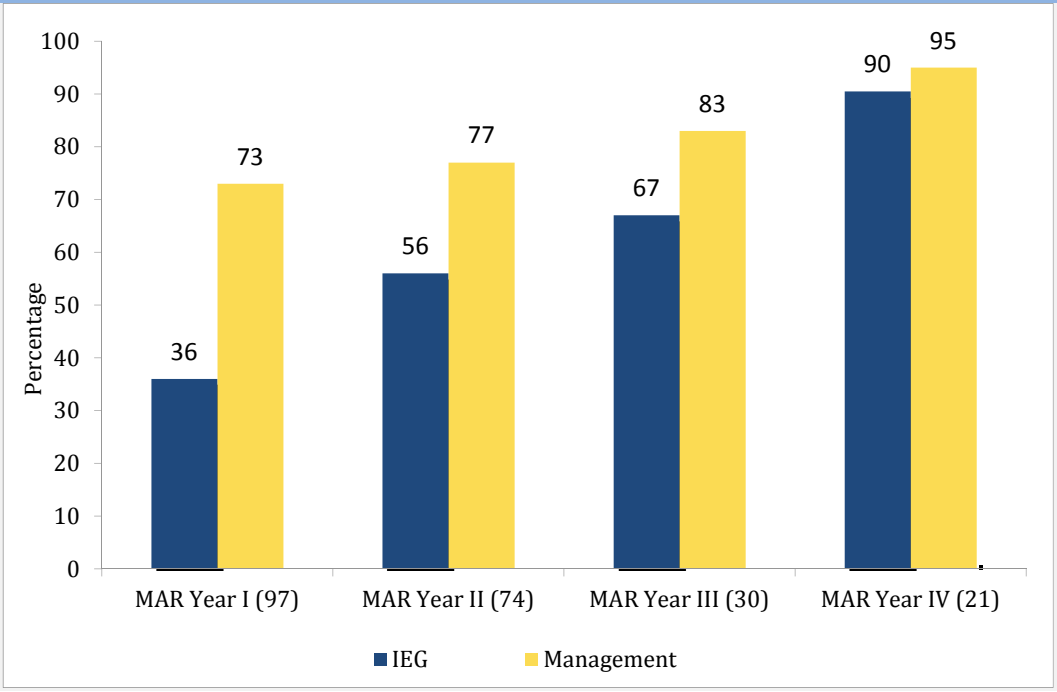
Adoption and Implementation of Evaluation Recommendations

Adoption of IEG recommendations increased over time and by the fourth year, 90 percent were substantially adopted. The latest MAR, which covers 23 evaluations completed between 2009 and 2013, shows that adoption of IEG recommendations by the World Bank Group has increased over time. IEG rated over 35 percent of the recommendations as substantially adopted after one year and considered 90 percent substantially adopted by the fourth year.

IEG has been tracking management's actions in response to its recommendations since the late 1990s in the case of the Bank, since 2003 for the Multilateral Investment Guarantee Agency (MIGA), and since 2004 for the International Finance Corporation (IFC). Between 2009 and 2013, IEG completed 23 evaluations with 97 recommendations that were tracked in the

MAR, covering the Bank, IFC, and MIGA. On average, across a four-year implementation period, 62 percent of all recommendations were substantially adopted.[3] For recommendations that had reached their fourth year of tracking, IEG considered 90 percent to have been substantially adopted, and World Bank Group management's self-assessment shows that 95 percent had been substantially adopted (Figure G.1). The Management Action Record is available online at: https://ieg.worldbankgroup.org/managementactionrecord.

Figure G.1. IEG and World Bank Group Management Overall High/Substantial Average Level of Adoption Ratings over Time, 2009–2013



Different adoption ratings between IEG and management in the first two years often reflect a difference in expectations on what constitutes adoption. Much of the differential between IEG and World Bank Group management adoption ratings was driven by a difference in clear expectations between IEG and management on what constitutes adoption, particularly in the early years of implementation. However, the recent reform of the MAR process, that emphasizes clarity in recommendations by IEG, and clear action plans by management, will address this issue to a significant extent.

RECOMMENDATIONS TO THE WORLD BANK

The Bank accepted nearly all evaluation recommendations. IEG conducts sector, thematic, corporate, and country evaluations. Evaluation topics are selected based on various criteria, including specific requests by the Board, relevance to the Bank in terms of feeding into a new strategy, IEG's selectivity framework, or as part of a regular cycle of coverage by IEG. The completed evaluations make recommendations to help enhance

the effectiveness of the Bank. IEG then follows up on the implementation of these recommendations annually through the MAR. The current MAR tracks recommendations from evaluations completed in calendar years 2009 to 2013. The evaluations covered a wide-range of topics including effectiveness in health, nutrition, and population, agribusiness, gender, safeguards, social safety nets, climate change, trust funds, global and regional partnership programs and guarantees. Of the 83 Bank recommendations made in these reports, Bank management broadly accepted 76 recommendations (92 percent), although with some qualifications.[4]

Ninety one percent of all IEG recommendations to the World Bank are implemented by year four. Bank management rated adoption of 77 percent of recommendations as high or substantial in year one and 100 percent in year four. IEG rated adoption of 32 percent of recommendations as high or substantial in year one and 91 percent by year four. The disconnect between IEG and Bank management on the level of adoption decreases over time, and we expect this difference to be even smaller with the new MAR process.

Recommendations in their fourth year are retired unless IEG or Bank management decides to keep tracking. There are currently 11 recommendations from three evaluations completed in calendar year 2010 that are in their fourth year of follow up. The recommendations cover Poverty and Social Impact Analysis (PSIA), the World Bank's Country Policy and Institutional Assessment (CPIA) and improving effectiveness and outcomes for the poor in Health, Nutrition, and Population. According to IEG, 91 percent of these recommendations have been substantially adopted. The Bank has substantially implemented almost all the recommendations in these three reports and will retire them for next year. However, in the case PSIA, one of the recommendations whose adoption was rated as medium and which will be followed up for the fifth year, was rated as such primarily due to insufficient evidence provided by Bank management on their adoption (for example, whether the staff viewed the guidance and training on PSIAs to be useful, and the extent to which PISA topics, scope, and approach are consistent with the country assistance program).

Follow-up studies on selected IEG evaluations found that the key issues raised by the Gender and Health, Nutrition, and Population (HNP) evaluations have been addressed, but some challenges remain. IEG interviewed Bank and external stakeholders to obtain feedback on important changes made in Gender and HNP sectors in the Bank since the evaluations were completed. Interviewees reported that that Bank had made significant progress in mainstreaming gender into Bank operations and that the HNP portfolio had made significant improvement, especially in Africa, both key issues raised by the IEG evaluations. Concerns were raised, however, over the

administrative downside to their improvements, namely a "box-checking" approach to gender and costly duplicative quality controls for HNP operations.

RECOMMENDATIONS TO IFC

IFC management's rates of adoption of recommendations are high. IEG has made 56 recommendations to IFC in its evaluation reports since 2009. Of the 23 recommendations that have been tracked in the MAR, IEG determined that 19 have been substantially implemented by IFC and four have been rated medium. In the fourth year of tracking recommendations from calendar year 2009, both IEG and IFC management rated the adoption as 80 percent substantial or high.

IEG's recommendations have been consistent with the direction of IFC's evolution. Highlights of IEG's recommendations include better coverage of IFC's portfolio in reporting on results; expanded support for innovative approaches and viable business models that demonstrate private sector solutions to improve the health of the poor; increased catalytic investments in energy efficiency projects; better environmental supervision and performance standards; improved quality of data collection methods, pricing, and cost accounting in AS; and improved mechanisms for strategic identifying and prioritizing of impact evaluations. Good progress has been made in addressing these issues in several areas. These include improved performance on IFC's health investments despite a weak start; better environmental supervision and tracking of environment and social (E&S) indicators in DOTS; IFC's commitment to climate change notably the increased investments in clean tech; improvements in the quality of project completion reports and cost accounting of AS projects; and establishing a new tracking system that can capture total budget and funding sources of evaluations, to include impact evaluations. Challenges remain in addressing recommendations in areas such as (i) implementation of post-completion monitoring and strengthening internal knowledge management in AS; (ii) integrating distributional and poverty issues into the stakeholder framework; (iii) coordination of fragmented external funds to strategically finance the production of impact evaluations; and (iv) applying good practice quality standards to the conduct of all impact evaluations.

RECOMMENDATIONS TO MIGA

MIGA's adoption of IEG recommendations increased by the fourth year. Out of a total of nine IEG recommendations to MIGA since 2009, adoption was rated high or substantial by IEG for 78 percent; and medium for 22 percent. However, according to IEG's ratings, adoption increased to 100 percent for evaluations tracked in their fourth year.[5]

IEG made a significant effort to streamline recommendations to MIGA in the MAR 2013. To ensure that only relevant and actionable recommendations remained in the MAR, IEG "retired" redundant or overlapping recommendations as well as those that were no longer relevant. As a result, only nine recommendations remain in the MAR. Seven of these active recommendations already show substantial progress in implementation, and two are rated as medium in adoption. The two recommendations rated as medium are due to MIGA's moderate adoption of the safeguards evaluation recommendations, which reflected challenges in enhancing client capacity, responsibility, and ownership and safeguards monitoring, evaluation, and completion reporting.

IEG's recommendations have been consistent with MIGA's challenges. In the recent past, a series of IEG reports addressed institutional effectiveness issues and several recurring themes have emerged. They can be grouped into two broad categories (i) improving tracking of project development results, and (ii) operational issues. Improving project development outcomes has been an ongoing challenge for MIGA and recommendations in this respect call for assessing and monitoring development impact; introducing self-evaluation; and enhancing institutional learning through applying lessons from both IEG and self-evaluations. Recommendations on operational issues called for improving client relationship management; measuring project level financial results; revising E&S performance standards; and being diligent in monitoring of guarantees to financial intermediaries.

MIGA has made notable progress in implementing IEG's recommendations related to institutional learning (in particular through the introduction of self-evaluation) and business development and client relationship management. MIGA has also made progress toward measuring project level financial results to inform strategy development, in development impact, and outcome monitoring.

Notes

[1] DGE mandate.

[2] To promote transparency, inclusiveness, engagement with stakeholders and public oversight of World Bank Group-supported operations, IEG also led the effort in disclosing the MAR follow-up through the new IEG Website. This effort was fully endorsed by the Bank Groups' External and Corporate Relations (ECR) and this year's full MAR is presented in: http://ieg.worldbankgroup.org/managementactionrecord.

[3] Management has disagreed with IEG in the case of nine recommendations that are currently tracked in the MAR.

[4] Seven recommendations were not accepted by Bank Management. These were: (a) taking a strategic approach to existing organizational structure and considering the client, country, and the product perspective should a new structure be developed (two recommendations from World Bank Group's Guarantee Instruments evaluation); (b) disclosing the CPIA of IBRD countries because management thought that IEG did not provide sufficient basis to justify why disclosure would enhance the quality of the rating and that the rating could affect market perceptions of the countries concerned (two recommendations from the CPIA Evaluation); and (c) simplifying the language of conditionality for the Poverty Reduction Support Credit (PRSC)/DPLs (from the PRSC evaluation) because management saw the thrust of the recommendation already embedded in its DPL framework; and (d) measure projects' economic and environmental impact during execution and after closure due to a lack of clear source of concessional funding to defray the additional cost of monitoring (from the Climate Change II evaluation); and (e) to adopt a three-pillar structure for trust funds, consisting of country-specific trust funds, Global and Regional Partnership Programs (GRPPs), and umbrella facilities since management argued that trust funds are vehicles for channeling aid resources and not programs in and of themselves (from the Trust Funds Support for Development evaluation).

[5] MIGA management disagreed with IEG on three of the five 2010 recommendations, although they explicitly agreed with two of these and at least did not explicitly disagree with the remaining recommendation in the original management response to the evaluations. These recommended that MIGA measure project-level results, put in place a performance management system that aligns staff incentives to the achievement of MIGA's corporate goals and priorities, and strengthen MIGA's business development function. MIGA management responded that measuring project-level financial data would increase the pressure to focus on profitability in small IDA-related projects and held that MIGA's business should best be operated on a portfolio basis, so that collectively all the premium revenues received cover all the costs expended. On performance management, MIGA disagreed with IEG on revamping business development or launching any new business before having taken stock of its indicators.

Appendix H
Regional Updates

Africa

Regional Challenges and Evaluation Findings from World Bank Group Operations

Africa's economies have experienced annual growth rates of over 5 percent during the last decade, giving rise to much optimism about the future. Yet, while the share of the population living on less than $1.25 a day has declined from an estimated 58 percent in 1996, at 48.5 percent in 2010 it is still exceedingly high. Job creation has not kept pace with population growth. Many African economies trail the rest of the world in competitiveness. To get on a path of sustainable growth and shared prosperity, improvements in public institutions, in infrastructure, and in the quality of education are imperative.

The performance of World Bank operations in the Sub-Saharan Africa Region has been consistently below the Bank average and in recent years has grown worse, in step with the overall trend in the Bank (Figure H.1). However, in relative terms the gap has narrowed. At the same time, in a few sectors with substantial Bank involvement project performance in Africa actually surpassed Bank averages.

Of the projects which exited the portfolio during FY10–12, the outcome of 64 percent (by number of projects) was rated moderately satisfactory (MS) or better by the Independent Evaluation Group (IEG) compared to a Bank average of 70 percent (Table H.1). Over the same period IEG prepared 16 Project Performance Assessment Review (PPARs) for Africa of which half showed MS or better outcomes.

Performance in the education sector was by far the worst: only 10 of 24 projects in the sector were rated MS or better. Other poorly performing sectors included Health, Nutrition, and Population; Financial and Private Sector Development; and Public Sector Governance. In contrast, outcomes in the Transport, Urban Development, Social Protection, and Economic Policy sectors were on the whole very good, exceeding Bank averages. (Five exiting energy sector projects were also reviewed by IEG, three of which were rated MS+.)

The one consistent evaluation finding in Implementation Completion Report Reviews (ICRRs) and in PPARs was that project design (and quality at entry) was the predominant determining factor in project outcome. Failing projects were the result of over ambitiousness and complexity (leading to gaps in input and policy requirements),

a poor assessment of country conditions and capacity (not recognized or well addressed in design), and a deficient results framework. Conversely, successful projects were associated with clarity of objectives, a good understanding of country circumstances, and a good results framework.

An example of poor design in the Education sector was three Learning and Innovation Loans exiting the portfolio during FY10–12 (Kenya, Mali, and Mauritania). A good monitoring and evaluation (M&E) framework is critical in a Learning and Innovation Loan (by definition a pilot project) to assess the impact of the project and draw lessons for future operations. Yet, in the Mauritania and Kenya cases there simply was no well-developed results frameworks, while the M&E framework in Mali had indicators that were unrealistic and difficult to measure, such as "improvement in participants" capacity to design, plan, and manage social and economic development policies and programs as judged by both participants and their supervisors," or "improvement in participants' knowledge and/or skills or changed attitude as a result of the training." One other example was a Rwanda Human Resource Development Project that was overly complex and did not take into account that most rural communities were too poor to participate, hence the project failed.

Reinforcing the main evaluation finding that successful projects depend on good design much more than on country conditions per se, was the outcome of two projects in two of the same countries mentioned above and both in the same sector (education). Both projects had satisfactory outcomes: The 2001 Mauritania Education Sector Development Program and the 2009 Rwanda Education for All-Fast Track Initiative Catalytic Fund Bridge Grant. In both cases there was extensive analytical work which ensured the strategic relevance of the project to the needs of the country and in both cases the causal chain between Bank funding and intended outcomes was clear and convincing.

The Nigeria 2002 Second Health Systems Development project exemplified design issues in the health sector. There were over 30 implementing agencies, under government pressure all states were included in the project, and equal amounts were allocated to the states irrespective of their needs. While the project concept note had highlighted lessons from an earlier project, these were not incorporated in the design. The outcome of the project was rated moderately unsatisfactory.

PPARs prepared during FY10–12 also provide ample evidence of poorly designed projects and consequently less than satisfactory outcomes. But, in addition, they give examples of how to avoid complexity and be realistic. The Ethiopia Productive Safety Net project and the Malawi Rural Land Development project both had satisfactory outcomes. In both cases the Bank worked through existing institutions and established programs (however imperfect) rather than attempting to impose new structures.

Of the 13 projects exiting the portfolio in the Transport and Urban Development sectors, only one was rated less than MS, again because of design issues. The poor outcome of the Mali Transport Corridors Improvement project resulted from failure to adequately fund one of the prime objectives (the railroad component) and from neglecting other essential requirements, apart from physical infrastructure and institutions, to facilitate traffic.

In contrast, the highly satisfactory outcome of the Rwanda Urban Infrastructure and City Management project was based on excellent preparatory work, conducted with participation of local staff and communities, and a good M&E framework. A Douala Infrastructure project incorporated lessons from previous transport operations, including especially that infrastructure investment alone would not bring efficiency to the system but needed to be accompanied by an institutional component. The outcome was rated satisfactory. Similarly a Mozambique, Maputo Municipal Development Program was well designed, including a good results framework and measures to strengthen the institutional and financial capacity of the Maputo City Council.

In sum, project evaluations in Africa strongly suggest that factors under the Bank's control (design and quality at entry) largely explain whether a project succeeds or not. Both successful and unsuccessful projects can be found in the same country, even in the same sector. Country conditions play a role primarily if they are not factored into the design.

Over the period FY11–13, the net commitments of the International Finance Corporation (IFC) to the Africa Region continued to increase from $1.97 billion in FY11 (12 percent of total IFC net commitments world-wide) to $2.11 billion in FY12 (12 percent of the total) and $3.15 billion in FY13 (19 percent of the total). Trade finance guarantees represented 51percent of the total net commitments over the three-year period. Notwithstanding this expansion of IFC's business in Africa, the Region continues to be a difficult place to do business. The success rate of IFC's investments in Africa over FY10–12 was 50 percent compared to IFC's average of 65 percent (by number of projects) and 52 percent compared to IFC's average of 74 percent (by commitment volume) (Table H.2).The success rate declined by more than 10 percentage points compared to FY08–11. A major reason was a very low success rate for infrastructure and natural resources projects largely because of an inadequate regulatory environment and a lack of capable sponsors. Performance of IFC's advisory services in Africa was also well below IFC's average: 43 percent versus 56 percent. The rating for Sustainable Business Advisory services was particularly low (Table H.3) primarily because of unsuccessful HIV/AIDS programs. The success rate for the Multilateral Investment Guarantee Agency (MIGA) was likewise lower in Africa than the MIGA average (Table H.2).

Out of 17 projects under the HIV/AIDS program evaluated by IEG, 10 were rated moderately unsatisfactory or worse. A combination of factors including lack of client commitment, frequent changes in project coordinators, poor implementation, and counterpart financial problems led IFC to discontinue this program. Often it is not easy for IFC to find capable sponsors in Africa. The Kenya-Uganda railway project is one example of this and the project is now being restructured.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

Recent IEG evaluations shed light on issues of project preparation and design, on country institutional bottlenecks to success, and on internal cooperation in the World Bank Group. The World Bank Group and the global food crisis evaluation (IEG 2013a) found that emergency operations in Africa were processed much more rapidly than is usually the case with important trade-offs between preparation speed and quality of design. Among many problems encountered in both Kenya and Sierra Leone were inefficiencies in targeting beneficiaries. IEG's evaluation on managing forest resources for sustainable development (IEG 2013b) found that Bank support in Central and West Africa for industrial timber concession reforms helped advance the regulatory framework and put environmental standards in place, but no evidence is available on whether these reforms led to sustainable and inclusive development in countries with weak governance.

One of the main findings of IEG's evaluation of World Bank Group assistance to low-income fragile and conflict-affected states was lack of selectivity in strategies (IEG 2014). Even in very small programs (Sierra Leone) the Bank gets involved in virtually every sector, without the benefit of solid analysis. Often the Bank is effective in strengthening the regulatory framework in natural resource sectors but less so in changing behavior: in the Democratic Republic of Congo, the mining law, supported by the Bank, set good practice standards, yet at the same time exploration and extraction rights are commonly allocated on a discretionary basis. The evaluation also found that when the World Bank and IFC collaborate closely (as in the power sector in Cameroon) the pay-off in terms of increased access to power, can be significant.

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE

Over the last three years (FY11–FY13) IEG has reviewed one full country program (Liberia CPE) and 13 CAS Completion Reports (CASCRs). The outcome of the Liberia CPE was rated moderately satisfactory by IEG. The successful result was attributed primarily to two factors. First, the Bank made a deliberate choice of focusing on only two areas which were deemed essential preconditions for reigniting growth in a war-torn country, and which were also areas of its comparative advantage: restoring the functionality of the State, and rebuilding infrastructure. Public finances were

reconstituted, the civil service was reformed, and there were substantial improvements in roads, ports, power, and water and sanitation. Little emphasis was placed on social sector development and on the growth agenda, where other donors were active. The second factor was exceptional ownership of the program by the government and the enthusiasm exhibited by the Bank during the phase of emergency support.

Of the 13 CASCRs reviewed by IEG during FY11–FY13, the outcomes of four were rated MS while the outcome of the remaining nine were rated moderately unsatisfactory (MU) by IEG; seven of the nine MU ratings were downgrades from the Region's ratings.

The most common critical findings in virtually all programs were that they were overly ambitious and spread too thinly over many areas, and that the outcome indicators were not well or clearly linked to the objectives to the point of sometimes being irrelevant. In those cases where the outcome was rated MU, these problems were particularly severe and aggravated by other shortcomings such as limited government capacity (Gabon), a severe lack of information (The Republic of Congo), poor Bank management of the program (Mozambique), or a lack of needed midterm corrections in strategy (Malawi). Conversely, relatively successful programs (Benin) benefited from broad-based support and a good understanding of the local context and conditions.

There were three instances where Bank performance was rated MU. In Gabon, the Bank did not pay enough attention to capacity building needs in the government, did not have a good enough grasp of country realities, did not obtain government ownership of the program, and did not act upon the Country Assistance Strategy Progress Report (CASPR) recommendations. In Mozambique, there was a lack of senior management involvement in program implementation and no CASPR. In Zambia, the CASPR came too late to be useful.

World Bank/IFC/MIGA collaboration in country strategy formulation and implementation leaves much to be desired. Of the 13 CASCRs reviewed by IEG for Africa there was an IFC performance rating for only four. One of these, Senegal, illustrates some of the issues. The IFC program was described in an Annex of the CAS instead of in the main text and was largely excluded from the results matrix, and the CASCR provided some information on IFC projects undertaken but did not discuss the performance of these projects nor collaboration between IDA and IFC.

Tables H.4 to H.7 provide detailed data on regional trends and performance.

Figure H.1. IEG Development Outcome Ratings for Africa and Bank-wide, and ICR Review Coverage in Region

Note: AFR = Africa Region; ICR = Implementation Completion Report; ICRR = Implementation Completion Report Review; IEG = Independent Evaluation Group; MS = moderately satisfactory.

Table H.1. IEG Development Outcome Ratings by Main Sector Board, Exit FY10–12

	Africa				Bank-wide			
	MS or higher				MS or higher			
	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects
Agriculture and Rural Development	9	64	50	14	52	69	73	75
Economic Policy	15	79	93	19	46	78	92	59
Education	10	42	41	24	43	64	82	67
Environment	6	60	65	10	16	59	85	27
Financial and Private Sector Development	12	60	82	20	39	74	95	53
Health, Nutrition, and Population	16	59	53	27	52	71	66	73
Public Sector Governance	8	57	76	14	34	65	72	52
Transport	6	86	96	7	31	74	78	42
Urban Development	6	100	100	6	21	72	89	29
Other	17	71	49	24	87	72	78	121
Grand Total	105	64	69	165	421	70	82	598

Note: "Other" represents sector boards with fewer than six projects within the Region. As relates to Bank-wide figures, other includes the same sector boards with fewer than six projects, as in the Africa Region, in addition to sector boards which were not represented in the Africa Region but which were present Bank-wide.

Table H.2. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in Africa and Overall, FY10–12

IFC	Africa						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)
Financial Markets	11	6	55	132	94	72	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	9	3	33	121	16	13	52	33	64	1,781	1,317	74
Manufacturing, Agribusiness, and Services	8	5	63	252	153	61	80	59	74	2,009	1,594	79
Total	28	14	50	506	264	52	236	154	65	6,835	5,067	74

MIGA	Africa			MIGA Overall		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)
MIGA Total	9	6	67	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).
Note: MIGA's rating criteria follows a 4-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.
a. Includes operations evaluated as highly successful, successful, mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.3. IEG Ratings of IFC Advisory Projects: Africa and IFC Overall, 2010–2012

	Africa			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	19	12	63	56	34	61
Investment Climate	10	6	60	43	27	63
Public Private Partnership	7	4	57	30	15	50
Sustainable Business Advisory	24	4	17	85	44	52
Grand Total	60	26	43	214	120	56

Source: IEGPE database (PCR Evaluative Notes).
a. Includes operations evaluated as highly successful, successful, mostly successful.
b. Success rate" refers to projects rated as mostly successful or higher in percent of total.

Table H.4. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC–IEG XPSR/PES Ratings			IFC–IEG PCR Ratings		
		MS+		Total number of rated projects	MS+		Total number of rated projects	MS+		Total number of rated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IBRD	Botswana				1	100	1	0	0	2
	Namibia	1	100	1		0			0	
	Seychelles	2	100	2		0			0	
	South Africa	2	100	2	1	33	3	0	0	4
	Gabon	1	100	1	1	100	1		0	
IBRD Subtotal		6	100	6	3	60	5	0	0	6
Blend	Cape Verde	1	100	1	0	0	1		0	
	Angola	1	50	2		0			0	
Blend Subtotal		2	67	3	0	0	1		0	
IDA	Benin	3	60	5		0			0	
	Burkina Faso	1	33	3	1	100	1	1	50	2
	Burundi	2	100	2		0		0	0	1
	Cameroon	3	100	3	0	0	1	0	0	1
	Central African Republic	2	67	3		0		0	0	1
	Chad	1	50	2		0			0	
	Comoros	2	100	2		0		1	100	1
	Congo, Democratic Republic of	4	67	6		0		0	0	1
	Congo, Republic of	1	50	2		0			0	
	Cote d'Ivoire	2	67	3		0			0	
	Eritrea	1	33	3		0			0	
	Ethiopia	4	57	7		0			0	
	Gambia, The		0	2		0			0	
	Ghana	2	33	6	0	0	2	3	60	5
	Guinea	1	100	1		0		0	0	1
	Guinea-Bissau	3	75	4		0			0	
	Kenya		0	4	0	0	2	1	14	7
	Lesotho	2	67	3		0			0	
	Liberia	3	75	4		0		1	50	2
	Madagascar	3	75	4	0	0	1	1	50	2
	Malawi	2	67	3	1	100	1	1	100	1
	Mali	1	20	5		0		1	100	1
	Mauritania	1	20	5		0			0	
	Mozambique	5	83	6	1	100	1	0	0	3
	Niger	4	80	5		0			0	
	Nigeria	9	82	11	5	71	7	1	50	2
	Rwanda	7	88	8	0	0	1	1	50	2
	Sao Tome and Principe	3	100	3		0		1	100	1
	Senegal	5	71	7	1	100	1	1	100	1
	Sierra Leone	3	75	4	0	0	1	2	100	2
	Somalia	1	100	1		0			0	
	South Sudan		0	2		0		1	100	1
	Sudan	1	100	1		0		0	0	1
	Tanzania	5	50	10	0	0	1	3	75	4
	Togo	3	100	3		0			0	
	Uganda	3	75	4		0		2	100	2
	Zambia	1	33	3		0		0	0	2
IDA Subtotal		94	63	150	9	45	20	22	49	47
Regional	Africa Regional	3	50	6	2	100	2	4	67	6
	Eastern Africa Regional		0			0			0	
	Southern Africa Regional		0			0		0	0	1
AFR Regional Subtotal		3	50	6	2	100	2	4	57	7
Grand Total for Africa	Total	105	64	165	14	50	28	26	43	60

Source: IEGPE Database (PCR Evaluation Notes).

Table H.5. Africa: New World Bank Lending Commitments by Sector, FY09–13 (US$ millions)

Sector board	2009	2010	2011	2012	2013
Agriculture and Rural Development	1,270	582	852	540	910
Economic Policy	904	593	827	820	496
Education	320	246	288	127	340
Energy and Mining	874	859	925	940	1,072
Environment	115	10	129	681	57
Financial and Private Sector Development	268	632	579	100	360
Financial Management	4	45	15	5	
Global Information and Communications Technology	175	41	229	55	95
Health, Nutrition, and Population	325	484	350	534	354
Poverty Reduction	235	130	337	410	100
Public Sector Governance	350	350	197	292	237
Social Development	23	8		50	
Social Protection	1,216	875	515	741	1,194
Transport	917	1,545	834	213	1,609
Urban Development	70	489	535	585	654
Water	377	290	394	838	666
Grand Total	7,441	7,179	7,004	6,931	8,143

Table H.6. Africa: IEG Ratings of Project M&E Quality, FY10–12

	M&E Quality Substantial or Better		
	Number of projects	Percentage	Total number of rated projects
IBRD	4	57	7
Blend	1	33	3
IDA	34	23	150
Regional			6
Grand Total for Africa	39	23	166
Grand Total Bank-wide	170	28	602

Table H.7. Africa: CASCRR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Outcome rating	Bank performance	IFC performance
2011	Tanzania	FY07–10	MU	MS	MS
2012	Mozambique	FY08 -11	MU	MU	MS
	Gabon	FY05–09	MU	U	Unrated
2013	Benin	FY09–12	MS	MS	Unrated
	Burundi	FY09–12	MS	MS	MU
	Congo, Democrat	FY08–11	MS	S	Unrated
	Congo, Republic	FY10–12	MU	MS	Unrated
	Ethiopia	FY08–12	MS	MS	Unrated
	Gambia, The	FY08–11	MU	MS	Unrated
	Malawi	FY07–10	MU	MS	Unrated
	Niger	FY08–11	MU	MS	Unrated
	Senegal	FY07–10	MU	MS	MS
	Zambia	(FY08–11)	MU	MU	Unrated

East Asia and the Pacific

REGIONAL CHALLENGES AND EVALUATION FINDINGS FROM WORLD BANK GROUP OPERATIONS

East Asia and Pacific Region experienced annual growth rates of over 8.5 percent during the last decade (2000-2010). In 2012, the Region grew by 7.4 percent, representing 40 percent of global growth. The share of the population living under $2 a day declined from 61.7 percent in 1999 to 29.7 percent in 2010. Challenges for the Region include rising inequality; gaps in infrastructure and services; threats from natural disasters and climate change, and effective job creation.

The outcome ratings of East Asia and Pacific operations have consistently been above the Bank averages since 2002. For exiting projects FY10–12, the outcomes of 78 percent (by numbers of project) were rated moderately satisfactory or better (MS+) by IEG, well above the Bank average of 70 percent (Figure H.2). However, as a share of commitment volumes, East Asia and Pacific was below the Bank average, with 79 percent rated MS+ (Bank average 82 percent).

The quality of the M&E Framework in Bank financed projects was slightly below the Bank average, with 25 percent of evaluated projects rated substantial or high compared to 28 percent for the Bank (Table H.13). As with the outcome ratings, IBRD countries had better M&E frameworks (31 percent), better than IBRD/IDA Blend countries (17 percent) and IDA countries (13 percent). Common shortcomings among these projects included weak results chains; poorly operationalized indicators; lack of baselines and targets; and indicators focused on outputs rather than on outcomes.

However, over the period FY09–12 both Bank and East Asia and Pacific Region average outcome ratings declined, compared to the previous three years. In particular, the Bank-wide decline in outcome ratings for investment projects is an important issue. For East Asia and Pacific Region these ratings (percent of MS+) declined from 82 percent in FY07–09 to 77 percent in FY10–12, although it was the highest-scoring Region in the latter period, and with a similar decline in Bank performance (to 76 percent). Quality at entry showed a huge drop from 82 percent to 63 percent, while quality of supervision declined very modestly to 83 percent. There was a large drop also for quality of M&E (from 38 percent to 24 percent), indicating a very substantial scope for improvement.

By sector, the East Asia and Pacific Region averages (by numbers) were substantially higher than the Bank averages for Health, Nutrition, and Population (90 percent MS+ versus 71 percent), Water (100 percent versus 62 percent), Urban Development (83 percent versus 62 percent), and Financial and Private Sector Development (100 percent versus 74 percent). Transport, on the other hand, was the lowest performing sector (of

those with at least five evaluated exits). It accounted for over 20 percent of the regional commitments FY10–12, but showed only 62 percent MS+ versus 74 percent for the Bank by numbers, and a larger difference by commitments. IBRD countries had better outcome ratings (81 percent rated MS+) than IBRD/IDA blend and IDA countries.

IEG ICR Reviews and PPARs show that successful Bank projects were usually associated with five factors: (i) strong government ownership; (ii) designs that draw lessons from experience, incorporate good practice standards, and are based on good quality preparatory work, including adequate identification and mitigation of risks; (iii) implementation arrangements that are aligned with the capacity of the borrower; (iv) supervision arrangements that allow for early recognition of what is not working and changing priorities, and making the necessary corrections; and (v) well-articulated results frameworks.

Projects from the well-performing Health, Nutrition, and Population and Water sectors offer evidence of how these factors contributed to good outcomes. In the Tuberculosis Control Project in China, strong government ownership led to the provinces covering funding shortfalls for poor counties that could not meet their obligations, while in Vietnam the government sustained the necessary policy and legal frameworks to ensure a supportive environment for the Mekong Regional Health Support Project. The design of both projects incorporated lessons from the Bank's past health sector interventions.

In the Transport sector, the Fourth Inland Waterways Project in China had risk identification and mitigation measures in place and a careful up-front diagnostic assessing the impact of neighboring dams on the operation of the dams under the project. By contrast, the Inner Mongolia Highway and Trade Corridor project in China did not succeed in promoting additional trade with Russia owing to poor preparatory work (for example, unrealistic traffic forecasts) and inadequate identification of risks (for example, economic downturn and changes in trade relations between China and Russia). Likewise, the Second Eastern Indonesia Regional Transport Project achieved only 54 percent of the targeted road rehabilitation and betterment owing to inadequate cost estimations. In the Philippines, the Metro Manila Urban Transport Integration Project suffered from an overambitious project design and implementation arrangements that overstretched the capacity of the implementing agencies.

Successful projects were also particularly good at quickly identifying problems during project implementation, and making needed mid-course corrections. In order to detect problems quickly, there had to be a well-articulated results framework linking project activities and outputs to the intended outcomes. A good example is the Human Influenza Control and Preparedness Project in Laos, where a well-designed and

adequately implemented M&E system allowed the project team to monitor achievements and to detect implementation bottlenecks in civil works.

Unsuccessful projects, by contrast, usually had poorly articulated results frameworks and weak M&E implementation arrangements, and were not able to generate and incorporate useful information to adapt the project to changing circumstances. For instance, in the Metro Manila Urban Transport Integration Project, surveys had been planned to collect data on public opinion and public transport usage, but these were not conducted because the government agency did not release the required counterpart funding.

By number of projects, IFC's rated investment performance in the East Asia and Pacific Region was on par with the IFC averages. During FY10–12 IEG reviewed 34 projects of which 65 percent were rated mostly successful or higher (MS+), the same as for IFC as a whole. The percentages by commitment were also almost even (76 percent and 74 percent, respectively). The outcomes for financial markets were well below those for Infrastructure and Natural Resources as well as Manufacturing, Agribusiness, and Services. IFC's advisory services in the East Asia and Pacific Region, however, had an overall MS+ rate 12 percentage points below IFC average (44 percent versus 56 percent). The Sustainable Business Advisory product line had noticeably lower percentages than the other three business lines. IEG validated one MIGA infrastructure project in China and rated its outcome satisfactory.

IEG Expanded Project Supervision Reports (XPSRs) and PCR reviews indicate that IFC added values beyond its financial contributions in the East Asia and Pacific Region. In China, IFC acted as an honest broker between a city commercial bank and an international investor. Also in China, IFC helped improve the corporate governance and environment and social standards of its clients in the infrastructure and health sectors to international standards. In Cambodia, IFC's continuous support helped a microfinance institution to expand its SME loan portfolio substantially. However, IFC was not able to ensure full compliance and implementation of the Environmental and Social Management System with all of its clients in the Region.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

Several recent IEG evaluations are of high relevance for the East Asia and Pacific Region. The evaluation of the *World Bank Group and the Global Food Crisis* (IEG 2013a) emphasized that the effectiveness of increased lending (as for agriculture) depends critically on adequate analytical work and staffing. In countries where social safety net systems are in place, they can be critical to protecting vulnerable households and individuals during a crisis. Differences in country contexts also matter in other ways,

thus the evaluation pointed to the case of the Philippines with its strong leadership in aid coordination with donors.

The phase III report *Adapting to Climate Change: Assessing the World Bank Group Experience* found that the Group lacks a reliable compass to guide future adaptation efforts, and that project-level M&E is often inadequate (IEG 2013c). Climate adaptation will be advanced, to a large degree, by pursuing sustainable development, especially sustainable agriculture, integrated water resource management, and disaster risk reduction. The case study of Kiribati identified long-term engagement and focus as key aspects. The Mekong River Basin illustrated the challenges of transboundary integrated water resources management, where results to date have been mixed.

Improving Institutional Capability and Financial Viability to Sustain Transport: An Evaluation of World Bank Group Support since 2002 found that sustained transport outcomes are associated with projects that have explicit objectives to sustain transport and identify operations and maintenance funding risks upfront (IEG 2013d). Financial viability and institutional capability were more likely to be achieved where DPOs and public expenditure reviews were complementing specific investment loans, as was the case in Indonesia.

For engaging with FCS, the *World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States* recommended, inter alia, that country assistance strategies need to be underpinned by systematic analysis of the drivers of fragility, conflict, and violence (IEG 2014). The Bank needs to provide increased support to reform-oriented FCS for capacity building at national and subnational levels through predictable, programmatic budget support, complemented by technical assistance and investment lending. The report noted the risk of relying on long-term advisers, which inter alia in Timor-Leste this had caused growing local resentment.

Finally, the *Knowledge-Based Country Programs: An Evaluation of the World Bank Group Experience* found that the World Bank Group has been more effective when it worked on specific sectors rather than on broad topics, addressed specific client concerns, and customized international best practice to local conditions (IEG 2013e). It identified the Economics of AIDS report for Thailand as one good example of the customization to country context.

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE

During FY11–FY13, IEG conducted a CPE for Timor-Leste and **reviewed eight CASCRs** (Table H.14), the outcomes of five of which were found moderately satisfactory or better (MS+) (China (S), Indonesia, Lao PDR, Mongolia, and Vietnam); the other three (Thailand, Timor-Leste, and Papua New Guinea) were rated MU. All but the Lao PDR

country program were implemented jointly with IFC; and with MIGA as well in China, Mongolia, and Vietnam.

Successful country programs were often associated with sustained, innovative support for key development agendas. In China, the Bank's financial and knowledge support in health, education, and social security systems over a long period, with projects piloting new local approaches and AAA providing higher-level inputs for policy reforms, contributed effectively to helping to reduce poverty, inequality, and social exclusion. IFC made significant contributions to improving access to finance, using advisory services to improve institutions and a combination of investments and advisory services to develop or strengthen financial institutions.

In Indonesia, the Bank's **substantial support for community-driven development** over a decade was very effective in helping to develop social safety nets. In Lao PDR, the Bank's relatively modest financial contribution was central to ensuring that the natural resource development Nam Theun 2 project was implemented successfully without significant social or environmental impacts. In Vietnam, when the global crisis affected the banking sector, IFC supported the liquidity requirements of commercial banks and provided capacity building to improve risk management and to increase SME lending.

The World Bank Group has also been helping East Asia and Pacific Region countries address **environmental and climate change issues**. In China, both IBRD and IFC devoted considerable resources to demonstrate innovative approaches for developing renewable energy, energy efficiency financing, reforestation and water resource management; the results were significant. In Indonesia, the Bank collaborated with other partners to help push forward the climate change agenda by focusing on deforestation.

On the other hand, **many programs in the East Asia and Pacific Region could have benefited from greater selectivity and stronger results frameworks**. In Papua New Guinea and Timor-Leste, overly broad and diffuse strategies critically impeded the World Bank Group's capacity to achieve the expected results. By attempting to cover a wide range of issues in a context of weak institutional capacity and modest IDA resources, the programs ended with diluted priorities and under-achievement of strategic objectives. In addition, most country strategies in the East Asia and Pacific Region lacked useful results frameworks.

Tables H.8 to H.14 provide detailed data on regional trends and performance**.**

Figure H.2. IEG Development Outcome Ratings for East Asia and Pacific and Bank-wide, and ICR Review Coverage in Region

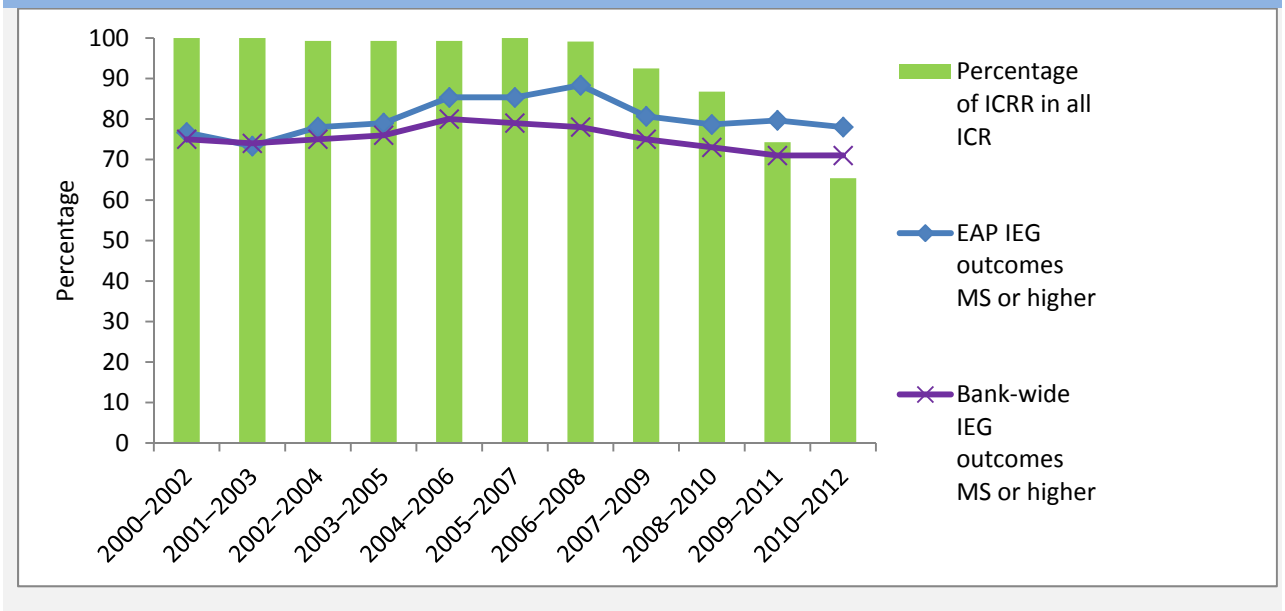


Table H.8. IEG Development Outcome Ratings by Main Sector Board, Exit FY10–12

	East Asia and Pacific				Bank-wide			
	MS or higher				MS or higher			
Sector board	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects
Agriculture and Rural Development	9	64	75	14	52	69	73	75
Economic Policy	6	86	100	7	46	78	82	67
Education	5	71	100	7	43	64	82	67
Financial and Private Sector Development	6	100	100	6	39	74	95	53
Health, Nutrition, and Population	9	90	75	10	52	71	66	73
Transport	8	62	59	13	31	74	78	42
Urban Development	5	83	97	6	21	72	89	29
Water	5	100	100	5	21	62	57	34
Other	12	80	70	15	116	70	81	166
Grand Total	65	78	79	83	421	70	82	598

Note: "Other" represents sector boards with fewer than five projects within the East Asia and Pacific Region. As it relates to Bank-wide figures, other includes the same sector boards with fewer than five projects, as in the Region, in addition to sector boards that were not represented in the Region but which were present Bank-wide.

Table H.9. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in East Asia and Pacific and Overall, FY10–12

IFC	East Asia and Pacific						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by Commitment (percentage	Number of XPSRs/PES evaluated	XPSRs/PES Evaluated as Mostly Successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)
Financial Markets	14	8	57	563	301	54	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	7	6	86	500	499	99	52	33	64	1,781.0	1317	74
Manufacturing, Agribusiness and Services	13	8	62	285	229.3	81	80	59	74	2,008.5	1,594	79
Total	34	22	65	1,348.0	1030	76	236	154	66	6,835	5,067	74

MIGA	East Asia and Pacific			MIGA Overall		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)
MIGA Total	1	1	100	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).
Notes: MIGA's rating criteria follows a four-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.
a. Includes operations evaluated as highly successful, successful, mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.10. IEG Ratings of IFC Advisory Projects: East Asia and Pacific and IFC Overall, 2010–2012

	East Asia and Pacific			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs Evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	14	7	50	56	34	61
Investment Climate	8	4	50	43	27	63
Public Private Partnership	2	1	50	30	15	50
Sustainable Business Advisory	12	4	33	85	344	52
Grand Total	36	16	44	214	120	56

Table H.11. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC–IEG XPSR/PES Ratings			IFC–IEG PCR Ratings		
		MS+		Total number of evaluated projects	MS+		Total number of evaluated projects	MS+		Total number of evaluated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IBRD	China	24	89	27	14	74	19	4	44	9
	Fiji		0			0			0	
	Indonesia	13	76	17	0	0	3	3	75	4
	Malaysia	1	100	1		0			0	
	Palau		0			0			0	
	Philippines	1	33	3	5	100	5	4	57	7
	Thailand		0			0			0	
IBRD Subtotal		39	81	48	19	70	27	11	55	20
Blend	Mongolia	3	75	4		0			0	
	Papua New Guinea		0		0	0	1	0	0	3
	Timor-Leste	1	50	2		0		1	100	1
	Vietnam	9	75	12	0	0	2	1	33	3
IBRD/IDA Blend Subtotal		13	72	18	0	0	3	2	20	7
IDA	Cambodia	4	67	6	1	100	1	0	0	3
	Kiribati		0			0			0	
	Lao PDR	3	75	4	1	100	1	1	50	2
	Marshall Islands		0			0			0	
	Micronesia, Fed. Sts.		0			0			0	
	Myanmar		0			0			0	
	Samoa	2	100	2		0			0	
	Solomon Islands	1	100	1		0			0	
	Tonga	1	50	2		0		0	0	1
	Tuvalu		0			0			0	
	Vanuatu		0			0		0	50	2
IDA Subtotal		11	73	15	2	100	2	1	17	8
Regional		2	100	2	1	50	2	1	100	1
Grand Total for East Asia and Pacific		65	78	83	22	65	34	16	44	36

Source: IEGPE Database (PCR Evaluation Notes).
a. Includes operations evaluated as highly satisfactory, successful, mostly successful.
b. Success rate refers to projects rated as mostly successful or higher in percentage of total.

Table H.12. East Asia and Pacific: New World Bank Lending Commitments by Sector, FY09–13 (US$ millions)

Sector board	2009	2010	2011	2012	2013
Agriculture and Rural Development	520	864	679	382	479
Economic Policy	2,792	810	1,954	2,411	1,322
Education	797	740	830	50	345
Energy and Mining	526	508	1,655	490	676
Financial and Private Sector Development	160	1	21	-	155
Health, Nutrition, and Population	-	145	170	100	150
Public Sector Governance	460	650	476	150	-
Social Development	322	818	99	531	730
Social Protection	215	655	-	-	180
Transport	855	807	1,781	758	627
Urban Development	1,285	1,109	495	1,052	978
Water	220	188	555	514	399
Grand Total	8,152	7,516	7,996	6,662	6,246

Table H.13. East Asia and Pacific: IEG Ratings of Project M&E Quality, FY10–12

M&E Quality Substantial or Better			
	Number of projects	Percentage	Total number of rated projects
IBRD	15	31	48
Blend	3	17	18
IDA	2	13	16
Regional	1	50	2
Grand Total for East Asia and Pacific	21	25	84
Grand Total Bank-wide	170	28	602

Table H.14. East Asia and Pacific: CASCRR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Outcome rating	Bank performance	IFC performance
2011	Thailand	FY03–09	MU	MS	MU
2012	Lao, PDR	FY05–11	S	MS	Unrated
	Mongolia	2005–2011	MS	MS	MS
	Vietnam	F07–11	MS	MS	S
2013	China	FY07–12	S	S	S
	Indonesia	FY09–12	MS	MS	Unrated
	Papua New Guinea	FY08–12	U	MU	S
	Timor Leste	FY06–11	MU	MU	Unrated

Europe and Central Asia

REGIONAL CHALLENGES AND EVALUATION FINDINGS FROM WORLD BANK GROUP OPERATIONS

The Europe and Central Asia Region suffered a significant economic slowdown in 2012 with growth falling to 2.7 percent (compared to 5.6 percent in 2011). External conditions have now improved and growth is expected to recover to 2.8 percent in 2013, 3.8 percent in 2014, and 4.2 percent in 2015 (World Bank 2013). External risks include the slow speed of recovery in Europe, weakening commodity prices, and a possible reversal of global financial conditions.

Bank operations in Europe and Central Asia continue to perform well compared to the Bank average (Figure H.3). The share of projects that exited the active portfolio in FY10–12 with outcomes rated moderately satisfactory or better (MS+) by IEG was 76 percent for Europe and Central Asia, while the Bank average for the same period was 70 percent (Table H.15).

However, over the period FY09–12 both Bank and Europe and Central Asia average outcome ratings declined, compared to the previous three years. In particular, the Bank-wide decline in outcome ratings for investment projects is an important issue for the institution. For Europe and Central Asia these ratings (percent of MS+) declined from 86 percent in FY07–09 to 73 percent in FY10–12, a larger drop than for any other Region (but reflecting in part the closing of seven non-performing projects in FY10 to resolve portfolio issues). There was a similar decline in Bank performance (to 73 percent), quality at entry (to 61 percent) and quality of supervision (to 79 percent). Europe and Central Asia's average rating for quality of M&E was virtually unchanged at 36 percent, which indicates scope for improvement.

The three largest sectors by commitments—economic policy, finance, and private sector development, and energy and mining (together accounting for 57 percent of total commitments at exit FY10–12)—had outcome ratings of MS+ for100 percent, 98 percent, and 92 percent of projects respectively, and all three sectors performed better in Europe and Central Asia than for the Bank-wide average. These sectors will continue to play a key role in the Region, as they accounted for 67 percent of the total lending by commitments between FY09 and FY13 (Table H.19).

Outcomes in Health, Nutrition, and Population and Social Protection were below the Bank-wide averages by numbers and at about the same levels when measured by commitments, while the Education sector was well above the Bank average by numbers, but well below by commitments. The Albania School Reform projects were examples of good domestic preparedness, and also of the use of simple project designs to deal with a

lack of experience and limited human capital. Armenia's Public Sector Modernization Project also demonstrated that more narrowly focused operations limit implementation complexity for the borrower and supervision challenges for the Bank.

The "other category"—sector boards with less than five projects each in Europe and Central Asia —was in the aggregate the lowest performer by number of projects as well as by commitments.

Europe and Central Asia has been among the Regions showing higher than average outcome ratings for infrastructure, but during FY10–12 the Region showed a large deterioration, albeit with few exiting projects. From Poland's Szczecin-Swinoujscie Seaway and Port Modernization Project, near-term benefits from the big investments in seaway rehabilitation were very limited, and few benefits were flowing from the new areas developed in the port, due to delays in their completion and leasing. In contrast, benefits from Lithuania's Klaipeda Port project included deeper drafts created at Klaipeda, and increased international ferry traffic, thanks to vital technical assistance.

Lessons from projects in Bulgaria that aimed at environmental remediation associated with the privatization of state-owned enterprises included the need for strong measures to monitor and reward compliance in DPLs supporting privatization with environmental remediation. More attention needs to be paid to improving the implementation practices, track record, and capacity in environmental regulation, rather than simply the legislative action taken.

Several Bank projects responding to the risks of avian influenza outbreaks closed over 2010–2012. IEG evaluated projects in Albania, Armenia, and Tajikistan, and found that these projects were generally successful in increasing disease awareness and diagnostic and surveillance capacity. However, the projects had little impact on biosecurity levels on farms, and struggled with delays due to difficulties in managing highly specialized procurement and civil works.

The Kyrgyz Republic Land and Real Estate Registration Project achieved or exceeded its output targets and helped facilitate a major growth in the land market, in large part because the project supported a single agency for all land administration services, enabling legislation was passed before project startup, and complex activities (such as digitization) were introduced in phases corresponding with evolving management and technical capacity.

More advanced countries also are finding ways of addressing capacity challenges. The Regional Fiscal Technical Assistance Project in the Russian Federation highlights the importance of a mutually reinforcing package of properly sequenced analytical work,

technical assistance, policy lending, and parallel assistance from other donors. The recently completed Public Sector Financial Management Reform Support operation in Georgia demonstrates that complex reforms need a decision-making environment that encourages experimentation and feedback loops in learning, where there is continual results monitoring and redesign based on experience.

IFC's investment performance in the Europe and Central Asia Region was broadly on par with the IFC averages: 71 percent of evaluated IFC investments by commitment in FY10–12 were rated MS+ (mostly successful or better) (IFC-wide average 74 percent), as were 64 percent of the investments by number (IFC-wide average 65 percent) (Table H.16). IFC investments in manufacturing, agribusiness, and service sectors did well—20 out of 23 evaluated projects were rated MS+ with a success rate of 85 percent by commitments. However, the performance of IFC's Europe and Central Asia projects in financial markets fell well below the IFC average by number of operations.

IFC advisory services in Europe and Central Asia showed much better outcomes than for IFC as a whole—72 percent rated mostly successful or better compared to an IFC-wide average of 56 percent (Table H.17). The table shows that there were no evaluated advisory projects in Europe and Central Asia for public-private partnerships, although there were 30 evaluated such projects world-wide.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

Several recent IEG evaluations produced relevant findings for the Europe and Central Asia Region, especially in relation to the Region's strategic pillars of climate change and competitiveness. Thus IEG evaluations on climate change recommended that the World Bank Group to promote policies that remove biases against renewable energy and energy efficiency, support knowledge transfer, scale-up critical investments (e.g., energy efficient lighting and reductions in power transmission and distribution losses), combine action with planning, and initially focus on a few critical sectors (IEG 2009; 2010; 2013c). The evaluations recognized the progress made by many Eastern European countries in reducing economy-wide energy intensity and energy subsidies, and that the Bank provided effective support in a number of areas, such as promoting efficiency in district heating and the rationalization of energy prices in Georgia, Romania, and Ukraine.

An IEG evaluation of innovation and entrepreneurship noted that significant investments in human capital and research and development in Russia did not translate into a dynamic, innovative, and competitive economy, mainly due to inadequate policy and the institutional environment against innovation (IEG 2013f).

Another important factor for fostering competitiveness is sustaining the benefits of infrastructure investments. Some projects in the Energy and Water Supply and Sanitation sectors in Europe and Central Asia rated MS+ for development outcomes and have high risk ratings for project development outcomes due to financial uncertainty (often linked to tariff reforms). Uncertainty over maintenance funding could jeopardize the outcomes of infrastructure projects in the Region. IEG's transport evaluation noted that financial viability and institutional capability are linked to sustained transport outcomes, and projects with objectives to sustain transport and those that identify maintenance funding risks are more likely to succeed (IEG 2013d). Albania provides a successful example where output and performance based maintenance contracts and government commitment to scaling up are expected to provide adequate maintenance for the roads constructed.

An evaluation of knowledge-based programs in high and upper-middle income countries showed that reimbursable AS can be effective as in the case of the Bank's support for the PPP for Pulkovo Airport in St. Petersburg, which was seen by the client as timely, comprehensive, relevant, and of high quality (IEG 2013e).

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE

Since FY11, IEG has reviewed 14 CASCRs for European and Central Asian countries (Table H.21). The World Bank Group's strategies in Europe and Central Asia were aligned with the countries' own development plans, generally relevant to the countries' needs, and were able to adjust to changing country circumstances, especially the global financial crisis.

The ratings for program outcomes are fully concentrated around the middle, with eight MS (57 percent) and six MU (43 percent). Program outcomes and Bank performance were rated the same in nine cases, Bank performance was rated lower in one case (Albania FY06–09) and it was rated higher in four cases (Montenegro, Serbia, Ukraine, and Uzbekistan). In particular, for Ukraine (FY08–11) the program was rated MU for lack of achievement of objectives due to domestic conditions of political uncertainty and little ownership, while Bank performance was rated satisfactory including for its speed in reacting to the financial crisis, effectiveness in delivering AAA and support in improving portfolio quality.

CASCR reviews indicate that the Region was able to make progress in addressing climate change-related issues in several countries: Belarus (improved energy efficiency in social facilities and households); Croatia (development of renewable energy, and rolling out energy efficiency); Turkey (diversifying toward cleaner and renewable sources of energy and promoting more efficient use of energy through tariffs); and

Russia (progress on energy efficiency). Targeting social assistance to the poor, on the other hand, proved more difficult (Belarus, Bosnia and Herzegovina, Croatia, Russia, and Ukraine).

Improvements in Public Sector Finances and Management, Private Sector Development, and Governance varied across countries. In Russia, the World Bank Group was successful in its support for performance management and budgeting, tax modernization and fiscal federalism, but fell short of meeting its objectives on judicial reform and anti-corruption. In Ukraine, progress was made in cadastre and land titling, company permits, and operating permits, but it did not translate into a broad-based improvement in the country's business environment. Similarly, progress was made in selected aspects of the business environment and privatization in Croatia, but the overall reforms to lower the costs of doing business were fragmented and the role of the private sector in the economy did not increase.

IEG rated IFC performance in CASCR reviews mostly successful or higher (MS+) in all countries where separate ratings were accorded (12 out of 14 cases, indicating a high degree of collaboration in country strategy formulation and implementation). IEG reviews noted that IFC played an important counter-cyclical role in a number of countries (for example, Russia, Serbia, Kazakhstan). Thus in Kazakhstan IFC reacted quickly to changing country conditions and provided support to a number of domestic banks when their foreign funding sources dried up.

The lessons learned from the various CASCR reviews in Europe and Central Asia point at the importance of results frameworks, realistic objectives, and country ownership. The objectives of the Bank strategies should be supported by relevant World Bank Group interventions and the contribution of these interventions to achieving the objectives should be clear. World Bank Group development effectiveness is assessed against outcomes that need to be supported by results frameworks with indicators, baselines, and targets. The progress report stage is an opportunity to update the strategy if country circumstances change. Finally, government ownership of the program (and its parts) is critical, and the Bank Group should maintain a dialogue even if there is no lending.

Tables H.19 to H.21 provide detailed data on regional trends and performance**.**

Figure H.3. IEG Development Outcome Ratings: Europe and Central Asia and Bank-wide, and ICR Review Coverage in Region

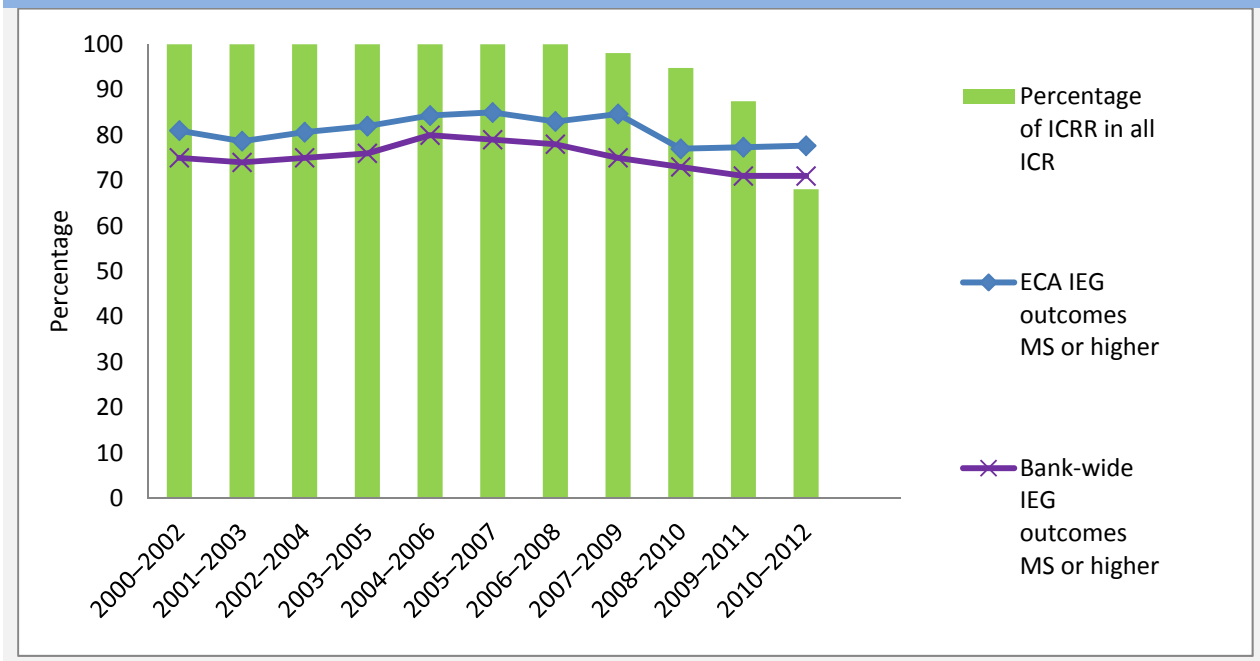


Table H.15. IEG Development Outcome Ratings by Main Sector Board, Exit FY10–12

	Europe and Central Asia				Bank-wide			
	MS or higher				MS or higher			
	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects
Agriculture and Rural Development	18	82	80	22	52	69	73	75
Economic Policy	7	100	100	7	46	78	92	59
Energy and Mining	14	78	92	18	24	73	90	33
Education	8	80	57	10	43	64	82	67
Financial and Private Sector Development	8	89	98	9	39	74	95	53
Health, Nutrition, and Population	6	67	66	9	52	71	66	73
Public Sector Governance	7	100	100	7	34	65	72	52
Social Protection	5	56	80	9	22	69	83	32
Other	11	55	46	20	109	71	77	154
Grand Total	84	76	87	111	421	70	82	598

Note: "Other" represents sector boards with fewer than five projects within the Region. As relates to Bank-wide figures, other includes the same sector boards with fewer than five projects, as in the Region, in addition to sector boards which were not represented in the Region but which were present Bank-wide.

Table H.16. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in Europe and Central Asia and Overall, FY10–12

IFC	Europe and Central Asia						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by Commitment (in %)
Financial Markets	30	13	43	745	497	67	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	10	7	70	340	191	56	52	33	64	1,781	1,317	74
Manufacturing, Agribusiness, and Services	23	20	87	613	523	85	80	59	74	2,009	1,594	79
Total	63	40	64	1,698	1212	71	236	154	65	6,835	5,067	74

MIGA	Europe and Central Asia			All		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)
MIGA Total	3	2	67	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).

Note: MIGA's rating criteria follows a four-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.

a. Includes operations evaluated as highly successful, successful, or mostly successful.

b. Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.17. IEG Ratings of IFC Advisory Projects: Europe and Central Asia and IFC Overall, 2010–2012

	Europe and Central Asia			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	9	6	67	56	34	61
Investment Climate	9	7	78	43	27	63
Public Private Partnership	0	0	0	30	15	50
Sustainable Business Advisory	11	8	73	85	44	52
Grand Total	29	21	72	214	120	56

Source: IEGPE database (PCR Evaluative Notes).
a. Includes operations evaluated as highly successful, successful, or mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.18. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC– IEG XPSR/PES Ratings			IFC– IEG PCR Ratings		
		MS+		Total number of rated projects	MS+		Total number of rated projects	MS+		Total number of rated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IBRD	Albania	4	50	8		0		3	100	3
	Azerbaijan	8	89	9	1	100	1	1	100	1
	Belarus	2	100	2	1	100	1		0	
	Bulgaria	1	50	2	1	100	1		0	
	Croatia	6	60	10	1	100	1	1	100	1
	Hungary		0			0			0	
	Kazakhstan	2	100	2		0			0	
	Latvia	2	100	2		0			0	
	Lithuania		0			0			0	
	Macedonia	8	100	8		0		1	100	1
	Montenegro	1	33	3		0		2	100	2
	Poland		0			0			0	
	Romania	3	50	6	4	80	5		0	
	Russian Federation	4	67	6	10	56	18	3	75	4
	Serbia	3	100	3	0	0	1	0	0	1
	Slovak Republic		0			0			0	
	Turkey	6	100	6	9	75	12		0	
	Ukraine	2	40	5	8	73	11	0	0	3
IBRD Subtotal		52	72	72	35	69	51	11	69	16
Blend	Armenia	10	91	11	2	67	3		0	
	Bosnia and Herzegovina	4	80	5	2	67	3	1	33%	3
	Georgia	4	80	5	0	0	1	1	100	1
	Moldova	3	100	3		0			0	
	Uzbekistan	2	67	3		0		4	100	4
Blend Subtotal		23	85	27	4	57	7	6	75	8
IDA	Kosovo	2	100	2		0		0	0	1
	Kyrgyz Republic	2	67	3	1	100	1		0	
	Tajikistan	4	80	5		0		2	100	2
IDA Subtotal		8	80	10	1	100	1	2	67	3
Regional	Central Europe Region		0		0	0	1		0	
	Central Asia		0	1		0			0	
	Southern Europe Region		0		0	0	2	2	100	2
	Europe and Central Asia	1	100	1		0			0	
	Eastern Europe Region		0		0	0	1		0	
ECA Regional Subtotal		1	50	2	0	0	4	2	100	2
Grand Total for Europe and Central Asia		84	76	111	40	63	63	21	72	29

Source: IEGPE Database (PCR Evaluation Notes).
Note: Includes operations evaluated as highly successful, successful, and mostly successful.

Table H.19. Europe and Central Asia: New World Bank Lending Commitments by Sector, FY09–13 (US$ millions)

Sector board	2009	2010	2011	2012	2013

Agriculture and Rural Development	50	138	116	86	235
Economic Policy	1,813	4,987	1,569	3,035	2,288
Education	53	2	29	17	57
Energy and Mining	1,458	852	1,811	1,320	391
Environment	0	0	30	24	44
Global Information and Communications Technology	0	0	44	0	0
Financial and Private Sector Development	800	3,181	319	378	458
Health, Nutrition, and Population	122	7	149	10	145
Public Sector Governance	5	70	33	0	122
Social Development	0	0	100	50	34
Social Protection	1,752	191	949	61	0
Transport	2,946	896	216	1,248	890
Urban Development	109	318	241	126	77
Water	178	174	119	27	122
Grand Total	9,285	10,816	5,725	6,381	4,862

Table H.20. Europe and Central Asia: IEG Ratings of Project M&E Quality, FY10–12

	M&E Quality Substantial or Better		
	Number of projects	Percentage	Total number of rated projects
IBRD	27	38	71
Blend	8	30	27
IDA	5	50	10
Regional	1	50	1
Grand Total for Europe and Central Asia	41	37	110
Grand Total Bank-wide	170	28	602

Table H.21. Europe and Central Asia: CASCR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Outcome rating	Bank performance	IFC performance
2011	Albania	FY06–09	MS	MU	MS
	Azerbaijan	FY07–10	MU	MU	MS
	Bulgaria	FY07–11	MS	MS	MS
	Macedonia	FY07–10	MS	MS	MS
	Montenegro	FY07–10	MS	S	S
2012	Bosnia and Herzegovina	FY08–11	MS	MS	MS
	Kazakhstan	FY05–11	MU	MU	MS
	Russian Federation	FY07–11	MS	MS	MS
	Serbia	FY08–11	MU	MS	MS
	Turkey	FY08–11	MS	MS	S
	Ukraine	FY08–11	MU	S	MS
	Uzbekistan	FY08–11	MU	MU	MS
2013	Belarus	(FY08–12)	MU	MS	NA
	Croatia	FY09–13	MS	MS	NA

Note: In this Region, country strategies are called country partnership strategies (CPSs). The generic term country assistance strategy (CAS) is used for convenience here. MS = moderately satisfactory; MU = moderately unsatisfactory; NA = not applicable; S = satisfactory.

Latin America and the Caribbean

REGIONAL CHALLENGES AND EVALUATION FINDINGS FROM WORLD BANK GROUP OPERATIONS

After strong recovery from the global financial crisis, the growth in the Latin America and the Caribbean Region decelerated markedly. The regional economy expanded by 6 percent in 2010, but the growth rate in 2012 is estimated to have declined to 3 percent (World Bank 2013). The pillars of the past of Latin America and the Caribbean Regional Updates have been built around five "Gs": (i) gini (income distribution), poverty, and gender; (ii) growth and productivity; (iii) governance and institutions; (iv) green/global involvement; and (v) guarding against disasters. New World Bank lending commitments in the Region peaked in FY09 ($14.2 billion), reflecting the substantial response in volume to the global economic crisis, and declined to $5.2 billion in FY13 (Table H.26).

The performance of Bank lending operations in the Latin America and Caribbean Region is consistently above the Bank average, but the gap is narrowing (Figure H.4). Among the projects that exited the portfolio between FY10 and FY12 and reviewed by IEG, the outcome of 73 percent was rated moderately satisfactory or better, while the Bank average is 70 percent; this includes both investment lending projects and development policy operations. Strong performers included operations in Economic Policy; Health, Nutrition, and Population; and Public Sector and Governance (Table H.22). By net commitment, 93 percent have been rated moderately satisfactory or better, which is substantially higher than the Bank average (82 percent) (Table H.22).

The projects rated satisfactory or better demonstrate the value of getting the design right. The Caribbean Catastrophe Risk Insurance Facility project, rated highly satisfactory, provides a good example of successful outcomes based on a focused approach and simple, yet sophisticated design underpinning an innovative concept. The availability of substantial resources for preparation seems to have been an important factor in this result. An emergency operation in Nicaragua under the Avian Influenza Global Program developed a clear causal chain between project activities, outputs, and intermediate and final outcomes. A project in Ceará, Brazil, helped increase government agencies' incentives to collaborate across organizational boundaries by linking disbursement with achievement in predefined indicators. Projects rated moderately unsatisfactory or worse show that institutional discontinuity or a capacity gap often hinders results, particularly when combined with ambitious project design. Frequent changes in task managers affected the continuity of Bank involvement in several cases.

The quality of M&E systems may have contributed to positive results. Out of 32 FY10–12 exit projects rated satisfactory or highly satisfactory, the M&E systems of 20 projects were rated substantial or high in quality. This is a much higher share than the Latin America and the Caribbean average (29 percent), which was largely on par with the Bank average (28 percent). Good practices in M&E include selection of appropriate indicators, regular

monitoring of progress, and putting in place an arrangement that produces real-time feedback. A frequent shortcoming is the lack of baseline data.

AAAs can be major drivers of results. The Brazil Country Program Evaluation (CPE) highlighted knowledge input and technical support for the Bolsa Família, a nationwide conditional cash transfer program. The Bank functioned as the trusted advisor for the government trying to address practical policy challenges as it developed and expanded the program (IEG 2014 forthcoming). Another evaluation found that the key strengths of the Bank's knowledge services are the ability to benchmark against good practice, high reputation and credibility, ability to customize services to the local context, and capacity to deliver multisector development solutions (IEG 2013e). However, these strengths might be challenged when there are insufficient activities to gain appropriate depth and breadth of country knowledge.

IFC's net commitment to the Region increased from $2.7 billion in FY11 (25.2 percent of total IFC net commitment) to $4.36 billion in FY13 (25.5 percent of IFC's total): the Global Trade Finance Program (GTFP) represented 45.9 percent of the commitment in the Region. The success rate of IFC's investments in the Latin America and the Caribbean reviewed in 2010–2012 was 74 percent, which was higher than the IFC average (65 percent). By commitment volume, the success rate was 79 percent while the IFC's average was 74 percent (Table H.24). The success rate of MIGA operations in the Latin America and the Caribbean Region evaluated by IEG in FY10–12 (80 percent) was also above the overall MIGA average (74 percent).

IFC projects rated moderately unsatisfactory or worse points to the key role that sponsors play in achieving positive outcomes. A cost overrun and delays in construction of a major hydroelectric power project in Chile highlights the importance of working with global sponsors as they are able to absorb a significant cost-overrun. A failure of a small microfinance project in Nicaragua demonstrated a need for close supervision, sponsor integrity, and commitment.

The success rate of IFC advisory services reviewed in 2010–2012 was 65 percent for the Latin America and the Caribbean Region, while the IFC average was 56 percent. The PPP business line in the Latin America and the Caribbean Region had the highest success rates among all the Regions. IFC played the role of transaction advisor based on its global expertise and experience in the field. A transport project in Brazil adopted the Equator Principles and IFC's social standards, which became a standard for subsequent transport projects in the country. IFC helped reach financial closures for the first PPP hospital project in Brazil, a major highway project in Colombia, and two PPP hospital projects in Mexico. There have been substantial efforts to link the A2F Advisory Services with

financial markets investments: the main objective of all eight A2F activities IEG reviewed was to complement IFC investments. However, only two (Colombia, Peru) were rated successful; lack of client commitment, the negative impact of the global economic crisis, and the lack of sponsors' experience are some of the reasons for the unsatisfactory outcomes for the remaining six activities.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

The Bank Group made positive contributions in protecting the Amazon—an element of the green and global involvement pillar of the Latin America and the Caribbean Regional Update (IEG 2013b). The Bank strategically aligned its policy advice, lending, and grant-making instruments around the threatened Amazon frontier and helped Brazil put policies in place and strengthens the enabling environment to significantly reduce its rates of deforestation.

Positive outcomes from some of the innovative approaches present interesting possibilities for learning and scaling up. For example, the Bank has provided sustained support to activities based on the payments for environment services schemes in Costa Rica and extended its knowledge of how to service and enhance this type of scheme through eight additional projects, mainly in Latin America—Brazil, Chile, Colombia, Mexico, Nicaragua, and Panama. While few in number, these projects represent innovative efforts by the Bank to help leverage and develop alternative financing for conservation. They also hold lessons for contracting and benefit sharing for carbon related projects and programs and staff working to help governments value and integrate forests and forest-related services into their national accounting. In transport, Output- and Performance-based Road Contracts, which define the minimum maintenance conditions that have to be met by the contractor through the use of performance measures, were supported with the view of reducing the scope for discretionary spending and improving efficiency.

Fostering innovation and entrepreneurship is a key policy action to achieve sustained growth and job creation. According to a recent IEG evaluation, Bank Group support has helped countries build their innovation capacities, but its effectiveness could be enhanced by adopting a more strategic approach (IEG 2013f). It also found that interventions are more likely to perform well in areas where the Bank Group has operational experience—interventions in high-risk, high-reward areas such as venture capital funds had mixed performance. As the linkages between public sector and private sector activities are crucial for fostering innovation, collaboration between the public and private sector arms of the Bank Group could add substantial value. The report found that interventions are more likely to perform better in areas where each institution has focused its activities such as the Bank support for research and development and IFC and MIGA support for technology upgrading through transfer, diffusion, and acquisition of new technologies and introduction of proven products into markets.

Public procurement is a core function of public sector institutions and its effectiveness has important implications for the quality of governance of a country. The IEG evaluation on public procurement found that the objective to improve country procurement capacity was reflected in many country strategies (including Mexico and Peru), but the translation of intentions into the work program was less frequent, and few countries systematically tracked the achievement of procurement-related objectives over time. The Bank's work may often have been more influential where there was greater country capacity to start with. As such, developing capacity for undertaking public procurement is key, but Bank support focused mostly on needs for implementing Bank lending. Endemic country issues affect outcomes as much as Bank design: stretched resources, low civil service salaries, and high staff turnover, while procurement capacity is found to be difficult to develop in isolation of the overall civil service cadre.

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE

Between FY11 and FY13, IEG reviewed 11 CASCRs, nine of which were rated MS. The remaining two programs, Bolivia and Honduras, were rated MU. Bank performance also varied between MS and MU, with satisfactory for one program (Nicaragua). IFC's performance was rated satisfactory for three programs (Chile, Peru, and Nicaragua). One full country program evaluation (Brazil CPE) was also completed in FY14. The outcome was rated moderately satisfactory, but with some significant achievements in such areas as the support for Bolsa Família and reduction of deforestation in the Amazon. The following four areas seem particularly relevant to many country programs in the Latin America and the Caribbean Region.

First, most of the CASCR reviews note the need to further enhance realism in interventions and outcome objectives in the CAS results frameworks (Bolivia, Colombia, Guatemala, Honduras, and Panama). A strong monitoring and evaluation framework, high quality political economy analysis, and mid-course adjustments in the results frameworks are some of the measures suggested to address this challenge.

Second, the Bank Group often faces the need to respond to changing demand, making it essential to ensure flexibility built into the country programs (Chile, Honduras, Nicaragua, Peru, and Uruguay). Responding flexibly to evolving priorities is important to ensure relevance of Bank Group operations. However, it also increases the difficulty in developing a medium term assistance strategy for long-standing structural issues such as the fiscal burden from public sector spending including wages, pensions, and subsidies; the quality of public sector institutions; the cost of doing business; and the quality of education among others. Sustained dialogue with government counterparts to identify the key challenges and appropriate actions would be essential.

Third, while there have been successes, Bank Group collaboration remains a challenge to be addressed. In Brazil, there have been several successful Bank-IFC collaborations in the Water sector, but there may be further opportunities in enhancing public-private partnerships in the country. In Guatemala, strong efforts were made by IBRD and IFC teams to seek synergies and complementarities. IFC investments amounted to nearly half of IBRD lending and contributed to many CPS objectives, but the assigned role of the IFC in the joint strategy remained relatively marginal and most of its contributions were not fully captured by the results framework.

Finally, Latin America and the Caribbean country programs point to the potential gains from facilitating South-South knowledge sharing. The Bank has helped disseminate the experience of the Brazil's Bolsa Família program in other developing countries. The CASCR review for Costa Rica indicates the potential value of sharing Costa Rica's experience in policies to promote sustainable development and safeguard the environment. Similarly, fostering knowledge sharing between subnational entities in a country (for example, Brazil) would increase the opportunities for replication and scale-up of good practices. Knowledge sharing among states in countries with a federal system (for example, Brazil) would also increase the scope for replication and scale-up of good practices.

Tables H.24 to H.28 provide detailed data on regional trends and performance.

Figure H.4. IEG Development Outcome Ratings: Latin America and the Caribbean Region and Bank-wide, and ICR Review Coverage in Region

Table H.22. IEG Development Outcome Ratings by Main Sector Boards, Exit FY10–12

	Latin America and the Caribbean				Bank-wide			
	MS or higher				MS or higher			
Sector board	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects	Number of project s	Percentage of total number	Percentage of total commitment .	Total number of rated projects
Agriculture and Rural Development	8	67	77	12	52	69	73	75
Economic Policy	14	82	99	17	46	78	92	59
Education	11	73	93	15	43	64	82	67
Financial and Private Sector Development	6	86	98	7	39	74	95	53
Health, Nutrition, and Population	12	80	67	15	52	71	66	73
Public Sector Governance	13	76	98	17	34	65	72	52
Social Protection	5	71	99	7	22	69	83	32
Transport	5	83	98	6	31	74	78	42
Other	14	58	52	24	102	70	79	145
Grand Total	88	73	93	120	421	70	82	598

Note: "Other" represents sector boards with fewer than five projects within the Region. As relates to Bank-wide figures, other includes the same sector boards with fewer than five projects, as in the Region, in addition to sector boards which were not represented in the Region but which were present Bank-wide.

Table H.23. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in Latin America and the Caribbean and Overall, FY10–12

IFC	Latin America and the Caribbean						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)
Financial Markets	24	18	75	786	634	81	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	14	10	71	504	358	71	52	33	64	1,781	1,317	74
Manufacturing, Agribusiness, and Services	20	15	75	509	433	85	80	59	74	2,009	1,594	79
Total	58	43	74	1,798	1,425	79	236	154	65	6,835	5,067	74

MIGA	Latin America and the Caribbean			MIGA Overall		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or better	Success rate (percentage)
MIGA Total	5	4	80	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).
Note: MIGA's rating criteria follows a four-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.
a. Includes operations evaluated as highly successful, successful, or mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.24. IEG Ratings of IFC Advisory Projects: Latin America and the Caribbean and IFC Overall, 2010–2012

	Latin America and the Caribbean Region			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	6	2	33	56	34	61
Investment Climate	7	5	71	43	27	63
Public Private Partnership	7	5	71	30	15	50
Sustainable Business Advisory	20	14	70	85	44	52
Grand Total	40	26	65	214	120	56

Source: IEGPE database (PCR Evaluative Notes).
a. Includes operations evaluated as highly successful, successful, mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.25. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC–IEG XPSR/PES Ratings			IFC–IEG PCR Ratings		
		MS or better		Total number of rated projects	MS or better		Total number of rated projects	MS or better		Total number of rated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IBRD	Argentina	5	100	5	4	80	5	1	100	1
	Brazil	17	71	24	14	88	16	5	63	8
	Colombia	5	100	5	7	100	7	3	60	5
	Costa Rica	2	100	2		0			0	
	Dominican Republic	3	60	5		0			0	
	Ecuador	1	100	1	1	100	1	1	100	1
	El Salvador	4	80	5	1	100	1		0	
	Guatemala	1	100	1	2	100	2		0	
	Jamaica	3	100	3	1	100	1	1	100	1
	Mexico	7	70	10	1	33	3	1	33	3
	Panama	2	67	3	0	0	1	1	100	1
	Paraguay	1	50	2	1	100	1		0	
	Peru	3	50	6	5	63	8	7	78	9
	Venezuela, RB	1	100	1		0			0	
IBRD Subtotal		55	75	73	37	80	46	120	69	29
Blend	Bolivia	1	50	2		0		1	100	1
	Dominica	1	100	1		0			0	
	Grenada	3	100	3		0			0	
	St. Lucia	2	67	3		0			0	1
	St. Vincent and the Grenadines	1	50	2		0			0	
Blend Subtotal		8	73	11		0		1	50	2
IDA	Guyana	2	100	2		0		1	50	2
	Haiti	4	50	8	1	100	1		0	1
	Honduras	4	50	8		0		1	100	1
	Nicaragua	5	83	6	2	67	3		0	
IDA Subtotal		15	63	24	3	75	4	2	50	4
Regional	Caribbean	2	100	2		0			0	
	Central America	1	50	2		0		1	50	2
	Latin America		0		1	33	3	2	67	3
	Organization of East Caribbean States Countries	2	100	2		0			0	
Regional Subtotal		5	83	6	1	33	3	3	60	5
High income	Chile	2	67	3	2	50	4		0	
	Trinidad and Tobago	1	100	1	0	0	1		0	
	Uruguay	2	100	2		0			0	
High-Income Subtotal		5	83	6	2	40	5		0	
Grand Total		88	73	120	43	74	58	26	65	40

Source: IEGPE Database (PCR Evaluation Notes).

Table H.261. Latin America and the Caribbean: New World Bank Lending Commitments by Sector, FY09–13 (US$ millions)

Sector board	2009	2010	2011	2012	2013
Agriculture and Rural Development	606	298	173	818	625
Economic Policy	2,580	2,772	1,650	1,897	780
Education	229	1,563	39	676	290
Energy and Mining	130	2,004	817	50	90
Environment	3,652	74	75	360	0
Financial and Private Sector Development	1,270	776	787	480	20
Global Information and Communications Technology	80	0	0	30	0
Health, Nutrition, and Population	455	2,123	1,107	80	220
Poverty Reduction	9	0	0	500	0
Public Sector Governance	1,507	65	184	128	1,116
Social Development	0	8	0	301	15
Social Protection	2,920	868	2,178	75	615
Transport	55	2,465	949	1,085	721
Urban Development	396	187	760	126	654
Water	342	858	885	324	58
Grand Total	14,231	16,070	9,603	6,929	5,204

Table H.27. Latin America and the Caribbean: IEG Ratings of Project M&E Quality, FY10–12

	M&E Quality Substantial or Better		
	Number of projects	Percentage	Total number of rated projects
IBRD	28	37	75
Blend	1	9	11
IDA	5	21	24
Regional	0	0	6
Grand Total for Latin America and the Caribbean Region	35	29	122
Grand Total Bank-wide	170	28	602

Table H.28. Latin America and the Caribbean: CASCRR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Outcome rating	Bank performance	IFC performance
2011	Chile	FY07–10	MS	MS	S
	Panama	FY08–10	MS	MS	Unrated
	Uruguay	FY05–10	MS	MS	Unrated
2012	Bolivia	FY10–11	MU	MU	MU
	Brazil	FY08–11	MS	MU	MS
	Colombia	FY08–11	MS	MS	MS
	Costa Rica	FY09–11	MS	MU	Unrated
	Honduras	FY07–11	MU	MS	Unrated
	Peru	FY07–11	MS	MS	S
2013	Guatemala	FY09–12	MS	MS	MS
	Nicaragua	FY08–12	MS	S	S

Middle East and North Africa

REGIONAL CHALLENGES AND EVALUATION FINDINGS FROM WORLD BANK GROUP OPERATIONS

Despite ongoing political upheaval in several countries in the Middle East and North Africa, regional gross domestic product (GDP) grew at 6.4 percent in 2012, up from 3.1 percent in 2011. The poverty rate has continued to decline, but pockets of concentrated poverty remain, and inequality persists—the Region has a very low female labor force participation (20 percent as of 2011), and high youth unemployment (23.5 percent as of 2011). Access to finance is particularly limited in the Region contributing to a lack of dynamism in the private sector, and FDI has been falling at a dramatic rate since 2008.[1] The lack of an adequately educated workforce is another significant constraint to growth. Issues associated with restrained voice and accountability persist throughout the Region.

The Bank Group has maintained a steady presence in the Middle East and North Africa Region despite ongoing tensions. The World Bank committed $11billion in the Region during FY09–13. The Bank's framework for engagement in the Region responds to stakeholders' demands and aims to enhance shared prosperity and reduce poverty through focusing on the drivers of governance, inclusion, jobs, and sustainable growth. IFC's net commitments in the Region increased from $587 million in FY11 (6 percent of total IFC net commitments to $1.28 billion in FY12 (9 percent), before dropping to $1.08 billion in FY13 (6 percent).[2] Due to challenges in the business environment, IFC focused on short-term GTFPs, which represented 63 percent ($677 million) of net commitments to the Region in FY13.

Development outcome ratings for IEG-evaluated projects in the Middle East and North Africa Region exiting FY10–12 were lower than the Bank-wide average. About 60 percent of projects in the Region were rated moderately satisfactory or better (MS+) by IEG compared to 70 percent of projects Bank-wide, continuing a trend that started in FY06 (Figure H.5), but with some modest improvements after a nadir in FY08–10 (by rolling three-year averages). Based on commitment volume, outcome ratings for projects in the Region (53 percent) were also lower than the Bank-wide-average (82 percent; see Table H.29).

IEG evaluated 48 Bank projects exiting FY10–12 in the Middle East and North Africa Region. Ten of the 48 projects evaluated were in the Republic of Yemen, and four each in Iraq and Morocco, eight in Tunisia, and five in Egypt (Table H.32). The top three sectors in terms of commitment by sector board were Financial and Private Sector Development (24 percent), Economic Policy (19 percent), and Education (15 percent) (Table H.29).

All five HNP projects evaluated by IEG were rated MS+. Their success can be attributed in part to the Bank's responsiveness to emergency health service needs (three of the five projects). Prioritization of needs and timeliness of response are identified as important factors. Projects in northern Iraq and Yemen had the right mix of health services provisions coupled with

capacity building within relevant ministries. In Djibouti and Yemen, projects supporting health reform and focusing on maternal and infant health were successful.

The majority (four out of five) of Bank projects in Social Protection were rated MS+. Evidence suggests that targeting the poorest households (Social Safety Net Reform Project, West Bank and Gaza) and mitigating the deterioration of basic services by funding schools, health facilities, and social centers for the disabled, elderly, and youth (Emergency Services Support Program Multi-Donor Trust Fund, West Bank and Gaza) contributed significantly to good performance. The Bank's efforts to strengthen the institutional capacity of the Ministry of Social Affairs in the West Bank and Gaza through support for an effective management information system, and the scalability of the social assistance program, also contributed to success.

Bank projects in the Economic Policy, Water, and Urban Development areas performed less well (Table H.29). The Bank continued to face persistent challenges in the Water sector (e.g., inadequate planning, over ambition, and lack of appreciation of political economy). Evaluations of the crisis-response DPOs in the Economic Policy sector in Tunisia and Jordan, and the development policy grant in Yemen, suggest the need to give greater consideration to countries' circumstances and implementation capacity. Findings also indicated that since DPOs are grounded in government programs, political volatility should be assessed as a risk factor, and that care should be taken not to have overly ambitious agendas in fragile situations (such as Yemen). There is also an identified need for clearer links between program objectives and reforms (Jordan), and to provide an outcome-focused, evidence-based tracking of results (Jordan). In the Urban Development sector, project objectives varied significantly (for example, upgrading informal settlements in Iran, developing cultural tourism in Tunisia), but the lessons suggest a need for early restructuring of poorly performing projects.

The ratings for M&E quality in the Middle East and North Africa Region from FY10–12 (33 percent substantial or better) were above the Bank-wide ratings (28 percent), but these numbers are still very low (Table H.34). Evaluations attribute low M&E quality to lack of data collection (Jordan DPL), lack of clearly defined indicators (Emergency Services Support Program Multi-Donor Trust Fund, West Bank and Gaza), and to project indicators with no baseline or target values (Iraq Emergency Health Project). Successful M&E systems included management information systems used to monitor a cash transfer program to identify eligible households (Social Safety Net Reform Project, West Bank and Gaza), and the use of a rapid results approach for assessing performance and making relevant adjustments in project implementation (Health Reform Support Project, Yemen).

The 15 IFC investment projects evaluated by IEG (FY10–12) performed well, despite the poor business climate in the Region. Fourteen of the projects were rated mostly successful and above (MS+). The 93 percent success rate is the highest for any Region over the period and

compares favorably with the overall IFC average of 65 percent. In terms of commitments the 98 percent success rate compared to an overall IFC average of 74 percent (Table H.30).

While IFC may have taken risks by investing in a difficult environment like the Middle East and North Africa Region, its selection of partner institutions contributed to good performance. IFC worked with credible financial institutions with a long-term and successful track record in the Region. IEG rated IFC's investment in a bank in Bahrain highly successful, since IFC achieved its objective to convert its partner bank to a regional bank with subsidiaries in five countries across the Middle East and North Africa Region. Another regional level project, a private equity fund supported by IFC, had impacts on private sector development by providing much-needed risk capital to companies in Algeria, Tunisia, and Morocco.

On the other hand, IFC's advisory services have lagged the IFC average, with an MS+ rate of 36 percent against an IFC-wide average of 56 percent (but only a small number (14) of Middle East and North Africa Region advisory projects were evaluated over the period 2010–2012). The five MS+ advisory service projects were in the categories of Investment Climate and Sustainable Business Advisory, while all six PPP projects were rated mostly unsuccessful or below for development effectiveness. No MIGA projects were evaluated in the Region over the FY10–12 period.[3]

As noted above, all six PPP advisory services projects validated by IEG were rated mostly unsuccessful or below. In Egypt, IFC signed a memorandum of understanding with the Ministry of Finance to structure PPP transactions in the water, health, and education sectors, but failed to achieve the intended outcomes due to a lack of both commitment from the counterpart and an appropriate, legal framework. However, IFC helped the government of Egypt to institute a consistent approach to PPPs across ministries, and in building capacity within that country's PPP Central Unit. In Yemen, IFC was successful in introducing reforms to new business start-ups by leveraging key areas of expertise and drawing on its business simplification experiences in other countries.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

IEG's evaluation on low-income FCS included Yemen as one of six country case studies. The evaluation findings show disappointing overall results for state-building in Yemen associated with overly-complex designs. Governance remains weak, civil service reform has not yet yielded results and public financial management has had little impact. On citizen capacity building and social inclusion, the FCS evaluation showed mixed results for Yemen. Favorable results were achieved on gender issues through the Social Fund for Development; however, Yemen's legal and judicial system received little support, and women continue to face severe legal constraints.

The Yemen case study for the FCS evaluation also shows that while Bank support for higher education had some successes, there was a lack of adequate support on vocational training and little diversification of the economy away from oil. Although migration from Yemen to neighboring countries is an important livelihood strategy for youth, it has received no attention in the Bank's strategies or its operational work. IEG's youth employment evaluation suggests that targeted interventions for counseling and job search assistance in the Middle East and North Africa Region can assist the young labor force to find employment opportunities.

IEG's evaluation on gender and development (2010) noted that Bank support likely contributed to improving gender equality-related outcomes in three domains—investment in human capital, access to economic assets and opportunities, and voice in development. But there were mixed results in Lebanon and Yemen which were two of the 12 focus countries in the evaluation. While analytical work on education in Yemen helped focus lending on gender disparities in education, a participatory Country Gender Assessment in Lebanon did not generate evident results in Bank lending in agriculture and vocational training projects.

Yemen was also selected as a country case study for IEG's global food crisis response evaluation, which concluded that Bank support during the crisis allowed several countries, including Yemen, to improve their social safety net readiness. The evaluation emphasized the role of Global Food Crisis Response projects in scaling-up existing public works programs in a short span of time, demonstrating the feasibility of implementing adequate social safety nets in low-income countries and fragile states. Bank-supported projects of this type (cash or food-for-work related activities) were implemented in many places including West Bank and Gaza, and Yemen in the Middle East and North Africa Region.

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE: CPE AND CASCR REVIEWS

Between FY10–12, IEG conducted a CPE for West Bank and Gaza, while a CPE for Tunisia is now in progress (approach paper dated April 1, 2013). The West Bank and Gaza evaluation (FY01–09) suggested the need for the Bank to recognize the heavy dependence on political frameworks for long-term development effectiveness. This reflects other findings, referenced above, that indicate the importance of considering country circumstances, especially when engaging in DPOs where there is heavy dependence on government buy-in and involvement. This lesson is particularly relevant in the case of the political transitions across the Middle East and North Africa Region in the aftermath of the Arab Spring.

IEG reviewed three CASCRs (using this term also for reviews of CPSs) for the Middle East and North Africa Region FY11–13 (Table H.35) and rated development outcome moderately satisfactory for Jordan and MU for Algeria and Lebanon. Bank performance was rated satisfactory for Jordan and Lebanon moderately unsatisfactory for Algeria. Overall, better outcomes for country strategies were related to timely analytical work, and technical assistance in support of programs and reforms, joint preparation of strategy between IFC and

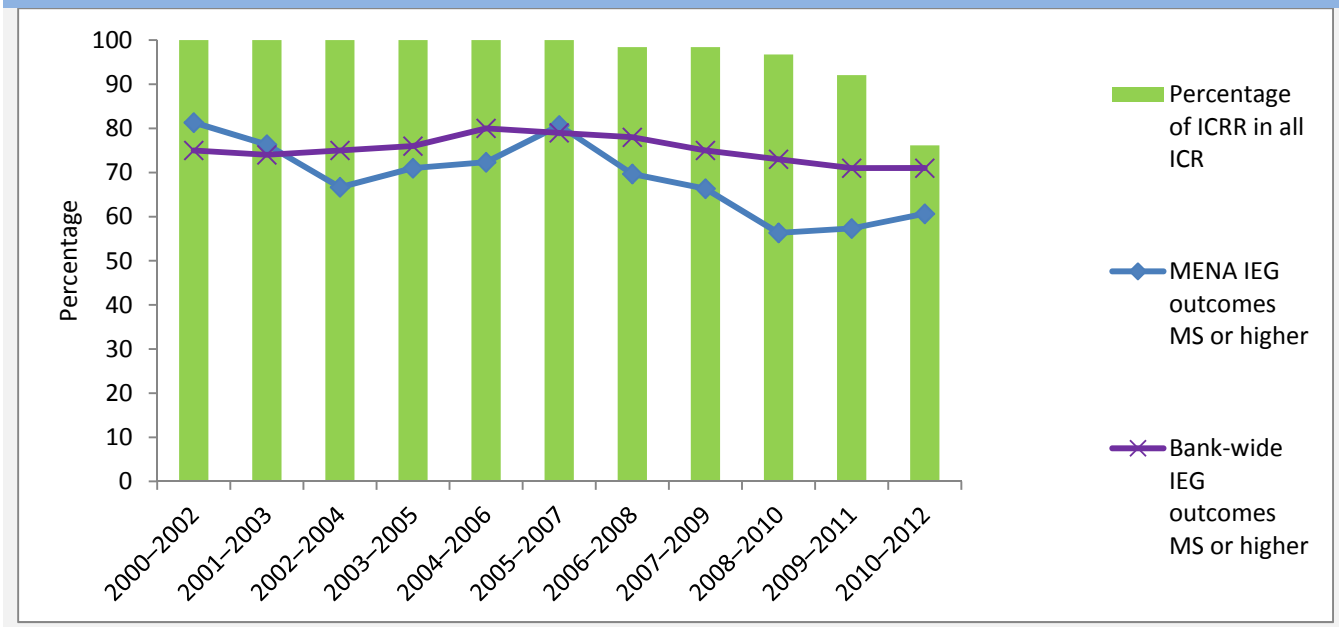
World Bank (particularly for PPP in Jordan), and regular dialogue with government authorities and key development partners. In Jordan, timely analytical work included a joint IBRD/IFC team response to assess the implications of the 2008 financial crisis which provided useful input for the government's crisis response on macroeconomic and financial sector issues. Challenges identified include the Bank's need to be more realistic about reforms and the sequencing of reforms that take place in a post-conflict environment (Lebanon). Special caution should be taken when formulating DPLs in a post-conflict environment since the policy-making environment remains uncertain (Lebanon).

IEG reviewed and rated IFC's performance separately under CASCR reviews for two countries, Jordan (IFC rating, satisfactory) and Algeria (IFC rating, moderately satisfactory). The establishment of an IFC field office in Amman boosted IFC's role in Jordan and its investment portfolio increased five-fold. IEG noted the success of PPPs, which is attributed to synergies achieved between IBRD and IFC, with IFC building on the foundations initially laid through AAA. IFC's main contribution was to advise the government followed by investment in the concession for the Queen Alia International Airport. IFC was also a leading advisor in the implementation of the Amman Ring Road PPP concession, the first toll road in Jordan.

In Algeria, IFC responded to the government's openness to private sector development by supporting large greenfield projects in support of the financial, materials, and construction sectors. Later, when the government decided to stop borrowing internationally, IFC mostly provided advisory services. IFC's ratings reflect its successful support to encourage private investment in a difficult business environment, particularly in the first half of the review period. IFC was instrumental in creating the first international commercial bank in Algeria, the Arab Banking Corporation Algeria, and contributed to the development of the leasing market. Advisory Services projects contributed to the joint development (with IBRD) of the credit registry at the Central Bank, capacity building for financial sector institutions and for providers of business services to improve SME access to business services, such as sustainable provision of training to SMEs.

Tables H.31 to H.35 provide detailed data on regional trends and performance.

Figure H.5. IEG Development Outcome Ratings by Main Sector Board, Exit FY10–12



Note: ICR = Implementation Completion Report; ICRR = Implementation Completion Report Review; IEG = Independent Evaluation Group; MENA = Middle East and North Africa; MS = moderately satisfactory.

Table H.29. IEG Development Outcome Ratings by Main Sector Boards, Exit FY10–12

	Middle East and North Africa				Bank-wide			
	MS or higher			.	MS or higher			
	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects
Agriculture and Rural Development	2	50	62	4	52	69	73	75
Education	2	50	71	4	43	64	82	67
Financial and Private Sector Development	4	80	97	5	39	74	95	53
Health, Nutrition, and Population	5	100	100	5	52	71	66	73
Public Sector Governance	3	75	0	4	34	65	72	52
Social Protection	4	80	60	5	22	69	83	32
Transport	2	67	86	3	31	74	78	42
Urban Development	2	40	61	5	21	72	89	29
Water	2	33	7	6	21	62	57	34
Other	3	43	29	7	106	75	90	141
Grand Total	29	60	53	48	421	70	82	598

Note: MS = moderately satisfactory; "Other" represents sector boards with fewer than two projects within the Region. As relates to Bank-wide figures, other includes the same sector boards with fewer than two projects, as in the Region, in addition to sector boards which were not represented in the Region but which were present Bank-wide.

Table H.30. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in Middle East and North Africa and Overall, FY10–12

IFC	Middle East and North Africa						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)
Financial Markets	12	11	92	447	438	98	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	1	1	100	31	31	100	52	33	64	1,781	1,317	74
Manufacturing, Agribusiness, and Services	2	2	100	30	30	100	80	59	74	2,009	1,594	79
Total	15	14	93	508	499	98	236	154	65	6,835	5,067	74

MIGA	Middle East and North Africa			MIGA Overall		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)
MIGA Total	0	0	N/A	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).
Note: MIGA's rating criteria follows a four-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.

a. Includes operations evaluated as highly successful, successful, or mostly successful.

b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.31. IEG Ratings of IFC Advisory Projects: Middle East and North Africa and IFC Overall, 2010–2012

	Middle East and North Africa			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	1	0	0	56	34	61
Investment Climate	3	2	67	43	27	63
Public Private Partnership	6	0	0	30	15	50
Sustainable Business Advisory	4	3	75	85	44	52
Grand Total	14	5	36	214	120	56

a. Includes operations evaluated as highly successful, successful, or mostly successful.

b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.32. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC–IEG XPSR/PES Ratings			IFC–IEG PCR Ratings		
		MS or better		Total number of evaluated projects	MS or better		Total number of evaluated projects	MS or better		Total number of evaluated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IBRD	Algeria		0			0			0	
	Egypt, Arab Republic of	4	80	5	3	100	3	1	0	4
	Iran, Islamic Republic of		0	3		0		0	0	1
	Iraq	4	100	4		0			0	
	Jordan	1	33	3		0		0	0	1
	Lebanon		0	1	2	100	2	0	0	1
	Morocco	4	100	4	0	0	1		0	
	Saudi Arabia		0		1	100	1	0	0	2
	Syria		0			0			0	
	Tunisia	4	50	8	1	100	1		0	
IBRD Subtotal		17	0	28	7	88	8	1	11	9
Blend	West Bank and Gaza	6	75	8		0			0	
Blend Subtotal			0			0			0	
IDA	Djibouti	1	0			0			0	
	Oman		0		2	100	2		0	
	Yemen, Republic of	5	50	10		0		1	100	1
IDA Subtotal			0		2	100	2	1	100	1
Regional	MENA Region		0		5	100	5	3	75	4
MENA Regional Subtotal			0		5	100	5	3	75	4
Grand Total for MENA	Total	29	60	48	14	93	15	5	36	14

Source: IEGPE Database (PCR Evaluation Notes).

Table H.33. Middle East and North Africa: New World Bank Lending Commitments by Sector (US$ millions)

Sector board	FY09	FY10	FY11	FY12	FY13
Agriculture and Rural Development	15	66	352	3	203
Economic Policy	250	550	570	250	500
Education	85	73	40	6	166
Energy and Mining	680	956	–	445	591
Financial and Private Sector Development	–	1,300	–	100	260
Health, Nutrition, and Population	7	100	35	–	7
Public Sector Governance	–	100	12	16	5
Social Development	–	–		361	
Social Protection	–	70	50	305	155
Transport	373	122	467	–	40
Urban Development	193	60	139	27	130
Water	121	340	400		
Grand Total	1,723	3,737	2,065	1,513	2,058

Table H.34. Middle East and North Africa: IEG Ratings of Project M&E Quality, FY10–12

	M&E Quality Substantial or Better		
	Number of projects	Percentage	Total number of rated projects
IBRD	7	25	28
Blend	5	63	8
IDA	4	33	12
Grand Total for Middle East and North Africa		33	48
Grand Total Bank-wide	170	28	602

Table H.35. Middle East and North Africa: CASCRR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Bank performance	IFC performance
2011	Algeria	MU	MU	MS
	Lebanon	MU	S	Unrated
2013	Jordan	MS	S	S

South Asia

REGIONAL CHALLENGES AND EVALUATION FINDINGS FROM WORLD BANK GROUP OPERATIONS

GDP growth in the South Asia Region declined to 4.8 percent in 2012 from 10 percent in 2010 and 7.3 percent in 2011. The slowdown in regional growth reflects continued deceleration in India, which represents about four-fifths of the Region's GDP (World Bank 2013). The pillars of the South Asia Regional Update in 2013 include: (i) increased employment and accelerated growth; (ii) enhanced human development and social welfare; (iii) strengthened governance and accountability; (iv) reduced weather, disaster, and food vulnerability; and (v) enhanced regional integration and cooperation. World Bank lending commitments in the Region peaked in FY10 with $11.3 billion, and declined to $4.5 billion in FY13 (Table H.40).

Overall performance of Bank operations in the South Asia Region has been around the Bank average (Figure H.6): outcome ratings of 70 percent of projects which exited the active portfolio in FY10–12 and have been reviewed by IEG were rated moderately satisfactory or better. This is on the same level with the Bank-wide average of 70 percent (Table H.36). By net commitment volume, 88 percent were rated moderately satisfactory or better, while the Bank average was 82 percent (Table H.36). Strong performers in the South Asia Region are in the Education and Transport sectors. Projects in the Public sector and Governance sector (for example, tax administration, civil service and public administration, and legal and judicial reforms) performed less well.

Projects rated satisfactory or highly satisfactory offer useful lessons for future operations. A community development project in Sri Lanka, rated highly satisfactory, presents an effective combination of innovative approach, good monitoring, and significant unintended benefits through demonstrating a successful community driven development approach elsewhere in Sri Lanka and to other countries. A social safety nets operation in Pakistan demonstrates the value of linking a development policy operation to technical assistance to ensure sustainability of policy reforms. Extensive prior analytical work also helped to identify and mitigate political and institutional risks. A rural poverty reduction project in Andhra Pradesh, India, points to the need to keep a flexible design that could easily incorporate innovations and the ability to develop and test new ideas.

Reasons for lower outcome ratings in projects across the sectors often reflect capacity gaps among implementing agencies in relation to the high level of complexity involved in project design. Also, two projects in Afghanistan that were rated highly unsatisfactory highlight the difficulty involved in working in a post-conflict situation. One of the two projects, aimed to improve the investment climate, suffered from failure to adequately address security risks and other flaws in project design. Given the fluidity involved in a

conflict-affected environment, readiness of technical design needs to be high at project start, but the design also needs to maintain flexibility to address potential deterioration of security. This is not a simple goal to achieve as the speed of response is also crucial in post-conflict reconstruction efforts. One of the lessons drawn from the other highly unsatisfactory projects is to keep the project design as simple as possible by keeping the number of components to a minimum and ensuring a realistic and focused geographical spread.

The quality of M&E systems of the South Asia Region projects is in line with the Bank average. For projects exited in FY10–12 and rated by IEG, 25 percent were rated substantial or high, while the Bank average is 28 percent (Table H.41). It is worth highlighting that the ratings for the quality of M&E systems for projects in India are on average at a substantially higher level at 40 percent, reflecting a focused effort undertaken by the regional management and relevant teams.[4]

AAA activities are an important component of Bank operations in the Region. A recent IEG evaluation shows that key strengths of the Bank's knowledge services acknowledged by counterparts include the ability to benchmark against good practice, reputation, and credibility; the ability to customize to the local context; and capacity to deliver multisector development solutions (IEG 2013e). As reported in the last year's note, the Afghanistan CPE demonstrated the value of analytical work particularly in areas where the Bank does not engage in direct project financing (World Bank 2012).

IFC has succeeded in increasing its new business volume in South Asia,[5] led by performance in India and in Pakistan. For Pakistan, IFC recorded a net commitment of $1.52 billion in FY11–13—the majority of which (80.1 percent) was through the GTFP. In contrast, GTFP accounted for 6.1 percent a significant increase in the net commitment in India during the same three-year period. A high share of GTFP in Pakistan is likely associated with the perceived risks in the banking sector including poor credit quality, concerns over political interference in loan recovery, and political and macroeconomic instability (IEG 2013g). The success rate of IFC's investments in the Region reviewed in 2010–2012 was 56 percent, while the IFC average is 65 percent based on the number of projects. By commitment volume, the regional success rate is 65 percent, which is close to the IFC average of 74 percent (Table H.37). In contrast, IFC's advisory services performed well with the success rate of 75 percent for the Region compared to the IFC average of 56 percent. IEG validated one MIGA telecom project in Afghanistan and rated it satisfactory.

Financial markets comprise the largest group of operations for IFC in the Region in FY11–13. One-half of investment projects in the financial markets evaluated by IEG in 2010–2012 had an overall development outcome rating of moderately satisfactory or better, while all access to finance advisory service projects had a rating of moderately satisfactory or better. IFC's investment experiences in manufacturing, agribusiness, and

services in the Region underscore the importance of working with experienced sponsors as illustrated in IFC investments in private health-care services provisioned in India: a project with an experienced sponsor exceeded IFC's projection to expand health care services, while another private hospital project with an inexperienced sponsor failed to achieve intended outcomes and development impacts. In infrastructure, IFC helped address the need to increase efficiency and production of power supply through successful projects in India and Pakistan.

FINDINGS FROM THEMATIC, GLOBAL, AND CORPORATE EVALUATIONS

The recent evaluation of the Bank Group's response to the food crisis relates to the South Asia Region goal to reduce weather, disaster, and food vulnerability (IEG 2013g). Two countries in the South Asia Region, Bangladesh ($130 million) and Nepal ($83.8 million), were major recipients of the food crisis response program evaluated in the report. The report found that a detailed strategic framework for crisis response is necessary, but not sufficient for the effectiveness of interventions—enhancement of administrative budgets commensurate to the expansion in the scale of operations is required as the effectiveness of increased lending depended critically on adequate analytical work and staff resources. The report notes that nonlending technical assistance increased during the crisis response period, while economic and sector work declined significantly, particularly in Africa and South Asia. The report also points to the importance of having social safety net systems in place before a crisis hits to increase crisis resilience in the country.

Addressing the challenges in FCSs is a priority across the sectors and Regions of the Bank Group. The recent IEG evaluation of the Bank Group assistance in low-income FCSs found that operations in FCSs are resource intensive, but enhanced financial and staff resources as well as greater managerial attention can lead to better performance outcomes. Also, the gap in performance of projects in FCSs and non-FCSs is narrowing. The report notes that the Bank has been relatively effective in mainstreaming gender within the health and education and community-driven development portfolios in low-income FCSs. The Bank's analytical work has contributed to a national dialogue on women in some countries: for example, in Nepal, the Bank's analytical work contributed to agreement on a 33 percent quota for women in the Parliament. In Afghanistan and Nepal, the assistance strategies successfully influenced the Bank's project portfolio on integrating gender across many sectors throughout the evaluation period. However, the report also found that the Bank has paid insufficient attention to conflict-related violence against women and economic empowerment of women.

The report considers that the CAS in these countries have lacked tailoring to fragility and conflict drivers and realism, and do not currently have contingencies based on political

economic and conflict risks to adjust objectives and results if risks materialize. As seen in the efforts in Afghanistan and Nepal, community-driven development has been a useful vehicle for short-term assistance to local communities in FCSs. However, in the absence of a mechanism to ensure sustainability, their long-term viability remains a concern. On sustainability, the Bank has increased its attention to the security sector in Public Expenditure Reviews and Public Financial Management analyses. The work on the Economics of Transition in Afghanistan was an important input that informed the government-donor discussions on the sustainability of security sectors and development investments in the medium term.

The quality of the public procurement system is a critical attribute of the governance and accountability framework in a country. The evaluation on public procurement found that in most countries surveyed, some actions were taken based on the recommendations of Bank diagnostic work in this area. In Bangladesh, for example, the Bank was critically important in pushing through relevant reforms through a range of instruments, including the 2002 Country Procurement Assessment, nonlending technical assistance, development policy operations, and investment lending.

EVALUATION FINDINGS FROM COUNTRY PROGRAM PERFORMANCE

Over the last three years (FY11–13), IEG has reviewed three CASCRs (Bhutan, Sri Lanka, and India) and the overall outcome of all these programs was rated moderately satisfactory. IEG also completed a full CPE for Afghanistan in FY13 and rated the program outcome moderately satisfactory.

These country program level reviews demonstrate that the Bank Group strategies were relevant to development needs of the countries. Progress at the time of the CAS completion is reported in various areas. Bhutan experienced favorable economic growth thanks to a very significant increase of hydropower exports. In India, the work on inclusive growth pillar delivered on its main commitments and contributed to the national outcomes in such areas as rural community development. In Sri Lanka, progress was made in resettlement of those displaced by the 30-year war and rehabilitation of homes and village infrastructure in affected areas. The Afghanistan CPE points to achievements in fiscal management, health, education, infrastructure, and microfinance.

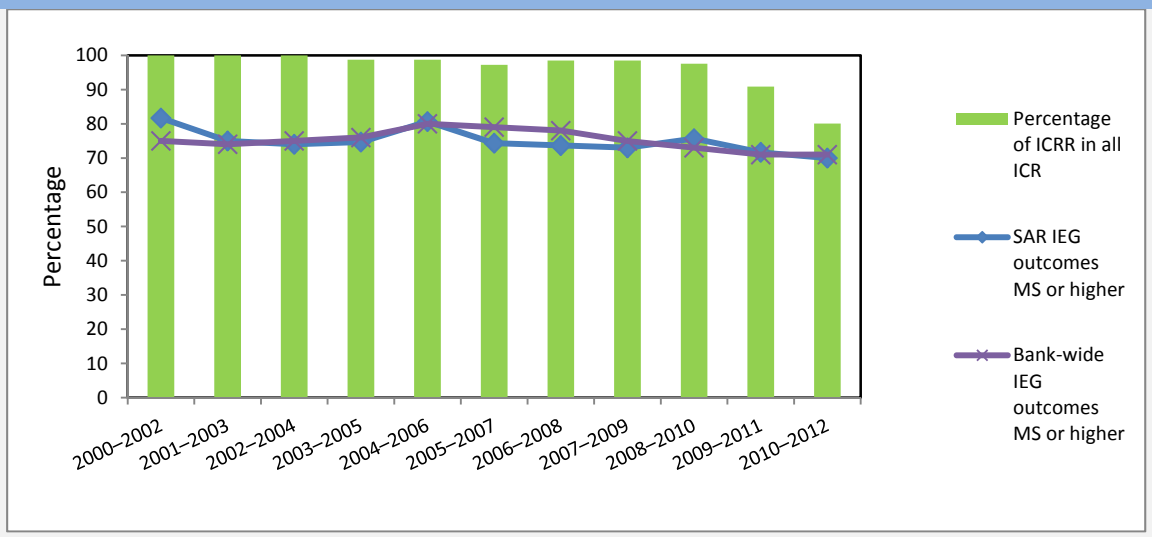
However, shortcomings are also reported. In Afghanistan, progress in civil service reform, agriculture, urban development, and private sector development was assessed as limited. In Sri Lanka, progress in improving irrigation and dams did not reach the expected level, while challenges remained in the finances of the social protection system, the regulatory framework for environmental management in the power sector, and the conservation of ecosystems. In India, support in the areas of disaster management, engagement with the low-income states on structural reforms to accelerate growth, and

fragmentation of programs to address child malnutrition are noted as areas for further efforts.

Overall, the recent reviews of CAS implementation suggest three key lessons. First, they reiterate the point that country ownership and commitment matter. The review of the Sri Lanka CASCR points to the difficulty involved in supporting areas where the government has views different from the Bank Group's. A closer dialogue with the government counterpart on the development and implementation of the strategy could narrow the differences in approach, which would enhance the effectiveness of Bank Group operations. Second, the Bank Group needs to find a way to respond flexibly to evolving country demands while maintaining the medium-term strategic framework for its operations. The CAS Progress Report is an important instrument to take stock of progress and the changing environment as well as to make mid-course adjustments in the Bank Group's strategic focus. Finally, potential benefits from good Bank Group coordination are recognized, but operationalization of such an integrated approach remains a goal to be achieved. Joint strategy development and enhancing staff incentives for collaboration may help advance this effort.

Tables H.38 to H.42 provide detailed data on regional trends and performance.

Figure H.6. IEG Development Outcome Ratings for South Asia and Bank-wide, and ICR Review Coverage in Region



Note: ICR = Implementation Completion Report; ICRR = Implementation Completion Report Review; IEG = Independent Evaluation Group; MS = moderately satisfactory; SAR = South Asia Region.

Table H.36. IEG Development Outcome Ratings by Main Sector Boards, Exit FY10–12

	South Asia				Bank-wide			
	MS or higher				MS or higher			
Sector board	Number of projects	Percentage total number	Percentage of total commitment	Total number of rated projects	Number of projects	Percentage of total number	Percentage of total commitment	Total number of rated projects
Education	7	100	100	7	43	64	82	67
Transport	7	88	78	8	31	74	78	42
Agriculture and Rural Development	6	67	86	9	52	69	73	75
Health, Nutrition, and Population	4	57	82	7	52	71	66	73
Urban Development	4	80	85	5	21	72	89	29
Economic Policy	3	60	100	5	46	78	92	59
Financial and Private Sector Development	3	50	99	6	39	74	95	53
Global Information and Communication Technology	3	100	100	3	7	100	100	7
Social Protection	3	75	94	4	22	69	83	32
Water	3	75	100	4	21	62	57	34
Other	7	54	76	13	87	69	80	127
Grand Total	50	70	88	71	421	70	82	598

Note: "Other" represents sector boards with fewer than three projects for the Region. As relates to Bank-wide figures, "other" includes the same sector boards with fewer than three projects, as in the Region, in addition to sector boards that were not represented in the Region but were present Bank-wide.

Table H.37. IEG Development Outcome Ratings of IFC Investment and MIGA Guarantee Operations in South Asia and Overall, FY10–12

IFC	South Asia Region						IFC Overall					
Cluster	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)	Number of XPSRs/PES evaluated	XPSRs/PES evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Commitment of evaluated operations (US$ millions)	Commitment of mostly successful or higher (US$ millions)	Success rate by commitment (percentage)
Financial Markets	9	4	44	359	182	51	104	62	60	3,045	2,156	71
Infrastructure and Natural Resources	11	6	55	285	222	78	52	33	64	1,781	1,317	74
Manufacturing, Agribusiness, and Services	14	9	64	320	226	71	80	59	74	2,009	1,594	79
Total	34	19	56	964	629	65	236	154	65	6,835	5,067	74

MIGA	South Asia Region			All		
	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)	Number of MIGA projects evaluated	PERs rated satisfactory or higher	Success rate (percentage)
MIGA Total	1	1	1	19	14	74

Source: IEGPE database (XPSR and PES Evaluative Notes).
Note: MIGA's rating criteria follows a 4-point rating scale: excellent; satisfactory; partly unsatisfactory; and unsatisfactory.
a. Includes operations evaluated as highly successful, successful, or mostly successful.

b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.38. IEG Ratings of IFC Advisory Projects: South Asia and IFC Overall, 2010–2012

	South Asia			IFC Overall		
Business line	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)	Number of PCRs evaluated	PCRs evaluated as mostly successful or higher[a]	Success rate[b] (percentage)
Access to Finance	7	7	100	56	34	61
Investment Climate	6	3	50	43	27	63
Public Private Partnership	8	5	63	30	15	50
Sustainable Business Advisory	11	9	82	85	44	52
Grand Total	32	24	75	214	120	56

Source: IEGPE database (PCR Evaluative Notes).
a. Includes operations evaluated as highly successful, successful, or mostly successful.
b. "Success rate" refers to projects rated as mostly successful or higher in percentage of total.

Table H.39. IEG Development Outcome Ratings by Country, FY10–12

		World Bank Projects			IFC–IEG XPSR/PES Ratings			IFC–IEG PCR Ratings		
		MS or better		Total number of rated projects	MS or better		Total number of rated projects	MS or better		Total number of rated projects
		Number of projects	Percentage		Number of projects	Percentage		Number of projects	Percentage	
IDA	Afghanistan	9	60	15				1	100	1
	Bangladesh	6	86	7				1	100	1
	Bhutan	1	33	3					0	1
	Maldives	1	50	2			1	3	100	3
	Nepal	4	67	6				2	100	2
IDA Subtotal		21	64	33			1	7	88	8
Blend	India	16	80	20	16	67	24	13	68	19
	Pakistan	8	67	12	3	33	9		0	1
	Sri Lanka	5	83	6		0		4	100	4
Blend Subtotal		29	76	38	19	58	33	17	71	24
Grand Total for South Asia	Total	50	70	71	19	56	34	24	75	32

Source: IEGPE Database (PCR Evaluation Notes).

Table H.40. South Asia: New World Bank Lending Commitments by Sector (US$ millions)

Sector board	FY09	FY10	FY11	FY12	FY13
Agriculture and Rural Development	1,110	1,304	871	2,284	296
Economic Policy	650	14	25		36
Financial and Private Sector Development	408	3,770	199	30	130
Education	862	1,454	471	1,250	595
Energy and Mining	1,029	1,460	837	1,212	221
Environment	62	286	41		100
Global Information and Communications Technology			50		70
Health, Nutrition, and Population	650	296	400	192	855
Poverty Reduction			300		
Public Sector Governance	35	107	370		119
Social Development				29	
Social Protection	99	208	537	150	613
Transport	380	1,106	4,544	505	679
Urban Development		859	485	563	386
Water	149	470	1,000	230	375
Grand Total	5,434	11,334	10,130	6,446	4,474

Table H.41. South Asia: IEG Ratings of Project M&E Quality, FY10–12

	M&E Quality Substantial or Better		
	Number of projects	Percentage	Total number of rated projects
IBRD			
Blend	13	33	39
IDA	5	15	33
Regional			
Grant Total for South Asia	18	25	72
Grand Total Bank-wide	170	28	602

Table H.42. South Asia: CASCRR Outcome and Performance Ratings, FY11–13

FY of review	Country	CASCR review period	Outcome rating	Bank performance	IFC performance
2011	Bhutan	FY06–09	MS	MS	MS
2012	Sri Lanka	FY09–12	MS	MS	MS
	India	FY09–12	MS	S	Not rated

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Notes

[1]As of 2012, foreign direct investment to the Middle East and North Africa Region had declined by approximately 79 percent from 2008.

[2]To ensure comparability with the composition of the Middle East and North Africa Region from a World Bank Group perspective, Afghanistan and Pakistan are not included in IFC data for this regional update, although IFC's classification of the Region includes both countries, and IFC had a large investment program in Pakistan with a total net commitment of $1.5 billion in FY11–13.

[3]IEG reviews 45 percent of investments and 51percent of advisory service projects after the self-evaluations are done by IFC in each calendar year. Table H.30 represents only about a half of IFC's advisory projects in the Region. Two successful PPP projects in Jordan were not a part of six projects rated mostly unsuccessful or below in Table H.30.

[4] The shares for the South Asia Region and other Regions in the last IEG note were 47 percent and 30 percent, respectively.

[5] For IFC, Afghanistan and Pakistan are included for Middle East and North Africa.